Nasdaq PHLX Rules, Regulation, Rule 1. Definitions

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The terms defined herein shall have the meanings specified herein for all purposes of Rules of the Board of Directors and of rules and regulations of Standing Committees of the Exchange, unless the context of a rule or regulation requires otherwise.

Act, Exchange Act or Securities Exchange Act

(a) The term "Act", "Exchange Act" or "Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

Associated Person or Person Associated with a Member Organization

(b) The term "associated person" or "person associated with a member organization" means any partner, officer, director, or branch manager of an Exchange member organization or applicant (or person occupying a similar status or performing similar functions), or any person directly or indirectly controlling, controlled by, or under common control with such member organization or applicant, or any employee of such member organization or applicant, except that any person associated with a member organization or applicant whose functions are solely clerical or ministerial shall not be included in the meaning of such term for purposes of the Exchange Rules. For purposes of the 8000 and 9000 Rule Series, the term “person associated with a member organization” or “associated person” shall have the same meaning as the term “persons associated with a member” or “associated person of a member,” respectively, as provided in Section 3(a)(21) of the Exchange Act.

Board or Board of Directors

(c) The term “Board” or “Board of Directors” shall mean the Board of Directors of Nasdaq PHLX LLC.

By-Laws

(d) The term "By-Laws" means the By-Laws of Nasdaq PHLX LLC.

Clearing Firm

(e) The term “clearing firm” shall mean a member organization that meets the requirements of Rule 165(c).

Code of Procedure

(f) The term “Code of Procedure” means the procedural rules contained in the Rule 9000 Series.

Commission or SEC

(g) The terms “Commission” or “SEC” mean the United States Securities and Exchange Commission.

Delivery

(h) The term "delivery" means the delivery of securities on Exchange contracts, unless otherwise stated.

Director

(i) The term “Director” shall mean the Persons elected or appointed to the Board of Directors from time to time in accordance with the LLC Agreement and these By-Laws, in their capacity as managers of the Exchange.

Exchange

(j) The term "Exchange" shall mean Nasdaq PHLX LLC.

Exchange Review Council

(k) The term “Exchange Review Council” means the committee authorized and directed to act for the Board of Directors of the Exchange in a manner consistent with the Exchange Rules with respect to (1) an appeal or review of a disciplinary proceeding; (2) a statutory disqualification decision; (3) a review of a membership proceeding; (4) a review of an offer of settlement, a letter of acceptance, waiver, and consent, and a minor rule violation plan letter; (5) the exercise of exemptive authority; (6) an appeal of proceedings involving Exchange

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Rules Options 8, Section 35, 1092, 3219, 3220, and 3312; and (7) such other proceedings or actions authorized by the Exchange Rules.

Executive Representative

(l) The term "Executive Representative" shall mean the executive representative who shall represent, vote, and act for the Exchange Member in all the affairs of the Exchange; provided, however, that other representatives of a Exchange Member may also serve on the Exchange Board or committees of the Exchange or otherwise take part in the affairs of the Exchange.

FINRA

(m) The term “FINRA” shall mean the Financial Industry Regulatory Authority, Inc. and its affiliates.

(n) Reserved.

Good Standing

(o) The term “Good Standing” shall refer to a member organization who is not in violation of any of its agreements with the Exchange or any of the provisions of the Rules or By-Laws of the Exchange, and who has maintained all of the conditions for approval as a member organization.

(p) Reserved.

Investment Banking or Securities Business

(q) The term "investment banking or securities business" means the business, carried on by a broker or dealer, of underwriting or distributing issues of securities, or of purchasing securities and offering the same for sale as a dealer, or of purchasing and selling securities upon the order and for the account of others.

Member

(r) The term “member” shall mean a permit holder which has not been terminated in accordance with the By-Laws and these Rules of the Exchange. A member is a natural person and must be a person associated with a member organization. Any references in the rules of the Exchange to the rights or obligations of an associated person or person associated with a member organization also includes a member.

Member Organization

(s) The term "member organization" shall mean a corporation, partnership (general or limited), limited liability partnership, limited liability company, business trust or similar organization, transacting business as a broker or a dealer in securities and which has the status of a member organization by virtue of (i) admission to membership given to it by the Membership Department pursuant to the provisions of Rules 900.1 or 900.2 or the By-Laws or (ii) the transitional rules adopted by the Exchange pursuant to Section 6-4 of the By-Laws. References herein to officer or partner, when used in the context of a member organization, shall include any person holding a similar position in any organization other than a corporation or partnership that has the status of a member organization.

Membership Department

(t) The "Membership Department" shall mean the Nasdaq PHLX Membership Department located within the Exchange.

Nasdaq Merger

(u) The term "Nasdaq Merger" shall mean the merger of a wholly owned subsidiary of Nasdaq, Inc., a Delaware corporation, with and into the Exchange, with the Exchange as the surviving corporation, in connection with the acquisition of the Exchange by Nasdaq, Inc.

NMS Stock

(v) The term “NMS Stock” shall have the same meaning as Rule 600(b)(47) of Regulation NMS.

NSCC

(w) The term “NSCC” shall mean the National Securities Clearing Corporation.

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Non-member

(x) The term "non-member" includes, with respect to individuals, any person who is not a member and, with respect to entities, any organization that is not a member organization.

Options Exchange Official

(y) For purposes of these rules, the term "Option Exchange Official" shall mean an Exchange staff member or contract employee designated as such by the Chief Regulatory Officer. A list of individual Options Exchange Officials shall be displayed on the Exchange website. The Chief Regulatory Officer shall maintain the list of Options Exchange Officials and update the website each time a name is added to, or deleted from, the list of Options Exchange Officials. In the event no Options Exchange Official is available to rule on a particular matter, the Chief Regulatory Officer or his/her designee shall rule on such matter.

Permit

(z) The term "permit" shall mean a permit of any class, series or kind established from time to time by the Board of Directors and denominated as such.

Person

(aa) The term “person” shall refer to a natural person, corporation, partnership (general or limited), limited liability company, association, joint stock company, trust, trustee of a trust fund, or any organized group of persons whether incorporated or not and a government or agency or political subdivision thereof.

Phlx

(bb) The term “Phlx” shall refer to Nasdaq PHLX LLC.

Protected Bid, Offer or Quotation

(cc) The terms “Protected Bid, Offer or Quotation” have the same meaning as rule 600(b)(57) and (58), as appropriate, of Regulation NMS.

Protected NBBO

(dd) The term “Protected NBBO” shall mean the best Protected Bid and the best Protected Offer in a stock.

Representative

(ee) The term "representative" shall have the meaning assigned to it in Rule 1220(b)(1).

(ff) Reserved.

SEC

(gg) The term “SEC” shall mean the U.S. Securities and Exchange Commission. Any reference to “Commission” shall also mean the U.S. Securities and Exchange Commission.

Securities Act

(hh) The term "Securities Act" shall mean the Securities Act of 1933, as amended.

Security

(ii) The term "security" or "securities" includes stocks, bonds, notes, certificates of deposit or participation, trust receipts, rights, options contracts, warrants Cash Index Participations and other similar instruments.

Stock

(jj) The term "stock" includes voting trust certificates, certificates of deposit for stocks, rights, warrants, and other securities classified for trading as stocks by the Exchange.

Proprietary trading firm

(kk) The term “proprietary trading firm” for purposes of Rule 1210 means a member organization or applicant with the following characteristics:

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(i) The applicant is not required by Section 15(b)(8) of the Exchange Act to become a FINRA member but is a member of another registered securities exchange not registered solely under Section 6(g) of the Exchange Act.
(ii) All funds used or proposed to be used by the applicant for trading are the applicant's own capital, traded through the applicant's own accounts.
(iii) The applicant does not, and will not have customers.
(iv) All principals and representatives of the applicant acting or to be acting in the capacity of a trader must be owners of, employees of, or contractors to the applicant.

Amendments.
January 16, 2004 (03-73).
September 28, 2006 (06-43).
February 22, 2007 (07-13).
June 7, 2007 (06-87).
July 17, 2008 (08-31).
August 18, 2008 (08-61).
April 20, 2009 (09-17).
May 14, 2009 (09-23).
September 18, 2009 (09-59).
August 26, 2010 (10-91).
April 25, 2011 (11-13).
May 3, 2011 (11-59).
April 20, 2012 (12-23).
Nov. 4, 2015 (15-93), operative Dec. 4, 2015.
October 18, 2017 (17-82).
November 15, 2017 (17-92), operative January 2, 2018.
September 27, 2018 (18-61), operative October 1, 2018.
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, Rule 52. Fees, Dues and Other Charges

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(a) The Board of Directors shall have the power (i) to establish, assess and levy such fees, dues and other charges (including, without limitation, any extraordinary assessments) upon permit holders, members, member organizations and any other persons using the facilities or services of the Exchange, and upon applicants for and persons being admitted, registered, qualified and/or initiated to any such status, in each case as the Board of Directors may from time to time establish by resolution or in the Rules of the Exchange (which shall be deemed to include any schedule of fees, dues, other charges and penalties as may be in effect from time to time), (ii) to establish rebates, credits and discounts with respect to any of the foregoing, (iii) to establish programs whereby the Exchange shares or permits any person to participate in any identified source of revenues (less any expenses or other charges as the Exchange shall determine) of the Exchange, (iv) to provide for the direct reimbursement to the Exchange of any cost, expense or category thereof, and (v) except insofar as otherwise specified or provided for in the By-Laws, to establish and assess penalties for failure to pay any fees, dues or charges owed to the Exchange, including, without limitation, termination of a permit (which permit may be reissued) and forfeiture of all rights as a member, member organization or permit holder. The Board of Directors may authorize any committee thereof or the Chair of the Board of Directors to exercise any powers of the Board of Directors with respect to the assessment of fees, dues, other charges and penalties authorized in accordance with this Section.

(b) Without limiting the generality of the provisions of the By-Laws, the Board of Directors may, from time to time, fix and impose charges upon members or member organizations, measured by their respective net commissions on transactions effected on the Exchange. Such charges shall be payable at such times and shall be collected in such manner as may be determined by the Board of Directors.

(c) The obligation of members, and member organizations to abide by the provisions of these By-Laws and the Rules of the Exchange shall include, without limitation, the obligation to pay all applicable fees, dues and other charges imposed thereon by these By-Laws or the Rules of the Exchange.

(d) The Board of Directors or their designee may suspend or terminate, after due notice, any permit or rights of any member, member organization or employee thereof using facilities or services of the Exchange, or enjoying any of the privileges therein, who shall not pay dues, fees, other charges, other monies due and owed the Exchange, fines and/or other monetary sanctions in accordance with the Rules of the Exchange.

(e) Subject to the following conditions and procedures, a member or a member organization may pay a regulatory fine via an installment plan:

(1) The member or member organization must check the installment plan option on the election of payment form included with the offer of settlement.

(2) The fine under the offer of settlement must be fifty thousand dollars ($50,000) or more. A fine of less than fifty thousand dollars ($50,000) is not eligible for the installment plan.

(3) A down payment of twenty-five percent (25%) or more of the total fine must be submitted with the signed offer of settlement.

(4) An installment package, including a promissory note and payment schedule, will be mailed to the member or member organization upon receipt of the down payment, as required in paragraph (3) above.

(5) An executed (signed and notarized) promissory note for the unpaid balance of the fine must be returned with the first installment payment.

(6) The term of the installment plan shall not exceed four (4) years after the execution of the offer of settlement. The member or member organization may elect monthly or quarterly payments.

Adopted.
April 25, 2011 (11-13).

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Amendment.
September 26, 2012 (12-117).

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Nasdaq PHLX Rules, Regulation, Rule 56. Effect of Suspension or Termination on Payment of Fees

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The suspension or termination of a permit shall not relieve the holder thereof or its member organization from any obligation to pay any applicable dues, fees or other charges billed or accrued through the time of such suspension or termination, and any fines or penalties assessed before or after the time of such suspension or termination.

Adopted.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 57. Members' Contracts

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All contracts of a member of the Exchange or a member organization with any member of the Exchange or with any member organization for the purchase, sale, borrowing, loaning or hypothecation of securities, or for the borrowing, loaning, or payment of money, whether occurring upon the Exchange or elsewhere, are members' contracts.

Adopted.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 58. Exchange Contracts

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An exchange contract is:

(a) a member's contract made on the Exchange; and

(b) a member's contract not made on the Exchange, unless made subject to the rules of another exchange, or unless the parties thereto have expressly agreed that the same shall not be an exchange contract.

Adopted.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 59. Deliveries through Registered Clearing Agencies

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Clearance and settlement of transactions effected on the Exchange shall be made through one or more registered clearing agencies providing such services unless it is otherwise agreed by the parties to the transaction.

Adopted.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 62. Disapproval of Business

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Whenever it shall appear to the Board of Directors that a member has formed a business entity or established an office or headquarters or is individually or through any member of his or her organization interested in a business entity, or has formed any business connection, whereby the interest or good repute of the Exchange may suffer, the Board of Directors may require the dissolution of any such business entity or the discontinuance of such business, office or headquarters or business connection, as the case may be.

Adopted.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 63. Effect of Suspension or Termination

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When a member's permit is suspended under the provisions of this Rule, such member shall be deprived during the term of such suspension of all rights and privileges of a member but he or she may be proceeded against by the Exchange for any offense other than that for which such suspension was imposed.

The termination of any permit or rights and privileges of a member shall terminate all rights and privileges (but not the obligations) arising out of his possession of a permit.

Adopted.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 64. Office Vacated by Suspension or Termination

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Upon the suspension or termination by the Exchange of any permit or the rights and privileges of a member, whether for insolvency or otherwise, any office in the Exchange held by him shall thereupon become vacant.

Adopted.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 99. Backup Trading Arrangements

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(a) *Phlx is Disabled Exchange.*

(i) Exchange ("Phlx") Exclusively Listed Options.

(A) For purposes of this Rule 99, the term “exclusively listed option” means an option that is listed exclusively by an exchange (because such exchange has an exclusive license to use, or has proprietary rights in, the interest underlying the option).

(B) The Phlx may enter into arrangements with one or more other exchanges (each a "Backup Exchange") to permit the Phlx and its members and associated persons and other personnel to use a portion of the Backup Exchange’s facilities to conduct the trading of some or all of the Phlx’s exclusively listed options in the event that the functions of the Phlx are, or are threatened to be, severely and adversely affected by an emergency or extraordinary circumstances (a "Disabling Event"). Such options shall trade as listings of Phlx. The facility of the Backup Exchange used by the Phlx for this purpose will be deemed to be a facility of the Phlx.

(C) Trading of Phlx exclusively listed options shall be conducted in accordance with the rules of the Backup Exchange, except that such trading shall be subject to Phlx Rules with respect to doing business with the public, margin requirements, net capital requirements, listing requirements, and position limits. In addition, the Phlx and the Backup Exchange may agree that other Rules of the Phlx will apply to such trading. The Phlx and the Backup Exchange have agreed to communicate to their respective members which rules apply in advance of trading. The Backup Exchange rules that govern trading on Phlx’s facility at the Backup Exchange shall be deemed to be Phlx Rules for purposes of such trading.

(D) The Backup Exchange has agreed to perform the related regulatory functions with respect to trading of Phlx exclusively listed options on Phlx’s facility at the Backup Exchange, in each case except as Phlx and the Backup Exchange may specifically agree otherwise. The Backup Exchange and Phlx have agreed to coordinate with each other regarding surveillance and enforcement respecting trading of Phlx exclusively listed options on Phlx’s facility at the Backup Exchange. Phlx shall retain the ultimate legal responsibility for the performance of its self-regulatory obligations with respect to Phlx’s facility at the Backup Exchange.

(E) If the Backup Exchange is unable to accommodate all Phlx members that desire to trade on Phlx’s facility at the Backup Exchange pursuant to paragraph (a)(i)(A), the Phlx may determine which members shall be eligible to trade at that facility. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the member is a specialist in the applicable product(s), the number of contracts traded by the member or member organization in the applicable product(s), market performance, and other factors relating to a member's contribution to the market in the applicable product(s) during a specific period.

(F) Members of the Backup Exchange shall not be authorized to trade in any Phlx exclusively listed options, except that (i) Phlx may deputize willing floor brokers of the Backup Exchange as temporary Phlx members to permit them to execute orders as brokers in Phlx exclusively options traded on Phlx’s facility at the Backup Exchange; and (ii) the Backup Exchange has agreed that it will, at the instruction of Phlx, select members of the Backup Exchange that are willing to be deputized by Phlx as temporary Phlx members authorized to trade Phlx exclusively listed options on Phlx’s facility at the Backup Exchange for such period of time following a Disabling Event as Phlx determines to be appropriate, and Phlx may deputize such members of the Backup Exchange as temporary Phlx members for that purpose.

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(ii) Phlx Singly Listed Options.

(A) For purposes of this Rule 99, the term "singly listed option" means an option that is not an "exclusively listed option" but that is listed by an exchange and not by any other national securities exchange.

(B) The Exchange may enter into arrangements with a Backup Exchange under which the Backup Exchange will agree, in the event of a Disabling Event, to list for trading singly listed options that are then singly listed only by the Phlx and not by the Backup Exchange. Any such options listed by the Backup Exchange shall trade on the Backup Exchange and in accordance with the rules of the Backup Exchange. Such options shall be traded by members of the Backup Exchange and by Phlx members selected by the Phlx to the extent the Backup Exchange can accommodate Phlx members in the capacity of temporary members of the Backup Exchange. If the Backup Exchange is unable to accommodate all Phlx members that desire to trade at the Backup Exchange pursuant to paragraph (a)(i)(A), Phlx may determine which members shall be eligible to trade at the Backup Exchange. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the member is a specialist in the applicable product(s), the number of contracts traded by the member or specialist unit in the applicable product(s), market performance, and other factors relating to a member's contribution to the market in the applicable product(s).

Any Phlx member who is granted temporary access to the Backup Exchange pursuant to this paragraph shall only be permitted (i) to act in those Backup Exchange capacities that are authorized by the Backup Exchange and that are comparable to capacities in which the temporary member has been authorized to act on the Phlx and (ii) to trade in those options in which the temporary member is authorized to trade on the Phlx.

(C) Any options listed by the Backup Exchange pursuant to paragraph (a)(ii)(B) that does not satisfy the standard listing and maintenance criteria of the Backup Exchange will be subject, upon listing by the Backup Exchange, to delisting (and, thus, restrictions on opening new series, and engaging in opening transactions in those series with open interest, as may be provided in the rules of the Backup Exchange).

(b) *Phlx is Backup Exchange.*

(i) Disabled Exchange Exclusively Listed Options.

(A) The Exchange may enter into arrangements with one or more other exchanges (each a "Disabled Exchange") to permit the Disabled Exchange and its members to use a portion of the Phlx's facilities to conduct the trading of some or all of the Disabled Exchange's Exclusively Listed Securities in the event of a Disabling Event. The facility of the Phlx used by the Disabled Exchange for this purpose will be deemed to be a facility of the Disabled Exchange.

(B) Trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at Phlx shall be conducted in accordance with Phlx Rules, except that (1) such trading shall be subject to the Disabled Exchange's rules with respect to doing business with the public, margin requirements, net capital requirements, listing requirements, and position limits, and (2) members of the Disabled Exchange that are trading on the Disabled Exchange's facility at Phlx (not including Phlx members who become temporary members of the Disabled Exchange pursuant to paragraph (b)(i)(D)) will be subject to the rules of the Disabled Exchange governing or applying to the maintenance of a person's or a firm's status as a member of the Disabled Exchange. In addition, the Disabled Exchange and Phlx may agree that other Disabled Exchange rules will apply to such trading. The Disabled Exchange

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and Phlx have agreed to communicate to their respective members which rules apply in advance of trading.

(C) Phlx will perform the related regulatory functions with respect to trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at Phlx, in each case except as the Disabled Exchange and Phlx may specifically agree otherwise. Phlx and the Disabled Exchange have agreed to coordinate with each other regarding surveillance and enforcement respecting trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at Phlx. The Disabled Exchange has agreed that it shall retain the ultimate legal responsibility for the performance of its self-regulatory obligations with respect to the Disabled Exchange's facility at Phlx.

(D) Phlx members shall not be authorized to trade in any exclusively listed options of the Disabled Exchange, except that: (1) the Disabled Exchange may deputize willing Phlx floor brokers as temporary members of the Disabled Exchange to permit them to execute orders as brokers in exclusively listed options of the Disabled Exchange traded on the facility of the Disabled Exchange at Phlx; and (2) at the instruction of the Disabled Exchange, the Phlx shall select Phlx members that are willing to be deputized by the Disabled Exchange as temporary members of the Disabled Exchange authorized to trade the Disabled Exchange's exclusively listed options on the facility of the Disabled Exchange at the Phlx for such period of time following a Disabling Event as the Disabled Exchange determines to be appropriate, and the Disabled Exchange may deputize such Phlx members as temporary members of the Disabled Exchange for that purpose.

(ii) Disabled Exchange Singly Listed Options.

(A) The Phlx may enter into arrangements with a Disabled Exchange under which the Phlx will agree, in the event of a Disabling Event, to list for trading options that are then singly listed only by the Disabled Exchange and not by the Phlx. Any such options listed by the Phlx shall trade on the Phlx and in accordance with Phlx Rules. Such options shall be traded by Phlx members and by members of the Disabled Exchange selected by the Disabled Exchange to the extent the Phlx can accommodate members of the Disabled Exchange in the capacity of temporary members of Phlx. Any member of a Disabled Exchange granted temporary access to conduct business on the Phlx under this paragraph shall only be permitted (i) to act in those Phlx capacities that are authorized by the Phlx and that are comparable to capacities in which the temporary member has been authorized to act on the Disabled Exchange and (ii) to trade in those options in which the temporary member is authorized to trade on the Disabled Exchange. The Phlx may allocate such options to a Phlx specialist in advance of a Disabling Event, without utilizing the allocation process under Phlx Rule 506, to enable the Phlx to quickly list such options upon the occurrence of a Disabling Event.

(B) Any class of options listed by the Phlx pursuant to paragraph (b)(ii)(A) that does not satisfy the listing and maintenance criteria under Phlx Rules 1009 and 1010 will be subject, upon listing by the Phlx, to delisting (and, thus, restrictions on opening new series, and engaging in opening transactions in those series with open interest, as may be provided in Phlx Rules).

(c) *Member Obligations.*

(i) Temporary Members of a Disabled Exchange

(A) A Phlx member acting as a temporary member of the Disabled Exchange pursuant to paragraph (b)(i)(D) shall be subject to, and obligated to comply with, the rules that govern the operation of the facility of the Disabled Exchange at Phlx to the extent applicable during the period of such trading. Additionally, (1) such Phlx member shall be deemed to have satisfied, and the Disabled Exchange has agreed to waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a member of the Disabled

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Exchange, including all dues, fees and charges imposed generally upon members of the Disabled Exchange based on their status as such; (2) such Phlx member shall have none of the rights of a member of the Disabled Exchange except the right to conduct business on the facility of the Disabled Exchange at Phlx to the extent described in this Rule; (3) the member organization associated with such Phlx member, if any, shall be responsible for all obligations arising out of that Phlx member's activities on or relating to the Disabled Exchange; and (4) the clearing member of such Phlx member shall guarantee and clear the transactions of such Phlx member on the Disabled Exchange.

(B) A member of a Backup Exchange acting in the capacity of a temporary member of Phlx pursuant to paragraph (a)(i)(F) shall be subject to, and obligated to comply with, the Rules that govern the operation of the facility of Phlx at the Backup Exchange, including Phlx Rules to the extent applicable during the period of such trading. Additionally, (1) such temporary member shall be deemed to have satisfied, and Phlx will waive specific compliance with, Rules governing or applying to the maintenance of a person's or a firm's status as a member of Phlx, including all dues, fees and charges imposed generally upon Phlx members based on their status as such; (2) such temporary member shall have none of the rights of a Phlx member except the right to conduct business on the facility of Phlx at the Backup Exchange to the extent described in this Rule; (3) the member organization associated with such temporary member, if any, shall be responsible for all obligations arising out of that temporary member's activities on or relating to Phlx; and (4) the clearing member of such temporary member shall guarantee and clear the transactions on Phlx of such temporary member.

(ii) Temporary Members of the Backup Exchange

(A) A Phlx member acting in the capacity of a temporary member of the Backup Exchange pursuant to paragraph (a)(ii)(B) shall be subject to, and obligated to comply with, the rules of the Backup Exchange that are applicable to the Backup Exchange's own members. Additionally, (1) such Phlx member shall be deemed to have satisfied, and the Backup Exchange has agreed to waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a member of the Backup Exchange, including all dues, fees and charges imposed generally upon members of the Backup Exchange based on their status as such, (2) such Phlx member shall have none of the rights of a member of the Backup Exchange except the right to conduct business on the Backup Exchange to the extent described in this Rule; (3) the member organization associated with such Phlx member, if any, shall be responsible for all obligations arising out of that Phlx member's activities on or relating to the Backup Exchange; (4) the clearing member of such Phlx member shall guarantee and clear the transactions of such Phlx member on the Backup Exchange; and (5) such Phlx member shall only be permitted (x) to act in those capacities on the Backup Exchange that are authorized by the Backup Exchange and that are comparable to capacities in which the Phlx member has been authorized to act on Phlx, and (y) to trade in those options in which the Phlx member is authorized to trade on Phlx.

(B) A member of a Disabled Exchange acting in the capacity of a temporary member of Phlx pursuant to paragraph (b)(ii)(A) shall be subject to, and obligated to comply with, Phlx Rules that are applicable to Phlx's own members. Additionally, (1) such temporary member shall be deemed to have satisfied, and Phlx will waive specific compliance with, Rules governing or applying to the maintenance of a person's or a firm's status as a member of Phlx, including all dues, fees and charges imposed generally upon Phlx members based on their status as such; (2) such temporary member shall have none of the rights of a Phlx member except the right to conduct business on Phlx to the extent described in this Rule; (3) the member organization associated with such temporary member, if any, shall be responsible for all obligations arising out of that temporary member's activities on or relating to Phlx; (4) the clearing member of such temporary member shall guarantee and clear the transactions of

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such temporary member on the Phlx; and (5) such temporary member shall only be permitted (x) to act in those Phlx capacities that are authorized by Phlx and that are comparable to capacities in which the temporary member has been authorized to act on the Disabled Exchange, and (y) to trade in those option classes in which the temporary member is authorized to trade on the Disabled Exchange.

(d) *Member Proceedings.*

(i) If the Phlx initiates an enforcement proceeding with respect to the trading during a backup period of the singly or multiply listed options of the Disabled Exchange by a temporary member of the Phlx or the exclusively listed options of the Disabled Exchange by a member of the Disabled Exchange (other than a Phlx member who is a temporary member of the Disabled Exchange), and such proceeding is in process upon the conclusion of the backup period, the Phlx may transfer responsibility for such proceeding to the Disabled Exchange following the conclusion of the backup period. Arbitration of any disputes with respect to any trading during a backup period of singly or multiply listed options of the Disabled Exchange or of exclusively listed options of the Disabled Exchange on the Disabled Exchange's facility at the Phlx will be conducted in accordance with Phlx Rules, unless the parties to an arbitration agree that it shall be conducted in accordance with the rules of the Disabled Exchange.

(ii) If the Backup Exchange initiates an enforcement proceeding with respect to the trading during a backup period of Phlx singly or multiply listed options by a temporary member of the Backup Exchange or Phlx exclusively listed options by a Phlx member (other than a member of the Backup Exchange who is a temporary member of the Phlx), and such proceeding is in process upon the conclusion of the backup period, the Backup Exchange may transfer responsibility for such proceeding to the Phlx following the conclusion of the backup period. Arbitration of any disputes with respect to any trading during a backup period of Phlx singly or multiply listed options on the Backup Exchange or of Phlx exclusively listed options on the facility of the Phlx at the Backup Exchange will be conducted in accordance with the rules of the Backup Exchange, unless the parties to an arbitration agree that it shall be conducted in accordance with Phlx Rules.

(e) *Member Preparations.*

Phlx members are required to take appropriate actions as instructed by the Exchange to accommodate Phlx's backup trading arrangements.

Adopted.
June 27, 2005 (04-65).
Amendments.
May 25, 2011 (11-69).
March 12, 2015 (15-23), operative April 11, 2015.

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Nasdaq PHLX Rules, Regulation, Rule 101. Hours of Business

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Except as otherwise ordered by the Board of Directors, the Exchange shall be open for the entrance of members upon every business day, at 8:00 A.M. Eastern Time. The Exchange shall conform with daylight savings time when effective in the City of Philadelphia. The Board of Directors shall determine by resolution the hours during which business may be transacted on the Exchange. The Board of Directors has resolved that no option series shall freely trade after 4:00 P.M. Eastern Time, except that broad-based (market) index options shall freely trade until 4:15 P.M. Eastern Time each business day, as specified in Rule 1101A, Commentary .01. The Board of Directors has resolved that except under unusual conditions as may be determined by the Board (or the Exchange official or officials designated by the Board) foreign currency option trading sessions shall be conducted at such times as the Board of Directors shall specify between 6:00 P.M. Eastern Time Sundays and 3:00. P.M. Eastern Time Fridays, provided that U.S. dollar-settled foreign currency options shall trade during the same hours as narrow-based index options.

• • • ***Supplementary Material:***

.01 Options Trading after 4:00 P.M. Eastern Time. A trading rotation in any class of option contracts may be effected even though employment of the rotation will result in the transaction on the Exchange after 4:00 P.M. Eastern Time provided such rotation is conducted pursuant to Rule 1047 or Rule 1047A. Options on any series of Exchange-Traded Fund Shares so designated by the Exchange, options on exchange-traded notes including Index-Linked Securities and options on Alpha Indexes may be traded on the Exchange until 4:15 P.M. Eastern Time each business day. The Exchange may close trading at an early time to coincide with the close of trading in a related futures contract on the last business day of the month, or any other day when a related futures contract closes earlier than 4:15 P.M. Eastern Time.

Adopted.
June 20, 1988.
Amendments.
March 3, 1954.
July 7, 1976.
October 18, 1978.
February 28, 1979.
April 27, 1979.
July 11, 1979.
September 16, 1981.
May 29, 1985.
March 7, 1986.
May 2, 1986.
June 29, 1987; effective September 16, 1987.
June 20, 1988.
September 16, 1988.
April 11, 1989.
November 24, 1993; effective December 6, 1993 (93-42).
March 7, 1994 (93-21).
June 1, 1994 (94-25).
October 26, 1994 (94-47).
January 3, 1995 (94-46).
May 23, 1997 (97-04).
March 24, 1999 (96-14).
December 13, 2000 (00-54).
April 23, 2001 (01-21).
March 8, 2001 (01-32).
December 26, 2001 (01-119).
February 7, 2006 (06-01).

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September 28, 2006 (06-43).
November 14, 2006 (06-73).
December 21, 2006 (06-34).
August 16, 2007 (07-57).
November 20, 2007 (07-87).
January 9, 2008 (07-95).
May 14, 2009 (09-23).
April 20, 2010 (10-40).
February 7, 2011 (10-176).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 103. Dealings on the Exchange—Securities

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Only such securities as shall be admitted to dealings on an "issued," "when issued," or "when distributed" basis shall be dealt in on the Exchange.

Amendment.
September 28, 2006 (06-43).

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Nasdaq PHLX Rules, Regulation, Rule 110. Bids and Offers—Manner

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Bids and offers may be made simultaneously, as being essentially different propositions, and may be accepted without precedence of one over another. Bids and offers must be made in an audible tone of voice. A member shall be considered "in" on a bid or offer, while he remains at the post, unless he shall distinctly and audibly say "out." A member bidding and offering in immediate and rapid succession shall be deemed "in" until he shall say "out" on either bid or offer.

Amendments.
September 28, 2006 (06-43).
April 25, 2011 (11-13).
June 20, 2013 (13-67).
August 1, 2013 (13-83).
October 2, 2013 (13-100).
April 29, 2013 (13-09), operative March 7, 2014.
October 7, 2015 (15-80).

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Nasdaq PHLX Rules, Regulation, Rule 112. Bids and Offers—“When Issued”

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Bids and offers in securities admitted to dealings on a "when issued" basis may be made only "when issued," i.e., for delivery when issued as determined by the Exchange.

Bids and offers—"when distributed"

Bids and offers in securities admitted to dealings on a "when distributed" basis may be made only "when distributed," i.e., for delivery when distributed as determined by the Exchange.

Amendment.
September 28, 2006 (06-43).

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Nasdaq PHLX Rules, Regulation, Rule 119. Precedence of Highest Bid

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The highest bid shall have precedence in all cases. Where bids are made at the same price, the priority and precedence shall be determined in accordance with the following rules:

Precedence of first bid

(a) When a bid is clearly established as the first made at a particular price, the maker shall be entitled to priority and shall have precedence on the next sale at that price, up to the number of shares of stock or principal amount of bonds specified in the bid, irrespective of the number of shares of stock or principal amount of bonds specified in such bid.

Precedence of bids equaling or exceeding amount offered

(b) When no bid is entitled to priority under paragraph (a) hereof (or when a bid entitled to priority or precedence has been filled and a balance of the offer remains unfilled) all bids for a number of shares of stock or principal amount of bonds equaling or exceeding the number of shares of stock or principal amount of bonds in the offer or balance, shall be on a parity and entitled to precedence over bids for less than the number of shares of stock or principal amount of bonds in such offer or balance, subject to the condition that if it is possible to determine clearly the order of time in which the bids so entitled to precedence were made, such bids shall be filled in that order.

Precedence of bids for amounts less than amount offered

(c) When no bid is entitled to priority under paragraph (a) hereof (or when a bid entitled to priority or precedence has been filled and a balance of the offer remains unfilled) and no bid has been made for a number of shares of stock or principal amount of bonds equaling or exceeding the number of shares of stock or principal amount of bonds in the offer or balance, the bid for the largest number of shares of stock or greatest principal amount of bonds shall have precedence, subject to the condition that if two or more such bids for the same number of shares of stock or principal amount of bonds have been made, and it is possible to determine clearly the order of time in which they were made, such bids shall be filled in that order.

Simultaneous bids

(d) When bids are made simultaneously, or when it is impossible to determine clearly the order of time in which they were made, all such bids shall be on a parity subject only to precedence based on the size of the bid under the provisions of paragraphs (b) and (c) hereof.

Amendments.
September 28, 2006 (06-43).
April 25, 2011 (11-13).
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, Rule 120. Precedence of Offers at Same Price

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The lowest offer shall have precedence in all cases. Where offers are made at the same price the priority and precedence shall be determined in the same manner as specified in the case of bids in Rule 119 hereof.

Amendments.
September 28, 2006 (06-43).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 128. Price of Execution Binding

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The price at which an order is executed on the Exchange shall be binding, notwithstanding the fact that an erroneous report in respect thereto may have been rendered.

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Nasdaq PHLX Rules, Regulation, Rule 133. Trading Halts Due to Extraordinary Market Volatility

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This Rule shall be in effect during a pilot period that expires at the close of business on October 18, 2019. If the pilot is not either extended or approved permanently at the end of the pilot period, the prior version of Rule 133 shall be in effect.

(a) The Exchange shall halt trading in all stocks and shall not reopen for the time periods specified in this Rule if there is a Level 1, 2, or 3 Market Decline.

(i) For purposes of this Rule, a Market Decline means a decline in price of the S&P 500® Index between 9:30 a.m. EST and 4:00 p.m. EST on a trading day as compared to the closing price of the S&P 500® Index for the immediately preceding trading day. The Level 1, Level 2, and Level 3 Market Declines that will be applicable for the trading day will be publicly disseminated before 9:30 a.m. EST.

(ii) A "Level 1 Market Decline" means a Market Decline of 7%.

(iii) A "Level 2 Market Decline" means a Market Decline of 13%.

(iv) A "Level 3 Market Decline" means a Market Decline of 20%.

(b) Halts in Trading.

(i) If a Level 1 Market Decline or a Level 2 Market Decline occurs after 9:30 a.m. and up to and including 3:25 p.m, EST or in the case of an early scheduled close, 12:25 p.m. EST the Exchange shall halt trading in all stocks for 15 minutes after a Level 1 or Level 2 Market Decline. The Exchange shall halt trading based on a Level 1 or Level 2 Market Decline only once per trading day. The Exchange will not halt trading if a Level 1 Market Decline or a Level 2 Market Decline occurs after 3:25 p.m. EST or in the case of an early scheduled close, 12:25 p.m. EST.

(ii) If a Level 3 Market Decline occurs at any time during the trading day, the Exchange shall halt trading in all stocks until the primary listing market opens the next trading day.

(c) Re-opening of Trading

(i) The re-opening of trading following a Level 1 or 2 trading halt shall follow procedures set forth in Rule 3100.

(ii) If the primary listing market halts trading in all stocks, the Exchange will halt trading in those stocks until trading has resumed on the primary listing market or notice has been received from the primary listing market that trading may resume. If the primary listing market does not reopen a security within 15 minutes following the end of the 15-minute halt period, the Exchange may resume trading in that security.

(d) Nothing in this Rule 133 should be construed to limit the ability of the Exchange to otherwise halt, suspend, or pause the trading in any stock or stocks traded on the Exchange pursuant to any other Exchange rule or policy.

Adopted.
December 22, 1988.
Amendments.
July 19, 1996.
January 31, 1997 (97-03).
January 26, 1998 (98-02).
April 9, 1998 (98-15).
June 1, 2010 (10-78).
April 25, 2011 (11-13).
May 31, 2012 (11-129), operative April 8, 2013.
January 28, 2013 (13-11) .
April 8, 2019 (19-12).

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Nasdaq PHLX Rules, Regulation, Rule 136. Trading Halts in Certain Exchange Traded Funds

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(a) Rule 1047A(c) shall apply to the trading of Trust Shares listed pursuant to the terms of Rule 803(i). The term "option" as used therein shall be deemed for the purposes of this rule only to include a Trust Share.

(b) Rule 1047A(c) shall apply to the trading of Trust Issued Receipts listed pursuant to the terms of Rule 803(j). The term "option" as used therein shall be deemed for the purpose of this rule only to include a Trust Issued Receipt. The term "index" as used therein shall be deemed for the purposes of this rule only to mean "basket".

(c) (1) The Exchange will halt trading in:

(A) all New Derivative Securities Products if the circuit breaker parameters of Rule 133 have been reached; or

(B) New Derivative Securities Products listed on the Exchange for which a net asset value (and in the case of managed fund shares or actively managed exchange-traded funds, a “disclosed portfolio”) is disseminated if the Exchange becomes aware that the net asset value or, if applicable, the disclosed portfolio is not being disseminated to all market participants at the same time. The Exchange will maintain the trading halt until such time as the Exchange becomes aware that the net asset value and, if applicable, the disclosed portfolio is available to all market participants.

(2) In exercising its discretion to halt or suspend trading in a New Derivative Securities Product pursuant to Rule 164(a), the Exchange may consider factors such as the extent to which trading in the underlying securities is not occurring or whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present, in addition to other factors that may be relevant. In particular, when the Exchange is the listing market for a New Derivative Securities Product, if the Required Value applicable to that New Derivative Securities Product is not being calculated and disseminated as required, the Exchange may halt trading during the day in which the interruption to the dissemination of the Required Value occurs. If the interruption to the dissemination of the Required Value persists past the trading day in which it occurred the Exchange will halt trading no later than the beginning of the trading day following the interruption.

Adopted.
December 13, 2000 (00-54).
Amendments.
December 27, 2000 (00-31).
May 25, 2007 (07-07).
July 11, 2007 (07-20).
May 9, 2008 (08-34).
September 26, 2008 (08-64).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 175. Limitations on Options Market Making

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No Market Maker or any member, limited partner, officer, or associated person thereof shall act as an options Specialist, Registered Options Trader or function in any capacity involving market making responsibilities, in any option overlying a security in which the Market Maker is registered as such.

Adopted.
May 27, 2008 (08-27).

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Nasdaq PHLX Rules, Regulation, Rule
274. Payment on Delivery—Collect on Delivery

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(a) In all deliveries of securities other than securities deliverable pursuant to the rules of a registered clearing agency, the party delivering shall have the right to require the purchase money to be paid upon delivery; if delivery is made by transfer, payment may be required at the time and place of transfer.

(b) When both the member organization and its agent and the customer and its agent are participants in a securities depository, the facilities of a securities depository shall be used for the confirmation, acknowledgment and book entry settlement of all depository eligible payment on delivery transactions.

• • • ***Supplementary Material:***

.01 Transactions that are settled outside the United States shall be exempt from the provisions of paragraph (b) of this Rule.

.02 For the purposes of this Rule, a "securities depository" shall mean a clearing agency as defined in Section 3(a)(23) of the Securities Exchange Act of 1934, that is registered with the Securities and Exchange Commission pursuant to Section 17A(b)(2) of the Act.

.03 For the purposes of this Rule, "depository eligible transactions" shall mean transactions in those securities for which confirmation, acknowledgment and book entry settlement can be performed through the facilities of a securities depository as defined in supplementary material .02 above.

.04 Rule 274(b) and Supplementary Material .01, .02, .03 and .04 shall become effective January 1, 1983.

Amendments.
May 18, 1979.
November 9, 1982, effective January 1, 1983.
May 25, 2011 (11-69).

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Nasdaq PHLX Rules, Regulation, Rule 279. Book-Entry Settlement

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(a) Each member and member organization shall use the facilities of a securities depository for the book-entry settlement of all transactions in depository eligible securities with another member or member organization or a member of a national securities exchange or a registered securities association.

(b) Each member or member organization shall not effect a delivery-versus payment or receipt-versus-payment transaction in a depository eligible security with a customer unless the transaction is settled by book-entry using the facilities of a securities depository.

(c) For purposes of this Rule, the term "securities depository" shall mean a securities depository registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934.

(d) The term "depository eligible securities" shall mean securities that (i) are part of an issue (securities identified by a single CUSIP number) of securities that is eligible for deposit at a securities depository and (ii) with respect to a particular transaction, are eligible for book-entry transfer at the depository at the time of settlement of the transaction.

(e) This Rule shall not apply to transactions that are settled outside of the United States.

(f) The requirements of this Rule shall supersede any inconsistent requirements under other Exchange Rules.

(g) This Rule shall not apply to any transaction where the securities to be delivered in settlement of the transaction are not on deposit at a securities depository and:

(i) if the transaction is for same-day settlement, the deliverer cannot by reasonable efforts deposit the securities in a securities depository prior to the cut-off time established by the depository for same-day crediting of deposited securities, or

(ii) the deliverer is unable to deposit the securities in a depository prior to a cut-off date established by the depository for that issue of securities.

Adopted.
June 11, 1993; effective August 9, 1993 (93-09)
Amendment.
April 25, 2011 (11-13).
May 25, 2011 (11-69).

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Nasdaq PHLX Rules, Regulation, Rule 431. Ex-dividend, Ex-rights

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Transactions in stocks (except those made for "cash") shall be ex-dividend or ex-rights as the case may be on the first business day preceding the record date fixed by the corporation or the date of the closing of transfer books therefor. Should such record date or such closing of transfer books occur upon a day other than a business day, such transactions shall be ex-dividend or ex-rights on the second preceding business day.

Transactions in stocks made for "cash" shall be ex-dividend or ex-rights on the business day following said record date or date of closing of transfer books.

The Exchange may, however, in any particular case, direct otherwise.

Amendments.
August 21, 1946, effective August 29, 1946.
February 20, 1952, effective March 3, 1952.
February 2, 1968, effective February 9, 1968.
March 16, 1995 (94-55).
September 28, 2006 (06-43).
August 22, 2017 (17-71), operative September 5, 2017.

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Nasdaq PHLX Rules, Regulation, Rule 432. Ex-warrants

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Transactions in securities which have subscription warrants attached (except those made for "cash") shall be ex-warrants on the first business day preceding the date of expiration of the warrants, except that when the date of expiration occurs on a day other than a business day, said transactions shall be ex-warrants on the second business day preceding said date of expiration.

Transactions in securities made for "cash" shall be ex-warrants on the business day following the date of expiration of the warrants.

The Exchange may, however, in any particular case, direct otherwise.

Amendments.
August 21, 1946, effective August 29, 1946.
February 20, 1952, effective March 3, 1952.
February 2, 1968, effective February 9, 1968.
March 16, 1995 (94-55).
September 28, 2006 (06-43).
August 22, 2017 (17-71), operative September 5, 2017.

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Nasdaq PHLX Rules, Regulation, Rule 433. Buyer Entitled to Dividend, etc.

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Unless otherwise agreed, the buyer shall be entitled to receive all dividends, rights and privileges, except voting power, accruing upon securities purchased which sell ex-dividend or ex-rights during the pendency of the contract.

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Nasdaq PHLX Rules, Regulation, Rule 434. Claims for Dividend, etc.

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When the owner of a registered security claims dividends, rights, etc., from the party in whose name the security is registered, the registered holder thereof may require from the claimant presentation of the certificate or bond, a written statement that he was the holder of the security at the time of the closing of the books, a guarantee against any future demand for the same and the privilege to record on the certificate or bond evidence of the payment by cash or due-bill.

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Nasdaq PHLX Rules, Regulation, Rule 441. Reserved

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Reserved.

Amendments.
January 16, 2004 (03-73).
September 28, 2006 (06-43).

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Nasdaq PHLX Rules, Regulation, Rule 442. Reserved

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Amendments.
September 28, 2006 (06-43).
March 12, 2015 (15-23), operative April 11, 2015.

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Reserved.

Amendments.
November 21, 2003 (03-10).
September 28, 2006 (06-43).

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Nasdaq PHLX Rules, Regulation, Rule 451. Taking or Supplying Securities Named in Order

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No member or member organization, who has accepted for execution, personally or through his member organization or a partner, officer or shareholder thereof, an order for the purchase of securities shall fill such order by selling such securities for any account in which he or his member organization or a partner, officer or shareholder thereof has a direct or indirect interest, or having so accepted an order for the sale of securities shall fill such order by buying such securities for such an account, except as follows:

Missing the market

(a) A member or member organization who neglects to execute an order may be compelled to take or supply for his own account or that of his member organization the securities named in the order;

"Crossing" for own account

(b) A member or member organization, acting for another member or member organization, may take the securities named in the order, provided (1) the price is justified by the condition of the market, and (2) the member or member organization who gave the order shall directly, or through a broker authorized to act for him, after prompt notification, accept the trade;

(c) A member or member organization, acting for another member or member organization, may supply the securities named in the order, provided (1) the price is justified by the condition of the market and (2) the member or member organization who gave the order shall directly, or through a broker authorized to act for him, after prompt notification, accept the trade;

(d) A member or member organization, acting as a broker, is permitted to report to his principal a transaction as made with himself when he has orders from two principals to buy and to sell the same security and not to give up his principals;

(e) A Market Maker in accordance with its duty to provide an orderly market in the securities in which it is registered may purchase or sell for principal account, such securities named in its customer's order provided that:

(i) the price is consistent with the market;
(ii) full disclosure to its customer is made on the confirmation of the transaction in a manner that defines the interest of the Market Maker.

(f) A member or member organization may purchase or sell for principal account the securities named in his customer's order provided that:

(i) the price is consistent with the market;
(ii) full disclosure of the interest of the member or member organization is made to his customer on the confirmation of the transaction.

Amendment.
September 28, 2006 (06-43).

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Nasdaq PHLX Rules, Regulation, Rule 452. Limitations on Members' Trading Because of Customers' Orders

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(a) Except as provided in this Rule, no member or member organization shall cause the entry of an order to buy (sell) on the Exchange any security listed or traded on the Exchange for any account in which such member or member organization or any associated person thereof is directly or indirectly interested (a "proprietary order"), if the person responsible for the entry of such order has knowledge of any particular unexecuted customer order to buy (sell) such security which could be executed at the same price.

(b) A member or member organization may enter a proprietary order while representing a customer order which could be executed at the same price, provided the customer's order is not for the account of an individual investor, and the customer has given express permission, including an understanding of the relative price and size-of allocated-execution reports, under the following conditions:

(1) the member or member organization is liquidating a position held in a proprietary facilitation account, and the customer order is for 10,000 shares or more;
(2) the member or member organization is creating a bona fide hedge ("hedge") and (i) the creation of the hedge, whether through one or more transactions, occurs so close in time to the completion of the transaction precipitating such hedge that the hedge is clearly related; (ii) the size of the hedge is commensurate with the risk it offsets; (iii) the risk to be offset is the result of a position acquired in the course of facilitating a customer order; and (iv) the customer order is for 10,000 shares or more;
(3) the member or member organization is modifying an existing hedge and (i) the size of the hedge, as modified, remains commensurate with the risk it offsets; (ii) the hedge was created to offset a position acquired in the course of facilitating a customer order; and (iii) the customer order is for 10,000 shares or more; or
(4) the member or member organization is engaging in bona fide arbitrage or risk arbitrage transaction, and recording such transactions in an account used solely to record arbitrage transactions (an "arbitrage account").

(c) The provisions of this Rule 452 shall not apply to:

(1) any purchase or sale of any security in an amount of less than the unit of trading made by an odd-lot dealer to offset odd-lot orders of customers;
(2) any purchase or sale of any security upon terms for delivery other than those specified in such unexecuted market or limited price order;
(3) transactions by a member or member organization acting in the capacity of a specialist or market maker in a security listed or traded on the Exchange otherwise than on the Exchange; and
(4) transactions made to correct bona fide errors.

• • • ***Supplementary Material:***

.01 A member or member organization or employee thereof responsible for entering proprietary orders shall be presumed to have knowledge of a particular customer order unless the member organization has implemented a reasonable system of internal policies and procedures to prevent the misuse of information about customer orders by those responsible for entering such proprietary orders.

.02 This Rule 452 shall apply to any agency or proprietary transaction effected on the Exchange if such transaction ("Exchange transaction") is part of a group of related transactions that together have the effects prohibited by this Rule regardless whether (i) one or more of the other related transactions were effected on other market centers; or (ii) the Exchange transaction by itself had such effects.

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.04 For purposes of paragraph (b) above, the term "account of an individual investor" shall mean an account covered by Section 11(a)(1)(E) of the Securities Exchange Act of 1934. For purposes of paragraph (b)(1) above, the term "proprietary facilitation account" shall mean an account in which a member organization has a direct interest and which is used to record transactions whereby the member organization acquires positions in the course of facilitating customer orders. Only those positions which are recorded in a proprietary facilitation account may be liquidated as provided in paragraph (b)(1). For purposes of paragraph (b)(2) and (b)(4) above, the terms "bona fide hedge", "bona fide arbitrage" and "risk arbitrage" shall have the meaning ascribed to such terms in Securities Exchange Act Release No. 15533, January 29, 1979. All transactions effected pursuant to paragraph (b)(4) above must be recorded in an arbitrage account.

.05 For purposes of paragraph (b)(2) above, a hedge will be deemed to be "clearly related" if either the first or last transaction comprising the hedge is executed on the same trade date as the transaction that precipitates such hedge. A member shall mark all memoranda of orders to identify each transaction creating or modifying a hedge as permitted under this Rule 452.

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Amendments.
August 11, 1978.
June 9, 2003 (03-22).
April 2, 2007 (07-31).
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, Rule 453. Successive Transactions by Members

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No member, and no firm of which he is a partner, and no partner of such firm, shall execute or cause to be executed on the Exchange the purchase of any security at successively higher prices or the sale of any security at successively lower prices for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security, or for the purpose of unduly or improperly influencing the market price of such security, or for the purpose of making a price which does not reflect the true state of the market in such security.

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Nasdaq PHLX Rules, Regulation, Rule 454. Reserved

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Amendments.
November 29, 1976.
August 11, 1978.
May 28, 2003 (03-22).
March 9, 2006 (05-70).

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Nasdaq PHLX Rules, Regulation, Rule 455. Short Sales

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PSX shall not effect a sell order or sale of any security unless such sell order is effected in compliance with Regulation SHO promulgated under the Securities Exchange Act of 1934.

Amendments.
October 1, 1981.
December 30, 1992.
June 1, 2001 (01-55).
December 20, 2001 (00-20).
December 29, 2004 (04-82).
September 28, 2006 (06-43).
November 21, 2007 (07-55).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 456. Reserved

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Adopted.
May 19, 1971, effective June 24, 1971.
Amendments.
January 16, 2004 (03-73).

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Adopted.
May 19, 1971, effective June 24, 1971.
Amendments.
January 16, 2004 (03-73).

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Adopted.
May 19, 1971, effective June 24, 1971.
Amendments.
January 16, 2004 (03-73).

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Adopted.
May 19, 1971, effective June 24, 1971.
Amendments.
January 16, 2004 (03-73).

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Adopted.
December 21, 2001 (01-97).
Amendments.
November 21, 2003 (03-10).
September 28, 2006 (06-43).

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Adopted.
December 21, 2001 (01-98).
Amendments.
January 16, 2004 (03-73).
September 28, 2006 (06-43).

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Amendments.
April 1, 1987.
March 21, 1996 (95-77).
October 20, 1997 (97-40).
September 28, 1999 (99-16).
July 5, 2000 (00-28).
August 10, 2001 (01-54).
September 28, 2006 (06-43).
May 14, 2009 (09-23).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 501. Specialist Appointment

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(a) Upon application by a qualified member organization, the Exchange will approve such organization as an approved specialist unit. An application to act as a specialist must include, for ordinary and extraordinary circumstances, the identity of the individual who will act as head specialist as well as the individual(s) who will act as assistant specialist(s).

(b) Initial application(s) to become a specialist unit shall be in a form and/or format prescribed by the Exchange and shall include the following: (1) the identity of the unit's staff positions and who will occupy those positions; (2) the unit's clearing arrangements; (3) the unit's capital structure, including any lines of credit; and (4) the unit's back up arrangements endorsed by the parties providing the following support: a substitute specialist unit not associated with the specialist unit which shall serve as a substitute specialist unit in the event that the specialist unit is unable to perform the duties of a specialist.

Subsequent applications shall be in a form and/or format prescribed by the Exchange and shall include the information requested therein.

(c) Initial applications for individuals to act as specialist shall be in a form and/or format prescribed by the Exchange and include an account of the abilities and background of the applicant as well as any other special requirements that the Exchange may require. Applications for individuals to act as a specialist on behalf of a specialist unit, must be approved by the Exchange prior to that individual acting in such capacity. The Exchange must approve an individual prior to that individual moving from one specialist unit to another specialist unit.

Subsequent applications shall be in a form and/or format prescribed by the Exchange and shall include the information requested therein.

(d) To be approved as a specialist unit and to retain the privilege of such status, an options or foreign currency options specialist unit must maintain the approved clearing arrangements and capital structure stated on their application as described in (b)(2) and (b)(3) above. Changes regarding the requirements in (b)(4) must be submitted and approved by the Exchange.

(e) Once an applicant is approved by the Exchange as a specialist unit, any material change in the capital or staff of the unit or any move by a head or assistant specialist from one unit to another shall be reported in writing to the Exchange and in no circumstances shall be reported more than two business days after the change.

(f) A Remote Streaming Quote Trader (“RSQT”), as defined in Rule 1014, may submit an application as described above to be approved in one or more classes as a Remote Specialist as defined in Rule 1020(a)(ii).

(i) A Remote Specialist does not need to meet the assistant specialist staffing requirement pursuant to paragraph (d) of this rule.

Adopted.
October 1, 1982.
Amendments.
July 25, 1983.
April 1, 1987.
March 28, 1995 (94-69).
March 21, 1996 (95-77).
September 28, 1999 (99-16).
November 27, 2000 (00-72).
July 21, 2006 (06-30).
September 28, 2006 (06-43).
May 14, 2009 (09-23).
October 2, 2009 (09-86).
January 14, 2011 (10-145).
May 25, 2011 (11-69).
June 1, 2011 (11-79), operative July 1, 2011.
February 21, 2017 (16-105).

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April 16, 2019 (19-17).

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Reserved.

Adopted.
October 1, 1982.
Reserved.
April 1, 1987.
April 25, 2011 (11-13).

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Adopted.
October 1, 1982.
Amendment.
July 25, 1983.
Reserved.
April 1, 1987.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 504. Reserved

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Reserved.

Adopted.
October 1, 1982.
Amendment.
July 25, 1983.
Reserved.
April 1, 1987.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 505. Reserved

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Adopted.
October 1, 1982.
Amendments.
April 1, 1987.
March 21, 1996 (95-77).
November 27, 2000 (00-72).
September 28, 2006 (06-43).
May 14, 2009 (09-23).
October 2, 2009 (09-86).
February 5, 2016 (16-22).

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Nasdaq PHLX Rules, Regulation, Rule 506. Allocation Application, Allocation, Reallocation, and Transfer

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(a) When an options class is to be allocated or reallocated by the Exchange, the Exchange will solicit applications from all eligible specialist units. If the Exchange determines that special qualifications should be sought in the successful applicant, it shall indicate such desired qualifications in the notice.

(b) An allocation or reallocation application shall be submitted in writing to the Exchange's designated staff and shall include, at a minimum, the name and background of the head specialist and assistant specialist(s) (except that a Remote Specialist need not include an assistant specialist), the unit's experience and capitalization demonstrating an ability to trade the particular options class sought, and any other reasons why the unit believes it should be assigned or allocated the security. In addition, the Exchange may also require that the application include other information. The Exchange may re-solicit applications for any reason, including if it determines that its initial solicitation resulted in an insufficient number of applicants.

(c) Allocation, reallocation, or transfer decisions and automatic allocations shall be communicated in writing to Exchange members.

(d) Upon allocation, reallocation, or transfer of an options class, the options class must be registered in either the name of the specialist unit, or jointly in the name of the unit and the specialist ("Registrant"). Each Registrant must be an Exchange member and an approved specialist. The Registrant shall act as specialist for the options class for at least one year (“minimum specialist period”); unless some other period is defined by the Exchange pursuant to this rule. After expiration of the minimum specialist period, the Exchange may re-allocate the options class. Once the specialist unit is allocated, reallocated, or transferred an options class, such specialist unit shall immediately notify the Exchange in writing regarding any material change in the application for any assigned options class.

(e) If a specialist unit seeks to withdraw from allocation in a security, it should so notify the Exchange at least one business day prior to the desired effective date of such withdrawal.

• • • Commentary: ___

.01 Allocation Preclusion. A specialist unit may not apply for any new listings (allocations) for a six (6) month period after an option was taken away from the specialist in: (i) an involuntary reallocation proceeding; or (ii) a disciplinary proceeding. Such specialist is also prohibited from applying for any new listings (allocations) for a second six month period unless the Exchange is satisfied that adequate corrective actions have been undertaken by the specialist.

02. Automatic Allocation of Options on Related Securities.

For purposes of Supplementary Material. 02 to this Rule 506, the term “Related Securities” means, but is not limited to: securities of a partially or wholly owned subsidiary; securities that are convertible into the securities of the issuer; warrants on securities of the issuer; securities issued in connection with a name change; securities issued in a reverse stock split; contingent value rights; “tracking” securities designed to track the performance of the underlying security or corporate affiliate thereof; securities created in connection with the merger or acquisition of one or more companies; securities created in connection with a “spin-off” transaction; convertible on non-convertible senior securities; and securities into which a listed security is convertible, where such Related Securities emanate from or are related to securities underlying options that are currently allocated to a specialist on the Exchange (“Currently Allocated Options”).

The term Related Securities does not include Exchange Traded Funds.

03. Alternate Specialist Period.

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The Exchange may establish that a Registrant shall act as a specialist in an allocated options class for a shorter period defined by the Exchange that is less than one year ("alternate specialist period"). If the Exchange establishes an alternate specialist period, it will communicate such period in solicitation applications (notices) pursuant to Rule 506.

After expiration of the alternate specialist period, the Exchange may re-allocate the options class.

(a) Options on Related Securities (“Related Options”) shall be automatically allocated to the specialist unit that is already the specialist in Currently Allocated Options (“Current Specialist”), unless the Current Specialist is subject to an Allocation Preclusion regarding new listings (allocations) pursuant to this Rule 506. In such an event, the Exchange may, nonetheless, allocate the Related Options to the Current Specialist if the Exchange determines that the trading characteristics of the Related Options to be allocated are similar to the Currently Allocated Options.

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Adopted.
October 1, 1982.
Amendments.
April 1, 1987.
September 20, 1989.
March 21, 1996 (95-77).
November 27, 2000 (00-72).
December 21, 2001 (01-97).
September 28, 2006 (06-43).
May 14, 2009 (09-23).
August 6, 2009 (09-62).
October 2, 2009 (09-86).
January 14, 2011 (10-145).
February 5, 2016 (16-22).

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Nasdaq PHLX Rules, Regulation, Rule 507. Application for Approval as an SQT, RSQT, or RSQTO and Assignment in Options

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(a) Approval as an SQT, RSQT, or RSQTO. Registered Options Traders ("ROTs"), as defined in Rule 1014, may apply for approval as Streaming Quote Traders ("SQTs") and Remote Streaming Quote Traders ("RSQTs"), as defined in Rule 1014(b)(ii). Member organizations may function as Remote Streaming Quote Trader Organizations (“RSQTOs”) pursuant to this rule. RSQTOs may also be referred to as Remote Market Maker Organizations (“RMOs”) and RSQTs may also be referred to as Remote Market Markers (“RMMs”).

This Rule 507 places no limit on the number of qualifying ROTs that may become SQTs; any applicant that is qualified as an ROT in good standing, and that satisfies the technological readiness and testing requirements described in subsection (b)(ii) below, shall be approved as an SQT. This Rule 507 places no limit on the number of member organizations that are converted to or may become RSQTOs. Any member organization in good standing, and that satisfies the RSQTO readiness and testing requirements described in this rule, shall be approved as an RSQTO. As many as five RSQTs at any time may be identified by and affiliated with an RSQTO. Each of the affiliated RSQTs must be qualified as an ROT and must be in good standing. However, based on system constraints, capacity restrictions or other factors relevant to the maintenance of a fair and orderly market, the Exchange may defer, for a period to be determined in the Exchange's discretion, approval of qualifying applications for SQT or RSQT status pending any action required to address the issue of concern to the Exchange. The Exchange may not defer a determination of the approval of the application of any SQT or RSQT applicant or place any limitation(s) on access to the Exchange's electronic quoting and trading system on any SQT or RSQT applicant unless the basis for such limitation(s) or deferral have been objectively determined by the Exchange, subject to Securities and Exchange Commission approval or effectiveness pursuant to a rule change filing under Section 19(b) of the Securities Exchange Act of 1934, as amended. The Exchange shall provide written notification to any SQT or RSQT applicant whose application is the subject of such limitation(s) or deferral, describing the objective basis for such limitation(s) or deferral.

RSQTO application. A member organization that is not currently qualified as an RSQTO may apply to the Exchange to be an RSQTO with up to five affiliated RSQTs. Each RSQTO application shall be submitted to the Exchange's designated staff in writing (electronically or otherwise as specified by the Exchange) in a form and/or format prescribed by the Exchange and shall include, at a minimum, the name of the RSQTO applicant, the appropriate Exchange account number, and the name of each RSQT affiliated with the RSQTO applicant (the “Application Process”).

(i) RSQTO applicants must demonstrate that they have:

- (A) Significant market-making and/or specialist experience in a broad array of securities;
- (B) Superior resources, including capital, technology and personnel;
- (C) Demonstrated history of stability, superior electronic capacity, and superior operational capacity;
- (D) Proven ability to interact with order flow in all types of markets;
- (E) Existence of order flow commitments;
- (F) Willingness to accept allocations as an RSQT in options overlying 400 or more securities; and
- (G) Willingness and ability to make competitive markets on the Exchange and otherwise to promote the Exchange in a manner that is likely to enhance the ability of the Exchange to compete successfully for order flow in the options it trades.

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(ii) SQT and RSQT applicants must demonstrate that they have:

(A) Significant market-making and/or specialist experience in a broad array of securities;
(B) Superior resources, including capital, technology and personnel;
(C) Demonstrated history of stability, superior electronic capacity, and superior operational capacity;
(D) Proven ability to interact with order flow in all types of markets;
(E) Willingness and ability to make competitive markets on the Exchange and otherwise to promote the Exchange in a manner that is likely to enhance the ability of the Exchange to compete successfully for order flow in the options it trades.
(F) A current affiliation with an Exchange-approved RSQTO (RSQT applicants only).

(b)(i) Application and Assignment in Options. Each RSQTO, RSQT or SQT application for assignment in an option shall be submitted to the Exchange's designated staff in writing (electronically or otherwise as specified by the Exchange) in a form and/or format prescribed by the Exchange and shall include, at a minimum, the name of the SQT or RSQT applicant, the appropriate Exchange account number, the requested start date for each option applied for, and the name of the RSQTO member organization with whom the RSQT applicant is affiliated or the member organization with whom the SQT is affiliated. If the Exchange does not have applications for assignment in a particular option or options that it desires to assign or reassign, the Exchange may request such applications.

(ii) No application for initial assignment in an option shall be approved without verification that (A) the RSQTO, SQT or RSQT applicant has sufficient technological ability to support his/her continuous quoting requirements as set forth in Rule 1014(b)(ii), and (B) the RSQTO, SQT or RSQT applicant has successfully completed, or is scheduled to complete, testing of its quoting system with the Exchange.

(iii) In addition to the criteria described in this sub-paragraph, the Exchange shall consider the following factors in making its decision concerning an application for assignment in an option when there are more applicants for assignment in a particular option than there are positions available:

(A) the financial and technical resources available to the applicant;
(B) the applicant's experience and expertise in market making or options trading;
(C) the applicant's prior performance as a specialist, SQT or RSQT based on good standing pursuant toRule 510.

(c) Decisions concerning applications for assignment in Streaming Quote Options shall be in writing and shall be distributed to the applicants.

(d) The RSQTO, SQT or RSQT, upon initial assignment in an option, may not withdraw from such option assignment for ten (10) or fewer business days after the effective date of assignment. However, the Exchange may, in exceptional circumstances, approve withdrawal from an option assignment in ten (10) or fewer business days. If an RSQTO, SQT or RSQT seeks to withdraw from assignment in an option, it should so notify the Exchange at least one business day prior to the desired effective date of such withdrawal.

(e) An appeal to the Board of Directors from a decision of the Exchange may be requested by a member or member organization interested therein by filing with the Secretary of the Exchange written notice of appeal within ten (10) days after the decision has been rendered. Any appeal from a decision pursuant to Rule 507 shall be heard by the Board of Directors (“Board”) or a panel appointed by the Board of Directors (“Board Panel”) composed of three (3) members not involved in the Exchange decision appealed from and who otherwise have no conflict of interest. If a Board Panel is appointed by the Board, three persons shall be selected to serve on the Board Panel and in making such selections the Board shall choose individuals whose background, experience and training qualify them to consider and make determinations regarding the subject matter to be presented to the Board Panel. The Board Panel shall consist of two members of the Exchange, or general partners or officers of member organizations and one other person who would qualify as a public member as defined in Article I of the By-Laws, whom the Board considers to be qualified. The person requesting review shall be permitted to

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submit a written statement to and/or appear before this Board or Board Panel. The Secretary of the Exchange shall certify the record of the proceeding, if any and the written decision and shall submit these documents to the Board or Board Panel. The Board's or Board Panel's review of the action shall be based solely on the record, the written decision and any statement submitted by the person requesting the review. The Board or Board Panel shall prepare and deliver to such person a written decision and reasons therefore. If the Board or Board Panel affirms the action, the action shall become effective ten (10) days from the date of the Board's or Board Panel's decision. There shall be no appeal to the Board from any decision of the Board Panel.

(f) Nothing in this Rule 507 shall be construed to automatically qualify an RSQT to be a Remote Specialist on the Exchange.

• • • ***Commentary:***

.01 Within not more than thirty business days after assignment of an option pursuant to this Rule, an assigned SQT or RSQT shall begin to generate and submit electronic quotations for such option through the Exchange's electronic quotation, execution, and trading system.

(a) If electronic quotes are not generated and submitted by an assigned SQT or RSQT within the requisite time, the Exchange shall have the ability to terminate the assignment in question after providing written notice to the assigned SQT or RSQT, and make a re-assignment, unless there are exigent circumstances that the Exchange believes may not have allowed timely generation and submission of electronic quotes.

.02 Maximum Number of Quoters ("MNQ") in Equity Options. The term "MNQ" refers to the maximum number of participants that may be assigned in a particular equity option at any one time. The MNQ level for options trading on the Exchange is 30 for all equity options listed for trading on the Exchange.

.03 Increasing the MNQ in Exceptional Circumstances: When exceptional circumstances warrant, the Exchange may increase the MNQ for an existing or new product. "Exceptional circumstances" refers to substantial trading volume, whether actual or expected (e.g., in the case of a new product or a major news announcement or corporate event). Upon cessation of the exceptional circumstances, the Exchange, in its discretion, may determine to reduce the MNQ, provided, however, that any reduction must be undertaken in accordance with the procedure established in Commentary .04 below with respect to lowering the "increased MNQ." Any actions taken by the Exchange pursuant to this paragraph will be submitted to the SEC in a rule filing pursuant to Section 19(b)(3)(A) of the Securities Exchange Act of 1934, as amended ("Exchange Act").

.04 Announcements Regarding, or Changes to, MNQs. The Exchange will announce all changes regarding MNQ levels to the membership on the Exchange's web site. The Exchange may increase the MNQ levels established in this Commentary by submitting to the SEC a rule filing pursuant to Section 19(b)(3)(A) of the Exchange Act. The Exchange may decrease the MNQ levels established in this Commentary upon SEC approval of a rule filing submitted pursuant to Section 19(b)(2) of the Exchange Act.

Adopted.
July 27, 2004 (03-59).
Amendments.
February 2, 2005 (04-90).
December 6, 2006 (06-80).
December 29, 2006 (06-53).
January 17, 2007 (06-81).
August 15, 2007 (07-51).
November 6, 2008 (08-76).
May 14, 2009 (09-23).
September 18, 2009 (09-82).
October 2, 2009 (09-86).

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December 30, 2010 (10-153).
January 14, 2011 (10-145).
April 25, 2011 (11-13).
May 25, 2011 (11-69).
September 15, 2011 (11-127), operative October 16, 2011.
April 19, 2013 (13-03).
February 9, 2015 (15-15), operative March 11, 2015.
February 21, 2017 (16-105).

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Nasdaq PHLX Rules, Regulation, Rule 508. Transfer Application

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Any proposed agreement between or among specialist units to transfer one or more options classes already allocated to a specified specialist unit shall be identified to the Exchange in writing before the proposed transfer. An agreement to transfer a specialist unit's options classes may not become effective until approved by the Exchange. Failure to provide the Exchange prior notice of a transfer in accordance with this Rule, or failure to obtain Exchange approval of a transfer, permits the Exchange to recover the allocated securities and reallocate them pursuant to Rule 506.

Adopted.
April 1, 1987.
Amendments.
March 21, 1996 (95-77).
September 28, 1999 (99-16).
May 14, 2009 (09-23).
December 30, 2010 (10-153).
February 21, 2017 (16-105).

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Adopted.
August 26, 1994 (94-12).
Amendments.
December 29, 1994 (94-42).
March 1, 1995 (94-59).
February 11, 1997 (96-23).
June 7, 2007 (06-87).
Reserved.
May 14, 2009 (09-23).

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Nasdaq PHLX Rules, Regulation, Rule 510. Good Standing for Specialist, SQT, and RSQT

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(a) To remain in good standing as a specialist (including Remote Specialist), SQT, or RSQT, the specialist, SQT, or RSQT must:

i. continue to meet the requirements established in SEC Rule 15c3-1(a)(6)(i), and the requirements set forth in the Series 500 Rules in the Rules of the Exchange;
ii. continue to satisfy the specialist, SQT, or RSQT qualification and market making requirements specified by the Exchange, as amended from time to time;
iii. comply with the Rules of the Exchange and the Options Rules as well as the rules of The Options Clearing Corporation and the rules of the Federal Reserve Board; and
iv. pay on a timely basis such member, transaction, and other fees as the Exchange shall prescribe.

(b) The good standing of a specialist (including Remote Specialist), SQT, or RSQT may be suspended, terminated, or otherwise withdrawn, as provided in the Exchange's rules, if any of said conditions for approval cease to be maintained or the specialist, SQT, or RSQT violates any of its agreements with the Exchange or any of the provisions of the Rules of the Exchange or of the Options Rules.

i. Informal Meeting. The Exchange will provide written notice to a specialist (including Remote Specialist), SQT, or RSQT of a contemplated action regarding good standing pursuant to this Rule 510. A specialist (including Remote Specialist), SQT, or RSQT may request and the Exchange may hold an informal meeting to discuss the alleged failure to remain in good standing and to explore possible appropriate remedies. Written notice of the date and time of the meeting will be given to the specialist (including Remote Specialist), SQT, or RSQT and no verbatim record will be kept. If the Exchange believes there are no mitigating circumstances that would demonstrate substantial improvement of or reasonable justification for the failure to meet the good standing requirements of this Rule 510, the Exchange may take appropriate action pursuant to subsection (b) of this Rule 510. Nothing in this Informal Meeting process limits the Exchange from bringing disciplinary actions for violations of these rules.

(c) Appeal rights

An appeal by a specialist (including Remote Specialist), SQT, or RSQT to the Board of Directors ("Board") from a decision of the Exchange may be requested by a member or member organization interested therein by filing with the Secretary of the Exchange written notice of appeal within ten (10) days after the decision has been rendered. Any appeal from a decision pursuant to Rule 510 shall be heard by the Board or a panel appointed by the Board of Directors ("Board Panel") composed of three (3) members not involved in the Exchange decision appealed from and who otherwise have no conflict of interest. If a Board Panel is appointed by the Board, three persons shall be selected to serve on the Board Panel and in making such selections the Board shall choose individuals whose background, experience and training qualify them to consider and make determinations regarding the subject matter to be presented to the Board Panel. The Board Panel shall consist of two members of the Exchange, or general partners or officers of member organizations and one other person who would qualify as a public member as defined in Article I of the By-Laws, whom the Board considers to be qualified. The person requesting review shall be permitted to submit a written statement to and/or appear before the Board or Board Panel. The Secretary of the Exchange shall certify the record of the proceeding, if any, and the written decision and shall submit these documents to the Board or Board Panel. The Board's or Board Panel's review of the action shall be based solely on the record, the written decision and any statement submitted by the person requesting the review. The Board or Board Panel shall prepare and deliver to such person a written decision and reasons therefore. If the Board or Board Panel affirms the

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action, the action shall become effective ten (10) days from the date of the Board's or Board Panel's decision. There shall be no appeal to the Board from any decision of the Board Panel.

Adopted.
January 10, 2007 (06-51).
Amendments.
May 14, 2009 (09-23).
December 30, 2010 (10-153).
April 25, 2011 (11-13).
May 25, 2011 (11-69).
January 3, 2013 (12-130).
February 21, 2017 (16-105).

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Amendments.
May 3, 1988.
May 1, 1989.
June 26, 1991.
March 21, 1996 (95-77).
February 11, 1997 (96-23).
October 7, 1999 (99-27).
July 16, 2002 (01-63).
September 28, 2006 (06-43).
May 14, 2009 (09-23).
December 30, 2010 (10-153).
April 25, 2011 (11-13).
February 21, 2017 (16-105).

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Nasdaq PHLX Rules, Regulation, Rule
513. Voluntary Resignation of Options Privileges

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(a) If an option specialist unit voluntarily resigns from allocation in a particular option and the Exchange determines such resignation to be in the best interest of the Exchange, and that option is subsequently delisted, barring any specialist performance or disciplinary issues, the option specialist unit which last traded that option may be given preference in any future allocation decision regarding that option.

Adopted.
May 8, 2000 (00-06).
Amendments.
May 14, 2009 (09-23).
October 2, 2009 (09-86).

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April 1, 1987.
Amendments.
August 17, 1989.
June 26, 1991.
March 21, 1996 (95-77).
February 11, 1997 (96-23).
July 26, 2001 (01-50).
September 28, 2006 (06-43).
May 14, 2009 (09-23).
December 30, 2010 (10-153).

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Adopted.
December 21, 2001 (01-97).
Amendment.
September 28, 2006 (06-43).

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Reserved.

Adopted.
December 21, 2001 (01-97).
Amendments.
November 21, 2003 (03-10).
September 28, 2006 (06-43).

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Reserved.

Adopted.
April 1, 1987.
Amendment.
September 28, 2006 (06-43).

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Nasdaq PHLX Rules, Regulation, Rule 522. Reserved

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Reserved.

Adopted.
April 1, 1987.
Amendments.
November 21, 2003 (03-10).
September 28, 2006 (06-43).

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Nasdaq PHLX Rules, Regulation, Rule 523. Reserved

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Reserved.

Adopted.
April 1, 1987.
Amendment.
September 28, 1999 (99-16).
November 21, 2003 (03-10).
September 28, 2006 (06-43).

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Nasdaq PHLX Rules, Regulation, Rule 524. Reserved

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Reserved.

Adopted.
November 21, 2003 (03-10).
Amendment.
September 28, 2006 (06-43).

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Nasdaq PHLX Rules, Regulation, Rule 525. Reserved

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Reserved.

Adopted.
April 1, 1987.
Amendments.
June 26, 1991.
May 14, 2009 (09-23).

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Nasdaq PHLX Rules, Regulation, Rule 526. Reserved

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Reserved.

Adopted.
April 1, 1987.
Amendment.
May 14, 2009 (09-23).

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Nasdaq PHLX Rules, Regulation, Rule 600. Registration

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(a) Each member and member organization shall register with the Membership Department an address where notices may be served. Subsequent changes in address must be provided to the Membership Department of the Exchange before the effective date thereof.

(b) Each member and member organization shall register with the Exchange, on such form or forms as may from time to time be required by the Membership Department. Registration forms shall include, but not be limited to, (i) the name and address of the individual member having qualified such member organization in accordance with Rule 910 and (ii) the name and address of the Executive Representative designated by such member organization in accordance with Rule 921(b). Members and member organizations must use Financial Industry Regulatory Authority's ("FINRA")(formerly the National Association of Securities Dealers, Inc. Web Central Registration Depository ("Web CRD") to submit Form U4, Uniform Application for Securities Industry Registration or Transfer registration filings. Members and member organizations shall amend Form U4 filings not later than thirty (30) days after the filer knew or should have known of the facts which gave rise to the amendment.

(c) Each member organization applicant that is a registered broker or dealer pursuant to Section 15 of the Securities Exchange Act of 1934 must use Web CRD to submit a Uniform Application for Broker-Dealer Registration, Form BD. Member organizations shall amend Form BD filings not later than thirty (30) days after the filer knew or should have known of the facts which gave rise to the amendment.

(d) In addition to the requirements of paragraph (a) above, each member organization must comply with the contact information requirements of this paragraph (d).

(i) Each member organization shall report to the Exchange all contact information required by the Exchange via the FINRA Contact System.

(ii) Each member organization shall update its required contact information promptly, but in any event not later than 30 days following any change in such information. In addition, each member organization shall review and, if necessary, update its required contact information, via such means as the Exchange may specify, within 17 business days after the end of each calendar year.

(iii) Each member organization shall comply with any Exchange request for such information promptly, but in any event not later than 15 days following the request, or such longer period that may be agreed to by Exchange staff.

Amendments.
June 14, 1988.
October 31, 2002 (02-46).
January 16, 2004 (03-73).
April 6, 2006 (06-15).
December 18, 2006 (06-83).
May 14, 2009 (09-23).
April 25, 2011 (11-13).
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 601. Office, Other Than Main Offices

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No office of a member or member organization for which the Exchange is the Designated Examining Authority shall be established without the prior notification of the Membership Department of the Exchange. Each such office must be in charge of a partner, a voting stockholder or a manager and shall be subject to such Rules as the Exchange may prescribe.

Amendments.
June 14, 1988.
October 31, 2002 (02-46).
May 14, 2009 (09-23).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 602. Status Verification

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Upon the request of any member or member organization, the Membership Department of the Exchange shall provide such member or member organization (as applicable) with reasonable written verification of its status as a member or member organization.

Amendments.
June 14, 1988.
October 31, 2002 (02-46).
January 16, 2004 (03-73).
May 14, 2009 (09-23).

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Nasdaq PHLX Rules, Regulation, Rule 603. Control of Offices

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Each office of a member or member organization shall be under the control of the member or member organization and shall not be occupied jointly with any non-member; provided, however, that upon application, the Exchange may waive this requirement if the Exchange is satisfied that under the circumstances the public is not likely to be misled. To the extent the offices of a member or member organization are used for activities other than the conduct of a securities business, customers must be informed that those other activities are not subject to regulation or oversight by the Exchange or the Securities and Exchange Commission.

Amendment.
June 14, 1988.

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Nasdaq PHLX Rules, Regulation, Rule 604. Reserved.

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Reserved.

Amendments.
June 14, 1988.
September 14, 1993. (93-24)
January 20, 1995 (94-15).
November 27, 1995 (95-58).
August 20, 1999 (99-07).
July 18, 2000 (00-46).
July 11, 2001 (01-22).
April 6, 2006 (06-15).
September 28, 2006 (06-43).
December 18, 2006 (06-83).
July 16, 2008 (08-12).
August 26, 2010 (10-91).
April 25, 2011 (11-13).
April 20, 2012 (12-23).

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Nasdaq PHLX Rules, Regulation, Rule 605. Advertisements, Market Letters, Research Reports and Sales Literature

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(a) No member or member organization shall issue any advertisement, market letter, research report, telemarketing script or sales literature unless such member organization or a general partner or a holder of voting stock in such organization shall have endorsed his approval prior to publication or distribution thereof on an exact copy thereof bearing the name of the person who wrote such material. Such copy so endorsed shall be made part of the permanent records of such member organization and shall be retained for three years, two years in an easily accessible location.

(b) Member organizations for which the Exchange is the designated examining authority ("DEA") desiring to broadcast Exchange quotations on radio or television programs, or in public telephone market reports, or make use of radio or television broadcasts or print advertising for any business purpose, or to make use of the Internet for the purpose of providing market quotations or advertising to the general public must first obtain the consent of the Exchange by submitting an outline of the program material to the Exchange.

(c) The text of all commercials, advertisements and program material (except lists of market quotations) about securities or investing sponsored by an Exchange designated member organization on radio, television, or public telephone reports, or on the Internet, or program material supplied to these media must be sent to the Exchange promptly following the program in which it is used.

Amendment.
February 3, 1998 (97-49).
January 16, 2004 (03-73).
April 25, 2011 (11-13).
Renumbered.
June 14, 1988.

• • • ***Supplementary Material:***

The Exchange has adopted the following policy regarding advertising, market letters, research reports, telemarketing scripts and sales literature:

The requirement for three-year retention of such material applies only to members and member organizations which prepared it for distribution.

The term "advertisement" refers to any material for use in any newspaper or magazine or other public medium or by radio, telephone recording or television.

The term "market letter" refers to any publication, printed or processed, which comments on the securities market or individual securities and is prepared for general distribution to the organization's customers or to the public. It also includes material on investment subjects prepared by a member or personnel of a member organization for publication in newspapers and periodicals.

The term "research report" refers to printed or processed analysis covering individual companies or industries.

The term "sales literature" refers to printed or processed material interpreting the facilities offered by a member organization or its personnel to the public, discussing the place of investment in an individual's financial planning, or calling attention to any market letter, research report or sales literature, which is prepared for and given general distribution.

SUPPLEMENTARY INFORMATION REGARDING RULE 605

Standards for Advertising, Market Letters, Sales Literature, Research Reports, Telemarketing Scripts, Radio, Television and Writing Activities

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Truthfulness and good taste are the traditional standards of the Exchange community in any form of communication with the public. Rules can never take the place of good judgment in such communications. Under some circumstances what is left out may be just as important as what is included.

Member organizations, of course, can never overlook basic characteristics of investments—that prices can go down as well as up; that dividends can be cut, omitted or increased; that there is some degree of risk in any security; that investments can not be depended upon to produce a certain return in terms of purchasing power or in dollars.

Some of the guideposts established by the Exchange for written communications with the public include:

.01 Recommendations.—A recommendation (even though not labeled as a recommendation) must have a basis which can be substantiated as reasonable.

When recommending the purchase, sale or switch of specific securities, supporting information should be provided or offered.

The market price at the time the recommendation is made must be shown.

.02 Disclosure.—When market letters, sales literature or research reports recommend the purchase or sale of a specific security, member organizations must disclose the following information, if such conditions exist:

(a) That the firm usually makes a market in the issue being recommended.
(b) That the member organization or its partners hold options in any securities of the recommended issuer.
(c) That some or all of the recommended securities are to be sold to or bought from customers on a principal basis by the member organization or its partners (unless covered by (a) above).
(d) That the member organization was manager or co-manager of the most recent public offering (within 3 years) of any securities of the recommended issuer.

It has been the experience of some firms that disclosure of directorates or other insider relationships is a good way of avoiding difficulties in this area. When such disclosure is made, however, the firm should be careful to avoid exploiting these relationships by implying that the recommendation is based directly or indirectly on privileged information.

.03 Past Recommendations.—Material promoting past records of research recommendations, in connection with purchases or sales, is acceptable if it covers all of the following:

(a) At least a 1-year period.
(b) A list of all of the issues in a specific "universe"—or clearly definable area which can be fully isolated and circumscribed—recommended during the period. The list may be given or offered.
(c) The date and price of each recommendation at the recommendation date and at the end of the period or when sale was suggested, whichever is earlier.
(d) The number of issues recommended, the number that advanced and the number that declined, in the event a list is offered but not included in the material.

It must be made clear that—

(1) There is no implication in any such published record of comparable future performance or that a customer can't lose by following the firm's recommendations.
(2) The period covered was one of a generally rising market, if such is the case.
(3) If a record is averaged, or otherwise summarized, such results would have been obtained only if each issue had been purchased when recommended and then sold at the end of the period covered or when sale was recommended. The purchase price of a given number

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of shares—such as a round lot—of each of the recommended securities must be shown. Commissions must be mentioned.

If such a record is started and published, and publication is subsequently discontinued for any reason, resumption will be permitted only when the intervening period is included in the published record.

A file of all the original recommendations on which the record is based must be kept by the firm and be available to the Exchange on request for three years.

A statement in a market letter, for example, that a particular security was recommended at a specific price and is now selling at a higher price is unacceptable if the intent or the effect is to show the success of a past recommendation. In such a case, all of the above qualifications would have to be met.

.04 Testimonials.—In using testimonials, the following points must be clearly stated in the body copy of the material:

(a) The testimonial may not be representative of the experience of other clients.
(b) The testimonial can not be indicative of future performance or success.
(c) If more than a nominal sum is paid, the fact that it is paid testimonial must be indicated.
(d) If the testimonial concerns a technical aspect of investing, the person making the testimonial must have adequate knowledge and experience to form valid opinion.

.05 Projections and Predictions.—Past records, charts, tables or other material can not, of course, be used to promise future profits or income from securities.

Projections and predictions should be clearly labeled as estimates. A reference to the bases of the estimates should be given or must be available on request.

.06 Periodic Investment.—In mentioning the benefit of dollar-cost-averaging, it should be made clear that periodic purchases in a fixed dollar amount must be continued through fluctuations in the market price, that such a plan does not protect against loss in a declining market, and that the price at which the shares are sold must be more than their average cost, in order to realize a profit.

If the low cost of buying securities under any periodic investment plan is emphasized, it is important to state whether there are commissions for the purchase and sale.

In showing total value of prior investments including reinvested dividends, the amount of the reinvested dividends should be stated separately. Commissions, taxes or other costs should also be mentioned.

.07 Language.—Statements which are promissory, exaggerated, flamboyant or contain unwarranted superlatives are to be avoided.

.08 Comparisons.—Any comparison of one firm's service, personnel facilities or charges with those of other firms must be factually supportable.

.09 Claims for Research.—For purposes of these standards, investment research encompasses the organized collection and analysis of information obtained in oral or written form from primary or secondary sources, which is concerned with securities, industries, the market or the economy in general and has the purpose of assisting member organizations and their customers in evaluating securities.

A member organization which advertises or promotes its research services or capabilities must have a reasonable basis for any claims it makes.

A market letter, research report or similar publication should not carry a research department by-line, or by implication give the impression of originating within a research department, unless it did originate there.

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.10 Dating Reports.—All market letters, research reports and similar publications must be appropriately dated. Any significant information that is not reasonably current (usually not more than 6 months old—depending on the industry and circumstances) should be noted.

.11 Identification of Sources.—A market letter or research report not prepared under the direct supervision of the research department of the distributing firm or its correspondent member organization should show the person (by name and appropriate title) or outside organization which prepared the material.

In distributing market letters or research reports prepared under the direct supervision of the research department of a correspondent member organization, the distributing firm should mention this fact, although it may not be necessary to identify the correspondent by name.

Releases prepared and published by or for a corporate issuer or its public relations counsel and distributed by member organizations should be clearly identified as such.

.12 Portfolio Analysis.—Portfolio Analysis is defined as the appraisal of an investor's present holdings of securities, individually and collectively, for the purpose of offering investment recommendations consistent with his stated objectives and general financial status.

Persons engaged in Portfolio Analysis should be adequately supervised and they should not undertake analysis which is not commensurate with their experience and training.

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Adopted.
August 20, 1964, effective September 1, 1964.
Amendments.
May 22, 1979.
June 14, 1988.
July 25, 1997.
January 16, 2004 (03-73).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 607. Covered Sale Fee

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(a) Under Section 31 of the Securities Exchange Act of 1934, the Exchange must pay certain fees to the Securities and Exchange Commission ("Commission"). To help fund the Exchange's obligations to the Commission under Section 31, a Covered Sale Fee is assessed by the Exchange to members and member organizations. To the extent there may be any excess monies collected under this Rule, the Exchange may retain those monies to help fund its general operating expenses.

(b) Each member and member organization engaged in executing sale transactions on the Exchange or executing transactions on another exchange or on a Participant in FINRA's Alternative Display Facility ("ADF Participant"), which were routed through the Exchange's Routing Facility, as defined in Rule 1080(m)(iii), during any computational period shall pay a Covered Sale Fee equal to (i) the Section 31 fee rate multiplied by (ii) the member's aggregate dollar amount of covered sales.

(c) A Covered Sale Fee is assessed by the Exchange to each member for sales of securities in the following circumstances:

(i) When a sale in equity securities occurs with respect to which the Exchange is obligated to pay a fee to the SEC under Section 31 of the Act.

(ii) When a sale in option securities occurs with respect to which the Exchange is obligated to pay a fee to the SEC under Section 31 of the Act.

(iii) When a sell order in option securities is routed for execution at a market other than the Exchange's options market, resulting in a covered sale on that market and an obligation of the Exchange's Routing Facility to pay the related sales fee of that market.

The Covered Sale Fee is collected indirectly from members through their clearing firms by a designated clearing agency, as defined by the Act, on behalf of the Exchange.

Renumbered.
June 14, 1988.
Amendments.
April 19, 1944.
October 17, 2002 (02-51).
January 6, 2006 (05-87).
October 2, 2006 (06-60).
March 29, 2007 (07-23).
April 2, 2007 (07-31).
November 6, 2007 (07-85).
February 16, 2011 (11-23).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 608. Reserved

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Reserved.

Deleted.
October 17, 2002 (02-51).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule
610. Notification of Changes in Business Operations

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Any member or member organization for which the Exchange is the Designated Examining Authority ("DEA") shall provide prior written notification to the Exchange of any change in the business operations of such member or member organization which would cause the member or member organization to be subject to additional or modified net capital requirements, examination schedules or other registration, examination or regulatory requirements.

For the purpose of this Rule, the appropriate time frame for notification is at least 10 business days prior to the change in business operations.

Adopted.
November 9, 2000 (00-47).
Amendments.
November 21, 2001 (01-68)
September 28, 2006 (06-43).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 625. Training

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All members and persons employed by or associated with such member or a member organization shall successfully complete mandatory training, as required by the Exchange. Training topics include, but are not limited to, training related to that person's function at the Exchange, changes in existing automated systems or any new technology that is utilized by the Exchange, compliance with Exchange Rules and federal securities laws, and issues related to conduct, health and safety on the trading floor.

Adopted.
March 22, 1999 (99-06).
Amendments.
September 6, 1999 (99-29).
October 22, 2001 (01-77).
September 28, 2006 (06-43).
July 24, 2007 (07-16).
April 25, 2011 (11-13).
August 8, 2011 (11-112).
April 16, 2019 (19-17).

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Reserved.

Adopted.
December 31, 1998 (98-53).
Amendments.
October 18, 1999 (99-31).
July 21, 2000 (00-55).
January 16, 2004 (03-73).

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Nasdaq PHLX Rules, Regulation, Rule 651. Exchange's Costs of Defending Legal Proceedings

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Any member or member organization, or person associated with any of the foregoing who fails to prevail in a lawsuit or other legal proceeding instituted by such person or entity against the Exchange or any of its board members, officers, committee members, employees, or agents, and related to the business of the Exchange, shall pay to the Exchange all reasonable expenses, including attorneys' fees, incurred by the Exchange in the defense of such proceeding, but only in the event that such expenses exceed $50,000.00. This provision shall not apply to disciplinary actions by the Exchange, to administrative appeals of Exchange actions or in any specific instance where the Board has granted a waiver of this provision.

Adopted.
August 5, 2004 (04-47).
Amendment.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 652. Limitation of Exchange Liability and Reimbursement of Certain Expenses

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(a) The Exchange, including for purposes of Rule 652 its officers, directors and employees, shall not be liable for any damages sustained by a member, member organization, or person associated with any of the foregoing, arising out of or relating to the use or enjoyment by such person or entity of the facilities afforded by the Exchange to members for the conduct of their business.

(b) The cost to the Exchange of producing, pursuant to court order or other legal process, records relating to the business or affairs of a member, member organization, or person associated with any of the foregoing, may, in the discretion of the Exchange, be required to be paid to the Exchange by such person or entity, whether such production is required at the instance of such person or entity, or at the instance of any other party.

(c) In the event any action or proceeding is brought, or claim made, to impose liability on the Exchange for an alleged failure on its part to prevent or to require action by a member, member organization, or person associated with any of the foregoing, such person or entity may, in the discretion of the Exchange, be required to reimburse the Exchange for:

(1) all expenses, including counsel fees, incurred by the Exchange in connection with said action, proceeding, or claim, (2) the recovery, if any, adjudged against the Exchange upon a final determination that the Exchange was liable for the damage sustained, and (3) any payment made by the Exchange with the approval of the member, member organization, or person associated with any of the foregoing in connection with any settlement of any such action, proceeding, or claim; provided, however, that no member, member organization, or person associated with any of the foregoing shall be required to reimburse the Exchange for any fine or any other civil penalty imposed on the Exchange by the Securities and Exchange Commission (“Commission”) or any other governmental entity for a violation by the Exchange of any provision of the Act or of any Commission regulation, or where indemnification would otherwise be prohibited by law.

(2) Each member organization that physically conducts a business on the Exchange’s trading floor is required, at its sole cost, to procure and maintain liability insurance that provides defense and indemnity coverage for itself, any person associated with it and the Exchange for any action or proceeding brought, or claim made, to impose liability upon such member organization, associated person or the Exchange resulting from, relating to, or arising out of the conduct of the member organization or associated person (hereinafter, “Insurance”). The Insurance shall further provide defense and indemnity coverage to the Exchange for the Exchange’s sole, concurrent, or contributory negligence, or other wrongdoing, relating to or in connection with such claim. The Exchange shall be expressly named by endorsement as an Additional Insured under the Insurance. The Exchange’s status and rights to coverage under the Insurance shall be the same rights of the named insured of the Insurance, including, without limitation, rights to the full policy limits. In addition:

(i) The limits for the Insurance shall be not less than $1,000,000 without erosion by defense costs, but under no circumstance shall the Exchange be entitled to less than the full policy limits of such Insurance.

(ii) The Insurance shall state that it is primary to any insurance maintained by the Exchange.

(iii) Each member organization annually shall cause a certificate of insurance to be issued directly to the Exchange demonstrating that insurance compliant with this Rule has been procured and is maintained. Each member organization also shall furnish a copy of the Insurance to the Exchange for review upon the Exchange’s request at any time.

(a) This section (2) is the only section of Rule 652 specifically limited to member organizations physically located on the Exchange’s trading floor.

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(d) In the event that a member, member organization, or person associated with any of the foregoing fails to remit any amount due the Exchange under this Rule or Rule 651, such person shall be responsible for all costs of collection incurred by the Exchange, including counsel fees. This subsection does not apply to any objection or appeal by a member, member organization, or person associated with any of the foregoing considered by the Exchange or the Commission, or any appeal from a decision of the Commission.

(e) Rules 652(a), (b) & (c) shall apply to any action, proceeding, claim, or other legal process brought, made, or asserted on or after the date of the filing of this Rule with the Commission. Rule 652(d) shall apply to any costs incurred by the Exchange upon approval of this Rule.

Adopted.
December 19, 2009 (09-84).
Amendments.
October 18, 2010 (10-119).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 700. Reserved

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Amendment.
May 14, 2009 (09-23).

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Reserved.

Adopted.
October 4, 1965.
Amendment.
September 28, 2006 (06-43).

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Reserved.

Amendment.
January 11, 2008 (05-68).

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Nasdaq PHLX Rules, Regulation, Rule
703. Financial Responsibility and Reporting

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(a) *Financial Responsibility Standards.*—Each member organization effecting securities transactions shall comply with the capital requirements set forth below:

(i) each member organization subject to SEC rule 15c3-1 shall at all times comply with said rule and the notification provisions of SEC rule 17a-11;

(ii) each member organization exempt from SEC rule 15c3-1 shall, at the time of its admission to the Exchange, have a minimum of $25,000 in net liquid assets;

(iii) each member organization or foreign currency options participant organization exempt from SEC Rule 15c3-1 and whose principal business is as a registered options trader on the Exchange, shall, subject to subparagraph (iv) below, at all times maintain a minimum of $25,000 in net liquid assets;

(iv) each member organization referred to in paragraph (iii) above shall at all times maintain positive net liquid assets and, in its clearing account(s), positive equity, provided that said organization has filed with the Exchange a letter of guarantee issued on its behalf by a clearing member organization of this Exchange which is also a clearing member of the Options Clearing Corporation. In said letter the clearing member organization guarantees the financial responsibilities of said organization for all transactions and balances carried and cleared in the clearing account(s). Such letter of guarantee filed with the Exchange shall remain in effect until a written notice of revocation has been filed with the Exchange by the clearing member organization. A revocation shall in no way relieve a clearing member organization of responsibility for transactions guaranteed prior to the effective date of such revocation.

(v) a member organization shall promptly notify the Exchange if it ceases to be in compliance with the net capital requirements of SEC rule 15c3-1 and/or the provisions of paragraphs (a)(iii) and (a)(iv) above.

(vi) Each member organization which maintains a joint back office ("JBO" arrangement with a clearing broker-dealer subject to the requirements of Regulation T Section 220.7 of the Federal Reserve System shall comply with the requirements below:

(A) Each JBO participant must be registered as a broker-dealer pursuant to Section 15 of the Securities Exchange Act of 1934 and subject to SEC rule 15c3-1(b)(i).

(B) Each JBO participant must meet and maintain a minimum account equity requirements of $1,000,000 the carrying organization must issue a call for additional funds or securities which shall be obtained within five business days. If funds or securities sufficient to eliminate the deficiency are not received within five (5) business days, the carrying organization must margin the account in accordance with the requirements prescribed for a customer in Regulation T and Exchange Rule 722.

(C) Each JBO participant must meet and maintain the ownership standards.

(D) Each JBO participant must employ or have access to a qualified Series 27 principal.

(vii) Every clearing member organization carrying JBO accounts in accordance with Regulation T, shall comply with Section 220.7 of the Federal Reserve Board.

(A) Each member organization that carries JBO accounts shall not allow its (i) tentative net to fall below $25 million or in the alternative its (ii) net capital $7 million for a period in excess of three (3) consecutive business days, provided that the broker-dealer has as its primary business the clearance of options market maker accounts and provided that at least 60% of the sum of the gross haircuts calculated for all options market makers and JBO participant accounts, without regard to related account equity or clearing firm net capital charges, is attributable to options market maker transactions. In addition, the firm operating pursuant to (ii) must include the gross deductions calculated for all JBO participant accounts in the

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clearing firm's ratio of gross options market maker deductions to adjusted net capital in accordance with the provisions of SEC rule 15c3-1.

(B) Each member organization which maintains JBO accounts shall require and maintain equity of $1,000,000 for each JBO participant, over all related accounts. If equity is below $1,000,000 the carrying organization must issue a call for additional funds or securities which shall be obtained within five business days. If funds or securities are sufficient to eliminate the deficiency are not received within five (5) business days, the carrying organization must margin the account in accordance with the requirements prescribed for a customer in Regulation T and Exchange Rule 722.

(C) Each member organization which maintains JBO accounts shall adjust its net worth daily by deducting any deficiency between a JBO participant's account equity and the proprietary haircut calculated pursuant to SEC rule 15c3-1 for the positions maintained in such account.

(D) Each member organization which maintains JBO accounts shall establish and maintain written ownership standards for JBO accounts.

(E) Each member organization which maintains JBO accounts must notify its Designated Examining Authority ("DEA"), in writing of its intention to carry such accounts.

If at any time a clearing member operating pursuant to paragraphs (vii)(A)(i) or (ii) above determines that its tentative net capital or that its net capital, respectively, has fallen below the applicable requirements, such clearing member shall immediately notify the Exchange of such deficiency by telegraphic or facsimile notice; and be subject to the prohibition against withdrawal of equity capital set forth in SEC rule 15c3-1(e) and to the prohibitions against reduction, prepayment and repayment of subordination agreements set forth in paragraph (b)(1) of the SEC rule 15c3-1d, as if such broker or dealers' net capital were below the minimum standards specified by each of these paragraphs.

(F) Each member organization which maintains JBO accounts must develop risk analysis standards which are acceptable to the Exchange.

(viii) a member organization shall promptly notify the Exchange if it ceases to be in compliance with the net capital requirements of SEC rule 15c3-1 and/or the provisions of paragraphs (a)(iii) and (a)(iv) above.

(b) *Computation of Net Liquid Assets.*—Each member organization subject to this Rule shall compute net liquid assets in accordance with the following.

(i) Net Liquid Assets shall mean Total Assets less Total Liabilities less Non-Allowable Assets plus Exchange-approved Subordinated Liabilities less $^2/_3$ of the value, as defined below. Unless provided otherwise in this rule, assets, liabilities and net worth shall be computed in accordance with generally accepted accounting principles.

(ii) Assets and Non-Allowable Assets shall have the same meaning as set forth in SEC rule 15c3-1 except as stated in paragraph (b)(i) above;

(iii) Exchange-approved Subordinated Liabilities shall have the same meaning as those liabilities subject to Appendix D to SEC rule 15c3-1 and shall be executed and maintained in the same manner as defined in said Rule and SEC rule 17a-11.

(c) *Reporting and Recordkeeping.*—Member organizations shall make the following reports of their compliance with their pertinent financial responsibility rules:

(i) Organizations designated to the Exchange for financial responsibility pursuant to SEC rule 17d-1 and subject to SEC rules 15c3-1 and 17a-5 shall file those periodic and annual reports and annual certified audited statements as prescribed by SEC rule 17a-5.

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(ii) Each organization designated to the Exchange for financial responsibility pursuant to SEC rule 17d-1 and acting as a Market Maker and/or option specialist shall, on forms prescribed by the Exchange, file the following reports with the Exchange or its designee:

(A) As of the last business day of each month, a statement of assets, liabilities, net worth and a computation of net capital;

(B) As of the last business day of each calendar quarter, in addition to the information required by subparagraph (c)(ii)(A), a statement of profit or loss for said calendar quarter and, where applicable, changes in retained earnings, partnership capital and subordinated liabilities; and

(C) As of the last business day of each calendar year, in addition to the information required by subparagraph (c)(ii)(A), a statement of profit or loss for said year and where applicable, changes in retained earnings, partnership capital and subordinated liabilities and any other supplemental schedule(s) as may be required by the SEC.

(iii) Each organization designated to the Exchange for financial responsibility pursuant to SEC rule 17d-1, exempt from SEC rule 15c3-1 and maintaining net liquid assets in accordance with Rule 703(a)(iii), shall, on forms prescribed by the Exchange, file those reports prescribed in Rule 703(c)(ii)(A), (B), and (C).

(iv) Each organization designated to the Exchange for financial responsibility pursuant to SEC rule 17d-1, exempt from SEC rule 15c3-1 and maintaining net liquid assets in accordance with Rule 703(a)(iv), shall file only those reports prescribed in Rule 703(c)(ii)(C) as well as those reports prescribed in 703(c)(iv)(A).

(A) As of the last business day of the first half of each calendar year, in addition to the information required by subparagraph (c)(ii)(A), a statement of profit or loss for said first half, and where applicable, changes in retained earnings, partnership capital and subordinated liabilities.

(v) Each organization designated to the Exchange for financial responsibility pursuant to SEC rule 17d-1 and acting as a broker on the Exchange shall, on forms prescribed by the Exchange, file those reports described in Rule 703(c)(ii)(A), (B), and (C).

(vi) Each member organization whose principal business is acting as a broker on PSX, who is not self-clearing and for which the Exchange is the DEA must establish and maintain an account with a clearing firm for the sole purposes of carrying positions resulting from errors made in the course of its brokerage business. Such an account for options transactions must be maintained with an entity which is also a clearing member of the Options Clearing Corporation. A broker on PSX, prior to effecting any transactions, must file with the Exchange a letter from its clearing member organization stating that this account has been established and that the clearing member organization guarantees the financial responsibilities of the broker on PSX with respect to all orders entrusted on PSX with such broker on PSX as well as all transactions and balances carried within the account. This letter shall remain in effect until the Exchange receives written notice from the clearing member organization of its intent to no longer clear or carry transactions for such broker on PSX. Written notice received at least one-half hour before the normal opening of trading shall take effect on the day of receipt; written notice received less than one-half hour before the opening of trading shall take effect on the opening of the business day following Exchange receipt.

(d) The Exchange may at any time or from time to time with respect to a particular member organization, prescribe more frequent filing of reports or greater net liquid asset requirements than those prescribed under this Rule, including more stringent treatment of items in computing net liquid assets.

(e) *Due Dates; Fees for Late Filing.*—Each financial report required by Rule 703(c) shall be filed with the Exchange within seventeen business days after the conclusion of the reporting period. Reports shall be deemed to have been filed on the date which they have been postmarked; if such reports have not been postmarked, they shall be deemed to have been filed when received by the Exchange. A request for an extension of time to

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file any such report must be received by the Exchange no later than the business day before the due date for the required report. Unless such an extension has been granted, a member organization shall pay a late fee as set forth below for each week or any part thereof that the report has not been filed.

(i) $100 per week for the first late filing in a twelve-month period;
(ii) $300 per week for the second late filing during a twelve-month period; and
(iii) $1,000 per week for the third late filing, and subsequent late filings, during a twelve-month period.

The twelve-month period is calculated based on report due dates. Delinquencies will be calculated based on a running twelve-month period.

(f) *Filings with The Exchange.*—All letters, reports, extension requests and other items required to be filed with the Exchange by any provision of this Rule shall be filed with the Exchange or its designee.

• • • ***Commentary:*** —

.01 JBO participants shall not be considered self-clearing for any purpose other than the extension of credit under Rule 722 or under the comparable rules of another self-regulatory organization.

.02 Organizations designated to the Exchange for financial responsibility pursuant to SEC rule 17d-1 and subject to SEC rules 15c3-1 and 17a-5 or exempt from SEC rule 15c3-1 and maintaining net liquid assets in accordance with Rule 703(a), must file electronically with the Exchange or its designee, utilizing such method as required by the Exchange, FOCUS Reports and filings required by SEC rule 17a-5(a) and (b) and Rule 703(c), (d) and (f). Exchange members are still obligated to submit such filings to the Securities and Exchange Commission as specified in the Securities Exchange Act of 1934 ("Act"), as amended, and the rules promulgated under the Act.

Adopted.
June 7, 1976.
Amendments.
July 13, 1984.
April 19, 1993 (92-16).
March 30, 1994 (94-04).
February 24, 2000 (97-56).
December 4, 2001 (99-41).
January 16, 2004 (03-73).
September 21, 2004 (04-45).
June 22, 2005 (05-34).
September 28, 2006 (06-43).
April 25, 2011 (11-13).
October 27, 2011 (11-137).
March 23, 2015 (15-30), operative April 22, 2015.
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, Rule 704. Assignment of Interest of Partner

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No partner in a member organization that is a partnership shall assign or in any way encumber his interest in such partnership without the prior approval of the Membership Department.

Amendments.
January 16, 2004 (03-73).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 705. Fidelity Bonds

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(a) General Provision

(1) Each member and member organization required to join the Securities Investor Protection Corporation shall maintain blanket fidelity bond coverage which provides against loss and has Insuring Agreements covering at least the following:

(A) Fidelity;
(B) On Premises;
(C) In Transit;
(D) Forgery and Alteration;
(E) Securities; and
(F) Counterfeit Currency.

(2) The fidelity bond must include a cancellation rider providing that the insurance carrier will use its best efforts to promptly notify the Exchange in the event the bond is cancelled, terminated or substantially modified.

(3) A member or member organization's fidelity bond must provide for per loss coverage without an aggregate limit of liability.

(b) Minimum Required Coverage

(1) A member or member organization with a net capital requirement of less than $250,000 must maintain minimum fidelity bond coverage for all Insuring Agreements required by paragraph (a) of this Rule of the greater of (A) 120% of the member or member organization's required net capital under SEC rule 15c3-1 or (B) $100,000. A member or member organization with a net capital requirement of $250,000 or more must maintain minimum fidelity bond coverage for all Insuring Agreements required by paragraph (a) of this Rule in accordance with the following table:

Net Capital Requirement under SEA Rule 15c3-1	Minimum Coverage
250,000 – 300,000	600,000
300,001 – 500,000	700,000
500,001 – 1,000,000	800,000
1,000,001 – 2,000,000	1,000,000
2,000,001 – 3,000,000	1,500,000
3,000,001 – 4,000,000	2,000,000
4,000,001 – 6,000,000	3,000,000
6,000,001 – 12,000,000	4,000,000
12,000,001 and above	5,000,000

(2) At a minimum, a member or member organization must maintain fidelity bond coverage for any person associated with the member or member organization, except directors or trustees who are not performing acts within the scope of the usual duties of an officer or employee.

(3) Any defense costs for covered losses must be in addition to the minimum coverage requirements as set forth in paragraph (b)(1) of this Rule.

(c) Deductible Provision A provision may be included in a fidelity bond to provide for a deductible of up to 25% of the coverage purchased by a member or member organization. Any deductible amount elected by the member or member organization that is greater than 10% of the coverage purchased by the member

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or member organization must be deducted from the member or member organization's net worth in the calculation of its net capital for purposes of SEC rule 15c3-1. If the member or member organization is a subsidiary of another Exchange member, or member organization this amount may be deducted from the parent's rather than the subsidiary's net worth, but only if the parent guarantees the subsidiary's net capital in writing.

(d) Annual Review of Coverage

(1) A member or member organization, including a member or member organization that signs a multi-year insurance policy, shall, annually as of the yearly anniversary date of the issuance of the fidelity bond, review the adequacy of its coverage and make any required adjustments, as set forth in paragraphs (d)(2) and (d)(3) of this Rule.

(2) A member or member organization's highest net capital requirement during the preceding 12-month period, based on the applicable method of computing net capital (dollar minimum, aggregate indebtedness or alternative standard), shall be used as the basis for determining the member's or member organization's required minimum fidelity bond coverage for the succeeding 12-month period. For the purpose of this paragraph, the "preceding 12-month period" shall include the 12-month period that ends 60 days before the yearly anniversary date of a member's or member organization's fidelity bond.

(3) A member or member organizations that has only been in business for one year and elected the aggregate indebtedness ratio for calculating its net capital requirement may use, solely for the purpose of determining the adequacy of its fidelity bond coverage for its second year, the 15 to 1 ratio of aggregate indebtedness to net capital in lieu of the 8 to 1 ratio (required for broker-dealers in their first year of business) to calculate its net capital requirement. Notwithstanding the above, such member or member organization shall not carry less minimum bonding coverage in its second year than it carried in its first year.

(e) Notification of Change A member or member organization shall immediately advise the Exchange in writing if its fidelity bond is cancelled, terminated or substantially modified.

(f) Exemptions

(1) The requirements of this Rule shall not apply to:

(A) member or member organizations that maintain a fidelity bond as required by another national securities exchange or FINRA, registered with the SEC under Section 6 of the Exchange Act, provided that the member or member organization is in good standing with such national securities exchange and the fidelity bond requirements of such exchange are equal to or greater than the requirements of this Rule; and

(B) member or member organizations whose business is solely that of a Registered Options Trader, Specialist or Floor Broker who does not conduct business with the public.

• • • ***Supplementary Material:***

.01 Definitions. For purposes of this Rule, the term "substantially modified" shall mean any change in the type or amount of fidelity bonding coverage, or in the exclusions to which the bond is subject, or any other change in the bond such that it no longer complies with the requirements of this Rule.

.02 Alternative Coverage. A member or member organization that does not qualify for blanket fidelity bond coverage as required by paragraph (a)(3) of this Rule shall maintain substantially similar fidelity bond coverage in compliance with all other provisions of this Rule, provided that the member or member organization maintains written correspondence from two insurance providers stating that the member or member organization does not qualify for the coverage required by paragraph (a)(3) of this

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Rule. The member or member organization must retain such correspondence for the period specified by SEC rule 17a-4(b)(4).

Adopted.
December 6, 1961, effective February 1, 1962.
Amendments.
February 9, 1971.
January 1, 1976.
May 11, 1977.
January 16, 2004 (03-73).
April 25, 2011 (11-13).
January 26, 2012 (12-13), operative April 2, 2012.
February 13, 2012 (12-21), operative April 2, 2012.
September 25, 2014 (14-65).

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Capital Requirements for Odd-Lot Dealer Specialists

Reserved

Amendments.
Rescinded effective July 13, 1984.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 707. Conduct Inconsistent with Just and Equitable Principles of Trade

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A member, member organization, or person associated with or employed by a member or member organization shall not engage in conduct inconsistent with just and equitable principles of trade.

Commentary:

.01 Without limiting the generality of Rule 707, it is conduct inconsistent with just and equitable principles of trade for any member, member organization, or person associated with or employed by a member or member organization to engage, directly, or indirectly, in any conduct that threatens, harasses, intimidates, constitutes a "refusal to deal," or retaliates against any member, member organization, person associated with or employed by a member or member organization, or other market participant because such member, member organization, person associated with or employed by a member or member organization, or other market participant has: (i) made a proposal to any exchange or other market to list or trade any option class; (ii) advocated or proposed to list or trade an option class on any exchange or other market; (iii) commenced making a market in or trading any option class on any exchange or other market; (iv) sought to increase the capacity of any options exchange or the options industry to disseminate quote or trade data; (v) sought to introduce new option products; or (vi) acted, or sought to act, competitively.

.02 Without limiting the generality of Rule 707, it is conduct inconsistent with just and equitable principles of trade for any member, member organization, or person associated with or employed by a member or member organization to engage in conduct that has the intent or effect of unbundling equity securities orders for execution for the primary purpose of maximizing a monetary or in-kind amount received by the member, member organization, or person associated with or employed by a member or member organization as a result of the execution of such equity securities orders. For purposes of this section, “monetary or in-kind amounts” shall be defined to include commissions, gratuities, payments for or rebate of fees resulting from the entry of such equity securities orders, or any similar payments of value to the member, member organization, or person associated with or employed by a member or member organization.

Adopted.
December 20, 1982.
Amendments.
February 20, 2001 (00-94).
January 6, 2006 (05-63).

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Nasdaq PHLX Rules, Regulation, Rule 708. Acts Detrimental to the Interest or Welfare of the Exchange

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A member, member organization, or person associated with or employed by a member or member organization shall not engage in acts detrimental to the interest or welfare of the Exchange.

Commentary: —

.01 Acts which could be deemed detrimental to the interest or welfare of the Exchange include, but are not limited to, the following:

(a) conviction or guilty plea to any felony charge or any securities or fraud-related criminal misconduct;
(b) use or attempted use of unauthorized assistance while taking any securities industry or Exchange-related qualification examination;
(c) failure to make a good faith effort to pay any fees, dues, fines or other monies due and owing to the Exchange;
(d) destruction or misappropriation of Exchange or member property;

—

Adopted.
April 1, 1994 (93-53).
Amendments.
February 21, 2003 (02-34).
May 20, 2004 (04-34).
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, Rule 711. Reserved

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Amendments.
Rescinded effective July 13, 1984.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 712. Independent Audit

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Each member organization doing any business with the public shall at least once each calendar year cause to be made an audit of its affairs, conducted in accordance with applicable audit requirements of the Securities and Exchange Commission and such other requirements as deemed appropriate by the Exchange, by independent public accountants and shall have such accountants prepare an answer to the financial questionnaire of the Exchange based upon such audit.

Pursuant to Rule 17a-5(d), promulgated under the Exchange Act, all broker-dealers are required to file annually audited financial statements ("Annual Audits") with their Designated Examining Authority and the SEC, no more than 60 days after the date of the year end financial statements. A member organization unable to meet the filing deadline for its Annual Audit as a result of exceptional circumstances may request an extension of time, in writing, prior to the filing due date. Annual Audits not received by the Exchange by the due date, or revised due date if an extension has been granted, will be subject to a late fee as set forth below for each week or any part thereof that the Annual Audit has not been filed, as calculated based on the due date or revised due date for filing the Annual Audit. (Implemented on a running three-year basis.)

(i) $100 per week for the first late filing in a three-year period.
(ii) $300 per week for the second late filing in a three-year period.
(iii) $1,000 per week for the third late filing in a three-year period.

Amendments.
April 2, 1947
December 13, 1972.
February 8, 2007 (06-88).

• • • ***Supplementary Material:*** —

The Exchange has adopted the following directive:

Annual audit

While the new rule eliminates the requirement for a surprise audit it is still required that an audit be conducted. The annual audit may be done on a surprise basis but the rule also allows for the audit to be conducted on a calendar year basis, fiscal year basis or any other regular basis approved by the Exchange.

The agreement between the member organization and the accountant, required to be filed with the Membership Department under directive of the Exchange, shall read substantially as follows, although additional provisions, not inconsistent with the following, may also be included in the agreement:

—

Amendments.
April 25, 2011 (11-13).
November 15, 2017 (17-92), operative January 2, 2018.

• • • ***Supplementary Material:*** —

SAMPLE COPY

(Not for filing)

To be typed on Accountants Letterhead

—

(Name of Member Organization)

Gentlemen:

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You have selected us (me) to make an audit of your affairs and to prepare an answer to the financial questionnaire required to be filed with Nasdaq PHLX LLC based upon such audit.

We (I) Agree

(1) To make an audit of the affairs of your firm in accordance with the audit regulations of the Securities and Exchange Commission and Nasdaq PHLX LLC. Such audit shall be conducted as of ...., 20.... . In the event the audit is to be conducted on a "surprise" basis, do not fill in date called for above and state that "the audit will be made without prior notice to your firm."

(2) to notify promptly the Membership Department that the audit has been commenced;

(3) to prepare an answer to the financial questionnaire required to be filed with the Membership Department, based upon such audit;

(4) to submit to the Membership Department a copy of such answer accompanied by an attestation, in the prescribed form, signed by the general partners (officers) of the member firm (corporation) and ourselves (myself);

(5) to submit to the Membership Department a copy of our (my) report in accordance with the special instructions which appear in the financial questionnaire.

Yours very truly,

—

Signature of Independent

Public Accountant

Adopted.
October 23, 1946.
Amendments.
April 2, 1947.
December 17, 1973.
January 16, 2004 (03-73).
April 25, 2011 (11-13).
October 18, 2017 (17-82).
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 715. Reserved

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Reserved.

Adopted.
January 14, 1983.
Amendments.
February 28, 1983.
January 31, 2006 (06-08).
September 28, 2006 (06-43).
March 11, 2008 (08-13).

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Nasdaq PHLX Rules, Regulation, Rule 716. Reserved

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Reserved.

Adopted.
January 14, 1983.
Amendment.
March 11, 2008 (08-13).

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Nasdaq PHLX Rules, Regulation, Rule 721. Proper and Adequate Margin

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(a) No member organization shall effect a transaction or accept or carry an account for a customer, whether a member or non-member of the Exchange, without proper and adequate margin in accordance with the Margin Rules set forth in Rules 721, 722 and 723 and Regulation T.

(b) A member organization must elect to be bound by the initial and maintenance margin requirements of either the Chicago Board Options Exchange ("CBOE") or New York Stock Exchange ("NYSE") as the same may be in effect and amended from time to time.

(1) Such election shall be promptly made in writing by a notice filed with the Exchange.
(2) Upon the filing of such election, a member organization shall be bound to comply with the margin rules of CBOE or NYSE, as applicable, as though said rules were part of the Exchange's Margin Rules.

    (A) Upon the filing of such election, a member organization engaged in trading Treasury securities options on the Exchange shall, in respect of such trading, comply with the NYSE initial and maintenance margin rules or CBOE margin rules in Chapter XII (not CBOE Government security option margin rules in Chapter XXI). Provided, however, that short Treasury security options traded on the Exchange shall follow the margin percentage requirements for short equity options in NYSE margin rules or the margin percentage requirements for short equity options in CBOE Chapter XII; and provided that portfolio margin shall not be applicable to Treasury securities options.

(c) The margin requirement for any U.S. dollar-settled foreign currency put or call option listed and traded on the Exchange and issued by a registered clearing corporation shall be calculated as follows:

(1) The Exchange will review the five day price movements comparing the base currency against the underlying currency over the most recent three-year period for each foreign currency pair underlying options traded on the Exchange and will set margin levels which would have covered the price changes over the review period at least 97.5% of the time ("confidence level").
(2) Subsequent reviews of five day price changes over the most recent three year period will be performed quarterly on the 15th of January, April, July and October of each year.
(3) If the results of subsequent reviews show that the confidence level for any currency pair has fallen below 97%, the Exchange will increase the margin requirement for that currency up to a 98% confidence level. If the results show a confidence level between 97% and 97.5%, the currency pair will be monitored monthly until the confidence level exceeds 97.5% for two consecutive months. If the results of a monthly review show that the confidence level has fallen below 97%, the margin requirement will be increased to a 98% confidence level. If the results of any review show that the confidence level has exceeded 98.5%, the margin level would be reduced to a level which would provide a 98% confidence level.
(4) The Exchange will also review each currency pair for large price movements outside the margin level ("extreme outlier test"). If the results of any review show a price movement, either positive or negative, of greater than two times the current margin level, the margin requirement for that currency pair will be increased to a confidence level of 99%.

(d) The margin requirement for any Alpha Index put or call option listed and traded on the Exchange and issued by a registered clearing corporation shall be the same as the higher of the margin requirements applicable to options on the two individual components of the index.

Amendments.
January 10, 1997 (96-40).
August 11, 2008 (07-33).
January 23, 2009 (09-01).
February 7, 2011 (10-176).

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April 25, 2011 (11-13).
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule
723. Prohibition on Free-Riding in Cash Accounts

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No member organization shall permit a customer (other than a broker/dealer or a "designated account") to make a practice, directly or indirectly, of effecting transactions in a cash account where the cost of securities purchased is met by the sale of the same securities. No member organization shall permit a customer to make a practice of selling securities with them in a cash account which are to be received against payment from another broker/dealer where such securities were purchased and are not yet paid for. A member organization transferring an account which is subject to a Regulation T 90-day freeze to another member organization shall inform the receiving member organization of such 90-day freeze.

The provisions of Section 220.8(c) of Regulation T of the Board of Governors of the Federal Reserve System dictate the prohibitions and exceptions against customers' free riding. Member organizations may apply to the Exchange in writing for waiver of a 90-day freeze not exempted by Regulation T.

Amendments.
January 10, 1997 (96-40).
August 11, 2008 (07-33).

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Nasdaq PHLX Rules, Regulation, Rule 724. Reserved

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Reserved.

Amendments.
January 16, 2004 (03-73).
August 11, 2008 (07-33).

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Nasdaq PHLX Rules, Regulation, Rule 725. Reserved

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Reserved.

Amendments.
June 7, 1944.
January 16, 2004 (03-73).
August 11, 2008 (07-33).

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Nasdaq PHLX Rules, Regulation, Rule 741. Customers' Securities

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No member organization shall make improper use of a customer's securities.

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Nasdaq PHLX Rules, Regulation, Rule
742. Restrictions on Pledge of Customers' Securities

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(a) No agreement between a member organization and a customer authorizing the member organization to pledge securities carried for the account of the customer either alone or with other securities, either for the amount due thereon or for a greater amount, or to lend such securities, shall justify the member organization in pledging or lending more of such securities than is fair and reasonable in view of the indebtedness of said customer to said member organization, except as provided in paragraph (d) of this Rule.

Agreements for use of customers' securities

(b) No member organization shall lend, either to itself as broker or to others, securities held on margin for a customer and which may be pledged or loaned under paragraph (a) hereof, unless such member organization shall first have obtained a separate written authorization from such customer permitting the lending of such securities by such member organization.

Restrictions on delivery of customers' securities

(c) No general agreement between a member organization and a customer shall justify the member organization in delivering securities carried for the customer on sales made by the member organization for any account in which such member organization or any partner thereof or stockholder therein is directly or indirectly interested.

Free or excess margin securities

(d) No securities held by a member organization for the account of a customer, whether free or representing excess margin, may be loaned to itself as broker, or to others, or delivered on sales made by the member organization for any account in which the organization or any partner or stockholder has a direct or indirect interest unless a specific written agreement designating the particular securities to be loaned is first obtained from the customer.

Amendments.
February 6, 1957, effective February 7, 1957.
January 16, 2004 (03-73).

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Nasdaq PHLX Rules, Regulation, Rules 743 and 744. Reserved, Rules 743 and 744. Reserved

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Amendments.
Rescinded February 7, 1957.
2011, (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 745. Partial Payments

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No member organization shall make an arrangement for the purchase of securities for the account of a customer, to be paid for by the customer on installments or by a series of partial payments, under which the charge for purchasing and carrying any such securities is unreasonable.

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Nasdaq PHLX Rules, Regulation, Rule 746. Diligence as to Accounts

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Every member is required either personally or through a general partner or an officer who is a holder of voting stock in his organization to use due diligence to learn the essential facts relative to every customer and to every order or account accepted by his organization.

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Nasdaq PHLX Rules, Regulation, Rule 747. Approval of Accounts

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No member organization shall make any brokerage transactions for the account of a customer unless, prior to the completion thereof, a general partner or an officer who is a holder of voting stock in such organization shall have specifically approved the opening of such account, provided, however, that in the case of branch offices the opening of an account for a customer may be approved by the manager of such branch office but the action of such branch office manager shall within a reasonable time be approved by a general partner or an officer who is a holder of voting stock in such organization. The member, general partner or officer approving the opening of an account shall, prior to giving his approval, be personally informed as to the essential facts relative to the customer and to the nature of the proposed account and shall indicate his approval in writing on a document which will become part of the records of his office or organization.

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Nasdaq PHLX Rules, Regulation, Rule 748. Supervision

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(a) *General*—Each office, location, department, business activity, trading system and internal surveillance system of a member or member organization (including foreign incorporated branch offices) shall be under the supervision and control of the member or member organization establishing it and of an appropriately qualified supervisor, as described in (c) below.

Each member or member organization and registered representative, employee, and associated person of a member or member organization shall be under the supervision and control of an appropriately qualified supervisor, as described in (c) below.

For the purposes of this Rule, individuals engaged in acting as back-up specialist unit will be considered to be engaged in a business activity for the specialist unit they are assisting pursuant to Rule 501(b)(4).

(b) *Designation of Supervisor by Member Organizations*—The general partners or directors of each member organization shall provide for appropriate supervisory control and shall designate a general partner or principal executive officer to assume overall authority and responsibility for internal supervision and control of the organization and compliance with securities laws and regulations, including the By-Laws and Rules of the Exchange. The designated person shall:

(1) Delegate to qualified principals or qualified employees responsibility and authority for supervision and control of each office, location, department, business activity, trading system and internal surveillance system (including foreign incorporated branch offices), and provide for appropriate written procedures of supervision and control; and
(2) Establish a separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised.

(c) *Qualification of Supervisor*—Each member or member organization must make reasonable efforts to determine that each person with supervisory control, as described in paragraphs (a) and (b) above, is qualified by virtue of experience or training to carry out his or her assigned responsibilities. Each person with supervisory control, as described in paragraphs (a) and (b) above, must meet the Exchange's qualification requirements for supervisors, including successful completion of the appropriate examination.

(d) *Standards for Supervision*—Each person with supervisory control, as described in paragraphs (a) and (b) above, shall reasonably discharge his duties and obligations in connection with such supervision and control to prevent and detect, insofar as practicable, violations of the applicable securities laws and regulations, including the By-Laws and Rules of the Exchange.

(e) *Interviews or Meetings and Reviews of Business*—At least annually, each member or member organization for which the Exchange is the Designated Examining Authority ("DEA") shall:

(1) Conduct an interview or meeting with all registered representatives, employees, or associated persons, at which compliance matters relevant to the activities of the registered representatives, employees, or associated persons are discussed; and
(2) Conduct a review of the business(es) in which it engages, which shall be reasonably designed to assist in detecting and preventing violations of and achieving compliance with applicable securities laws and regulations, including theBy-Laws and Rules of the Exchange.

Each member or member organization shall retain a written record of the dates upon which each interview or meeting and review of business occurred, the participants in the interview or meeting, and the results thereof.

(f) *Branch Offices*—Each member organization for which the Exchange is the Designated Examining Authority (“DEA”) shall file with the Exchange a list identifying each of its branch offices by completing a Branch Office Disclosure Form and submitting the Form to the Exchange’s Membership Department. Member organizations for which the Exchange is the DEA shall file amendments to the Branch Office Disclosure Form with the Exchange

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no later than thirty (30) days from the date of any change to the information in the Form. Member organizations for which the Exchange is the DEA shall provide information about its branch offices, including, but not limited to: location, designated supervisor, contact information, number of traders at the location and type of activity conducted at the branch office.

(g) *Office Inspections*—Each member or member organization for which the Exchange is the DEA shall inspect each office or location (including foreign incorporated branch offices) of the member or member organization according to a cycle that shall be established in its written supervisory procedures. An inspection may not be conducted by any person within that office or location who has supervisory responsibilities or by any individual who is directly or indirectly supervised by such person(s). In establishing such inspection cycle, the member or member organization shall give consideration to the nature and complexity of the securities activities for which the office or location is responsible, the volume of business done, and the number of registered representatives, employees, and associated persons at each office or location. The inspection schedule and an explanation of the factors considered in determining the frequency of the inspections in the cycle shall be set forth in the member's or member organization's written supervisory procedures. The inspection shall be reasonably designed to assist in preventing and detecting violations of, and achieving compliance with, applicable securities laws and regulations, and with applicable Exchange rules.

Each member or member organization shall retain a written record of the dates upon which each inspection is conducted, the participants in the inspection, and the results thereof.

(h) *Written Supervisory Procedures*—Each member or member organization shall establish, maintain, and enforce written supervisory procedures, and a system for applying such procedures, to supervise the types of business(es) in which the member or member organization engages in and to supervise the activities of all registered representatives, employees, and associated persons. The written supervisory procedures and the system for applying such procedures shall reasonably be designed to prevent and detect, insofar as practicable, violations of the applicable securities laws and regulations, including the By-Laws and Rules of the Exchange.

The written supervisory procedures shall set forth the supervisory system established by the member or member organization and shall include the name, title, registration status, and location of all supervisory personnel required by this rule, the dates for which supervisory designations were or are effective, and the responsibilities of supervisory personnel as these relate to the types of business(es) the member or member organization engages in, and securities laws and regulations, including the By-Laws and Rules of the Exchange. This record must be preserved for a period of not less than three years, the first two in an easily accessible place.

A copy of the written supervisory procedures shall be kept and maintained at each location where supervisory activities are conducted on behalf of the member or member organization. Each member or member organization shall amend its written supervisory procedures as appropriate within a reasonable time after changes occur in applicable securities laws and regulations, Exchange rules, supervisory personnel or supervisory procedures. Each member or member organization shall be responsible for communicating such changes throughout its organization within a reasonable time.

Amendments.
May 11, 1994 (93-39).
November 29, 1994 (94-51).
November 27, 2000 (00-72).
December 13, 2000 (00-32).
April 25, 2011 (11-13).
October 24, 2012 (12-124), operative November 23, 2012.
December 16, 2016 (16-104).

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Nasdaq PHLX Rules, Regulation, Rule 749. Transactions for Employees of Exchange, etc.

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No member organization shall take or carry an account or make a transaction in which an employee of the Exchange, or of any corporation of which the Exchange owns a majority of the capital stock, or of any other member or member organization, is directly or indirectly interested, without the prior written consent of the employer.

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Nasdaq PHLX Rules, Regulation, Rule 750. Speculative Transactions for Employees of Certain Employers

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No member organization shall, without the prior written consent of the employer, take or carry a speculative account or make a speculative transaction in which an employee of a bank, trust company, insurance company, or of any corporation, association, firm or individual engaged in the business of dealing, either as broker or as principal, in stocks, bonds, or other securities in any form, bills of exchange, acceptances, or other forms of commercial paper, is directly or indirectly interested.

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Nasdaq PHLX Rules, Regulation, Rule 751. Accounts of Employees of Member Organizations

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No member organization shall take or carry an account or make a transaction in which an employee of any member organization is directly or indirectly interested, unless the written consent of the employer member organization has first been obtained. Where such prior consent is obtained, duplicate reports and monthly statements of all transactions shall be sent to the employer. The employee is also responsible for arranging duplicate reports and monthly statements of all transactions to be sent to the employer where a trading account is with a non-member of the Exchange.

Amendments.
October 5, 1995 (95-51).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 752. Statements to Be Sent to Customers

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No member organization shall address confirmations, statements or other communications to a customer of such organization in care of any employee of such organization, or address such confirmations, statements or other communications to such a customer in his or its own care or in care of any other member or member organization, unless (1) such organization shall have been so directed in writing by such customer, and (2) duplicate copies of such confirmations, statements, and other communications are addressed to such customer (except when this requirement is waived by the Exchange) at his place of business or residence or at some other address designated in writing by such customer.

Amendment.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 753. Notwithstanding Power of Attorney

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When a non-member customer has given a power of attorney to a member or to a partner of a member or to any other person all confirmations, statements, and other communications with respect to the account of such customer shall be addressed to such customer (except when this requirement is waived by the Exchange) at his place of business or residence or some other address designated in writing by such customer, even if duplicate copies are sent to the person holding the power of attorney.

Amendment.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule
754. Discretionary Power as to Customers' Accounts

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Member organizations shall comply with NASD Rule 2510 as if such rule were part of the Exchange Rules.

Amendments.
July 14, 2016 (16-78), operative Aug. 13, 2016.
January 26, 2017 (17-05).

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Nasdaq PHLX Rules, Regulation, Rule 755. Reserved

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Reserved.

Amendments.
March 16, 1960, effective March 17, 1960.
September 28, 2006 (06-43).

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Nasdaq PHLX Rules, Regulation, Rule 756. Reserved

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Amendments.
January 16, 2004 (03-73).
March 18, 2016 (16-37).

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Nasdaq PHLX Rules, Regulation, Rule 757. Anti-Money Laundering Compliance Program

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Each member and member organization for which the Exchange is the Designated Examining Authority, shall develop and implement a written anti-money laundering program reasonably designed to achieve and monitor the member's compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, et. seq.), and the implementing regulations promulgated thereunder by the Department of the Treasury. Each member's anti-money laundering program must be approved, in writing, by a representative of its senior management staff. The anti-money laundering programs required by this Rule shall include, at a minimum a requirement to:

(1) Establish and implement policies, procedures and controls that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder;
(2) Establish and implement policies, procedures and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder;
(3) Provide for independent testing for compliance to be conducted by member personnel or by a qualified outside party;
(4) Designate an individual or individuals responsible for implementing and monitoring the day-to-day operations and controls of the program; and
(5) Provide ongoing training for appropriate personnel.

Adopted.
June 10, 2002 (02-29).
Amendments.
January 16, 2004 (03-73).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 760. Maintenance, Retention and Furnishing of Books, Records and Other Information

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Every member and member organization shall make, keep current and preserve such books and records as the Exchange may prescribe and as may be prescribed by the Securities Exchange Act of 1934 and the rules and regulations thereunder. No member or member organization shall refuse to make available to the Exchange such books, records or other information as may be called for under the rules or as may be requested in connection with an investigation by the Exchange.

Adopted.
March 26, 1980.

•••Supplementary Material:

.01 Without limiting the general provisions of Rule 760, such Rule requires Registered Options Traders who receive electronically-delivered orders directed to them, Specialists and Specialist Units who request that payments be made to order flow providers as part of the Exchange's payment for order flow program, to make, keep current and preserve all books and records relating to payment for order flow arrangements, including but not limited to all records pertaining to the identity of the order flow providers, the rates, and the basis for the amounts they have directed the Exchange to pay to order flow providers (whether on a per contract or flat fee basis). Such books and records shall be made available as may be requested by the Exchange.

Adopted.
June 11, 2001 (01-08).
Amendment.
January 18, 2006 (05–67).

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Nasdaq PHLX Rules, Regulation, Rule 761. Supervisory Procedures Relating to ITSFEA and to Prevention of Misuse of Material Nonpublic Information

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(a) Member organizations must maintain written supervisory procedures as required by the Insider Trading and Securities Fraud Enforcement Act of 1988 (ITSFEA). Such procedures must be reasonably designed to prevent the misuse of material, non-public information by employees.

(b) In addition to the requirements under ITSFEA, the Exchange herein institutes basic minimum standards for incorporation into ITSFEA related written supervisory procedures for all member organizations. The requirements enumerated below must be included and, together with all related additional written supervisory procedures maintained in accordance with paragraph (a) above, must receive approval by the Exchange. These requirements are not intended to supersede, or be presumed to fulfill, the requirements of ITSFEA. These requirements are instead set forth as separate requirements of the Exchange.

In the instance where a member organization is subject to written supervisory procedures relating to ITSFEA, imposed by another self regulatory organization which is its designated examining authority ("DEA") the Exchange requirements set forth in paragraph (b) of this Rule will not apply.

(1) Each new employee of the organization shall be furnished with a copy of the most current version of the Exchange's "Notice of Insider Trading" (Notice), or a document substantially similar to the Notice approved by the DEA for use in this connection. Within ten business days from the first date of employment with the unit, each new employee must sign and return the Notice to the employer. By his signature on the Notice, the employee attests to having carefully read the Notice and agrees to appropriately supply the employer firm with all trading accounts for which such person maintains a beneficial interest, including all personal and household accounts of the employee. Also, by his signature on the Notice, each new employee ensures that delivery of all related account statements will be made directly from the firm(s) maintaining the account to the employer.

(2) Each organization must complete the Exchange's "ITSFEA Accounts List", comprising all accounts submitted in connection with paragraph (1) above and all proprietary accounts of the unit. Updates to the list must be made within one month of any change and each completed version of the list must be maintained for no less than three years by the organization.

(3) Each month a supervisory person of the organization is required to make a reasonable review of all activities from the account statements of those accounts reflected on the ITSFEA Accounts List with a view toward identifying the possible misuse of material non-public information. A report must be made promptly to the Exchange's Regulatory staff in the event that any such unusual profits are so identified.

• • • ***Commentary:*** __

.01 For purposes of paragraph (b) of this Rule, an employee shall include every person who is compensated directly or indirectly by the member organization for the solicitation or handling of business in securities, including trading securities for the account of the member organization, whether such securities are those dealt in on the Exchange or those dealt over-the-counter.

.02 Every member or member organization shall establish, maintain and enforce written policies and procedures reasonably designed, taking into consideration the nature of the member's business, to prevent the misuse of material nonpublic information by such member or persons associated with such member in violation of the Securities Exchange Act of 1934 and the rules thereunder and the Exchange's own Rules. For purposes of this Commentary section .02, misuse of material nonpublic information means:

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(a) trading in any securities issued by a corporation, partnership, Portfolio Depository Receipts, Index Fund Shares, trust issued receipts, currency trust shares or a trust or similar entities, or in any related securities or related options or other derivative securities, or in any related commodity, related commodity futures or options on commodity futures or any other related commodity derivatives, while in possession of material nonpublic information concerning that corporation, Portfolio Depository Receipt, Index Fund Share, trust issued receipts, currency trust shares, trust or similar entity;

(b) trading in an underlying security or related options or other derivative securities, or in any related commodity, related commodity futures or options on commodity futures or any other related commodity derivatives, while in possession of material nonpublic information concerning imminent transactions in the above; and

(c) disclosing to another person any material nonpublic information involving a corporation, partnership, Portfolio Depository Receipts, Index Fund Shares, trust issued receipts, currency trust shares or a trust or similar entities whose shares are publicly traded or an imminent transaction in an underlying security or in any related commodity, related commodity futures or options on commodity futures or any other related commodity derivatives, for the purpose of facilitating the possible misuse of such material nonpublic information.

—

Adopted.
April 16, 1992.
Amendments.
October 4, 1993 (93-36).
December 19, 1997 (97-39).
June 25, 2007 (07-35).
May 14, 2009 (09-23).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 762. Telemarketing

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(a) No member or person associated with a member shall:

(1) make outbound telephone calls to the residence of any person for the purpose of soliciting the purchase of securities or related services at any time other than between 8:00 a.m. and 9:00 p.m. local time at the called person's location, without the prior consent of the person; or

(2) make an outbound telephone call to any person for the purpose of soliciting the purchase of securities or related services without disclosing promptly and in a clear and conspicuous manner to the called person the following information:

(i) the identity of the caller and the firm; and
(ii) the telephone number or address at which the caller may be contacted; and
(iii) that the purpose of the call is to solicit the purchase of securities or related services.

(3) The prohibitions of paragraphs (1) and (2) shall not apply to telephone calls by any person associated with a member organization or another associated person acting at the direction of such person for the purpose of maintaining and servicing the accounts of existing customers of the member organization under the control of or assigned to such associated person:

(i) to an existing customer who, within the preceding twelve months, has affected a securities transaction in, or made a deposit of funds or securities into, an account that, at the time of the transaction or the deposit, was under the control of or assigned to, such associated person:
(ii) to an existing customer who previously has effected a securities transaction in, or made a deposit of funds or securities into, an account that, at the time of the transaction or deposit, was under the control of or assigned to such associated person, provided that such customer's account has earned interest or dividend income during the preceding twelve months, or
(iii) to a broker or dealer.

For the purposes of paragraph (3), the term "existing customer" means a customer for whom the member organization, or a clearing member broker or dealer on behalf of such member organization, carries an account. The scope of this rule is limited to the telemarketing calls described herein; the terms of this rule shall not otherwise expressly or by implication impose on members any additional requirements with respect to the relationship between a member and a customer or between a person associated with a member organization and a customer.

(b) Each member organization shall make and maintain a centralized do-not-call list of persons who do not wish to receive telephone solicitations from such member organization or its associated persons.

(c) No member organization or person associated with such member organization shall obtain from a customer or submit for payment a check, draft or other form of negotiable paper drawn on a customer's checking, savings, share, or similar account, without that person's express written authorization, which may include the customer's signature on the negotiable instrument. Such written authorization shall be preserved by the member organization for a period of not less than three years. This provision shall not, however, require maintenance of copies of negotiable instruments signed by customers.

Adopted.
July 25, 1997.
Amendments.
January 16, 2004 (03-73).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule
763. Recommendations to Customers (Suitability)

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(a) In recommending to a customer the purchase, sale or exchange of any security, member organizations shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs.

(b) Prior to the execution of a transaction recommended to a non-institutional customer, other than transactions with customers where investments are limited to money market mutual funds, member organizations shall make reasonable efforts to obtain information concerning:

(1) the customer's financial status;
(2) the customer's tax status;
(3) the customer's investment objectives; and
(4) such other information used or considered to be reasonable by such member organization or its registered representative in making recommendations to the customer.

(c) For purposes of this Rule, the term "non-institutional customer" shall mean a customer that is not (1) a bank, savings and loan association, insurance company, or registered investment company; (2) an investment adviser registered either with the Commission under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or (3) any other entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least $50 million.

• • • ***Commentary:*** ___

.01 Implicit in all member organization and registered representative relationships with customers and others is the fundamental responsibility for fair dealing. Sales efforts must therefore be undertaken only on a basis that can be judged as being within the ethical standards of the Exchange's Rules, with particular emphasis on the requirement to deal fairly with the public.

.02 This does not mean that legitimate sales efforts in the securities business are to be discouraged by requirements which do not take into account the variety of circumstances which can enter into the member organization/customer relationship. It does mean, however, that sales efforts must be judged on the basis of whether they can be reasonably said to represent fair treatment for the persons to whom the sales efforts are directed, rather than on the argument that they result in profits to customers.

.03 Some practices that clearly violate a member organization's responsibility for fair dealing are set forth below, as a guide to member organizations:

(1) Recommending Speculative Low-Priced Securities. Recommending speculative low-priced securities to customers without knowledge of or attempt to obtain information concerning the customers' other securities holdings, their financial situation and other necessary data. The principle here is that this practice, by its very nature, involves a high probability that the recommendation will not be suitable for at least some of the persons solicited. This has particular application to high pressure telephone sales campaigns.
(2) Excessive Trading Activity. Excessive activity in a customer's account, often referred to as "churning" or "overtrading." There are no specific standards to measure excessiveness of activity in customer accounts because this must be related to the objectives and financial situation of the customer involved.
(3) Trading in Mutual Fund Shares. Trading in mutual fund shares, particularly on a short-term basis. It is clear that normally these securities are not proper trading vehicles and such activity on its face may raise the question of Rule violation.

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(4) Fraudulent Activity

(A) Numerous instances of fraudulent conduct may result in penalties against member organizations. Among some of these activities are:

(i) Fictitious Accounts. Establishment of fictitious accounts in order to execute transactions which otherwise would be prohibited, such as the purchase of hot issues, or to disguise transactions which are against firm policy.

(ii) Discretionary Accounts. Transactions in discretionary accounts in excess of or without actual authority from customers.

(iii) Unauthorized Transactions. Causing the execution of transactions which are unauthorized by customers or the sending of confirmations in order to cause customers to accept transactions not actually agreed upon.

(iv) Misuse of Customers' Funds or Securities. Unauthorized use or borrowing of customers' funds or securities.

(B) In addition, other fraudulent activities, such as forgery, non-disclosure or misstatement of material facts, manipulations and various deceptions, may be found to be in violation of Exchange Rules. These same activities are also subject to the civil and criminal laws and sanctions of federal and state governments.

(5) Recommending Purchases Beyond Customer Capability. Recommending the purchase of securities or the continuing purchase of securities in amounts which are inconsistent with the reasonable expectation that the customer has the financial ability to meet such a commitment.

.04 While most member organizations are fully aware of the fairness required in dealing with customers, it is anticipated that the practices enumerated in paragraph .03, which are not all inclusive, will be of future assistance in the training and education of new personnel.

.05 The Commission has also recognized that brokers and dealers have an obligation of fair dealing in actions under the general anti-fraud provisions of the federal securities laws. The Commission bases this obligation on the principle that when a securities dealer opens his business he is, in effect, representing that he will deal fairly with the public. Certain of the Commission's cases on fair dealing involve practices not covered in the foregoing illustrations. Usually, any breach of the obligation of fair dealing as determined by the Commission under the anti-fraud provisions of the securities laws could be considered a violation of the Exchange’s Rules.

.05 Fair Dealing with Customers with Regard to Derivative Products or New Financial Products. The Exchange emphasizes member organizations' obligations for fair dealing with customers when making recommendations or accepting orders for new financial products. As new products are introduced from time to time, it is important that member organizations make every effort to familiarize themselves with each customer's financial situation, trading experience, and ability to meet the risks involved with such products and to make every effort to make customers aware of the pertinent information regarding the products. Member organizations must follow specific guidelines, set forth below, for qualifying the accounts to trade the products and for supervising the accounts thereafter.

.06 Suitability Obligations to Institutional Customers. The Exchange’s suitability rule is fundamental to fair dealing and is intended to promote ethical sales practices and high standards of professional conduct. Member organizations' responsibilities include having a reasonable basis for recommending a particular security or strategy, as well as having reasonable grounds for believing the recommendation is suitable for the customer to whom it is made. Member organizations are expected to meet the same high standards of competence, professionalism, and good faith regardless of the financial circumstances of the customer.

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Rule 763(a) requires that, in recommending to a customer the purchase, sale or exchange of any security, a member organization shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs. This interpretation concerns only the manner in which a member organization determines that a recommendation is suitable for a particular institutional customer. The manner in which a member organization fulfills this suitability obligation will vary depending on the nature of the customer and the specific transaction. Accordingly, this interpretation deals only with guidance regarding how a member organization may fulfill such "customer-specific suitability obligations" under Rule 763(a).

While it is difficult to define in advance the scope of a member organization's suitability obligation with respect to a specific institutional customer transaction recommended by a member organization, the Exchange has identified certain factors which may be relevant when considering compliance with Rule 763(a). These factors are not intended to be requirements or the only factors to be considered but are offered merely as guidance in determining the scope of a member organization's suitability obligations.

The two most important considerations in determining the scope of a member organization's suitability obligations in making recommendations to an institutional customer are the customer's capability to evaluate investment risk independently and the extent to which the customer is exercising independent judgment in evaluating a member organization's recommendation. A member organization must determine, based on the information available to it, the customer's capability to evaluate investment risk. In some cases, the member organization may conclude that the customer is not capable of making independent investment decisions in general. In other cases, the institutional customer may have general capability, but may not be able to understand a particular type of instrument or its risk. This is more likely to arise with relatively new types of instruments, or those with significantly different risk or volatility characteristics than other investments generally made by the institution. If a customer is either generally not capable of evaluating investment risk or lacks sufficient capability to evaluate the particular product, the scope of a member organization's customer-specific obligations under the suitability rule would not be diminished by the fact that the member organization was dealing with an institutional customer. On the other hand, the fact that a customer initially needed help understanding a potential investment need not necessarily imply that the customer did not ultimately develop an understanding and make an independent investment decision.

A member organization may conclude that a customer is exercising independent judgment if the customer's investment decision will be based on its own independent assessment of the opportunities and risks presented by a potential investment, market factors and other investment considerations. Where the broker-dealer has reasonable grounds for concluding that the institutional customer is making independent investment decisions and is capable of independently evaluating investment risk, then a member organization's obligation to determine that a recommendation is suitable for a particular customer is fulfilled. Where a customer has delegated decision-making authority to an agent, such as an investment advisor or a bank trust department, this interpretation shall be applied to the agent.

A determination of capability to evaluate investment risk independently will depend on an examination of the customer's capability to make its own investment decisions, including the resources available to the customer to make informed decisions. Relevant considerations could include:

- the use of one or more consultants, investment advisers or bank trust departments;
- the general level of experience of the institutional customer in financial markets and specific experience with the type of instruments under consideration;
- the customer's ability to understand the economic features of the security involved;
- the customer's ability to independently evaluate how market developments would affect the security; and
- the complexity of the security or securities involved.

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A determination that a customer is making independent investment decisions will depend on the nature of the relationship that exists between the member organization and the customer. Relevant considerations could include:

- any written or oral understanding that exists between the member organization and the customer regarding the nature of the relationship between the member organization and the customer and the services to be rendered by the member organization;
- the presence or absence of a pattern of acceptance of the member organization's recommendations;
- the use by the customer of ideas, suggestions, market views and information obtained from other member organizations or market professionals, particularly those relating to the same type of securities; and
- the extent to which the member organization has received from the customer current comprehensive portfolio information in connection with discussing recommended transactions or has not been provided important information regarding its portfolio or investment objectives.

Member organizations are reminded that these factors are merely guidelines which will be utilized to determine whether a member organization has fulfilled its suitability obligations with respect to a specific institutional customer transaction and that the inclusion or absence of any of these factors is not dispositive of the determination of suitability. Such a determination can only be made on a case-by-case basis taking into consideration all the facts and circumstances of a particular member organization/customer relationship, assessed in the context of a particular transaction.

For purposes of this interpretation, an institutional customer shall be any entity other than a natural person. In determining the applicability of this interpretation to an institutional customer, the Exchange will consider the dollar value of the securities that the institutional customer has in its portfolio and/or under management. While this interpretation is potentially applicable to any institutional customer, the guidance contained herein is more appropriately applied to an institutional customer with at least $10 million invested in securities in the aggregate in its portfolio and/or under management.

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Adopted.
September 9, 2010 (10-79).

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Nasdaq PHLX Rules, Regulation, Rule
764. Best Execution and Interpositioning

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(a) (1) In any transaction for or with a customer or a customer of another broker-dealer, a member organization and persons associated with a member organization shall use reasonable diligence to ascertain the best market for the subject security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions. Among the factors that will be considered in determining whether a member organization has used "reasonable diligence" are:

(A) the character of the market for the security, e.g., price, volatility, relative liquidity, and pressure on available communications;
(B) the size and type of transaction;
(C) the number of markets checked;
(D) accessability of the quotation; and
(E) the terms and conditions of the order which result in the transaction, as communicated to the member organization and persons associated with the member organization.

(2) In any transaction for or with a customer or a customer of another broker-dealer, no member organization or person associated with a member organization shall interject a third party between the member organization and the best market for the subject security in a manner inconsistent with paragraph (a)(1) of this Rule.

(b) When a member organization cannot execute directly with a market maker but must employ a broker's broker or some other means in order to insure an execution advantageous to the customer, the burden of showing the acceptable circumstances for doing so is on the retail firm. Examples of acceptable circumstances are where a customer's order is "crossed" with another retail firm which has a corresponding order on the other side, or where the identity of the retail firm, if known, would likely cause undue price movements adversely affecting the cost or proceeds to the customer.

(c) Failure to maintain or adequately staff a department assigned to execute customers' orders cannot be considered justification for executing away from the best available market; nor can channeling orders through a third party as described above as reciprocation for service or business operate to relieve a member organization of its obligations. However, the channeling of customers' orders through a broker's broker or third party pursuant to established correspondent relationships under which executions are confirmed directly to the member organization acting as agent for the customer, such as where the third party gives up the name of the retail firm, are not prohibited if the cost of such service is not borne by the customer.

(d) A member organization through whom a retail order is channeled, as described above, and who knowingly is a party to an arrangement whereby the initiating member organization has not fulfilled his obligations under this Rule, will also be deemed to have violated this Rule.

(e) The obligations described in paragraphs (a) through (d) above exist not only where the member organization acts as agent for the account of his customer but also where retail transactions are executed as principal and contemporaneously offset.

• • • ***Commentary:*** ___

.01 Rule 764(a) requires, among other things, that a member organization or person associated with a member organization comply with Rule 764(a) when customer orders are routed to it from another broker/dealer for execution. This Commentary addresses certain interpretive questions concerning the applicability of the best execution rule.

For the purposes of Rule 764, the term “market” or “markets” is to be construed broadly, and it encompasses a variety of different venues, including, but not limited to, market centers that are trading a particular security. This expansive interpretation is meant to both inform broker/dealers as to the

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breadth of the scope of venues that must be considered in the furtherance of their best execution obligations and to promote fair competition among broker/dealers, exchange markets, and markets other than exchange markets, as well as any other venue that may emerge, by not mandating that certain trading venues have less relevance than others in the course of determining a firm's best execution obligations.

A member organization's duty to provide best execution in any transaction “for or with a customer of another broker/dealer” does not apply in instances when another broker/dealer is simply executing a customer order against the member organization's quote. Stated in another manner, the duty to provide best execution to customer orders received from other broker/dealers arises only when an order is routed from the broker/dealer to the member organization for the purpose of order handling and execution. This clarification is intended to draw a distinction between those situations in which the member organization is acting solely as the buyer or seller in connection with orders presented by a broker/dealer against the member organization's quote, as opposed to those circumstances in which the member organization is accepting order flow from another broker/dealer for the purpose of facilitating the handling and execution of such orders.

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Adopted.
September 9, 2010 (10-79).

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Nasdaq PHLX Rules, Regulation, Rule 765. Prohibition Against Trading Ahead of Customer Orders

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(a) Phlx members and persons associated with a member shall comply with FINRA Rule 5320 as if such Rule were part of Phlx's rules.

(b) For purposes of this Rule:

(1) References to FINRA Rules 5310, 5320 and 7440 shall be construed as references to Phlx Rules 764, 765 and 3404, respectively;
(2) The reference in FINRA Rule 5320 to an "institutional account", as defined in FINRA Rule 4512(c), shall be construed to apply to accounts of customers that do not meet the definition of "non-institutional customer", as defined in Phlx Rule 763(c);
(3) FINRA Rule 5320.02(b) and the reference to FINRA Rule 6420 therein shall be disregarded;
(4) References to "FINRA" shall be construed as references to "Phlx".

(c) Phlx members and persons associated with a member relying upon the exception set forth in FINRA Rule 5320.03 shall comply with the reporting requirements stated therein. Phlx and FINRA are parties to the Regulatory Contract pursuant to which FINRA has agreed to perform certain functions on behalf of Phlx. Therefore, Phlx members are complying with Phlx Rule 765 by complying with FINRA Rule 5320.03 as written, including, for example, reporting requirements and notifications. In addition, functions performed by FINRA, FINRA departments, and FINRA staff under Phlx Rule 765 are being performed by FINRA on behalf of Phlx.

Adopted.
October 20, 2016 (16-109), operative November 19, 2016.

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Nasdaq PHLX Rules, Regulation, Rule 771. Excessive Trading of Members

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No member, member organization, partner or stockholder therein shall (1) effect on the Exchange purchases or sales for any account in which he or it is directly or indirectly interested, which purchases or sales are excessive in view of his or its financial resources or in view of the market for such security or (2) execute or cause to be executed on the Exchange purchases or sales of any security for any account with respect to which he or it or another partner or stockholder therein is vested with any discretionary power, which purchases or sales are excessive in view of the financial resources in such account.

(i) The Exchange expects that all trading by members and member organizations will have a constructive effect on the market by adding to its orderliness and liquidity. In this regard, there are certain kinds of trading activity and trading patterns which should be avoided and which may be excessive in view of the market. Among these are: (a) purchases in substantial quantity and with respect to options on plus or zero plus ticks in order to establish or increase a position where the members or member organization trading has shown a pattern buying and selling the same listed option on the same day; (b) a succession of purchases by a member or member organization to establish or increase a position at the same or successively higher prices in the same trading session; and (c) purchases to establish or increase a position where a member or member organization has reason to believe that members' transactions may have accelerated the price movement of a product.

Amendments.
May 9, 1994 (93-51).
September 28, 2006 (06-43).
March 18, 2015 (15-28), operative April 17, 2015.

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Nasdaq PHLX Rules, Regulation, Rule 773. Participation in Joint Accounts

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(a) No member, member organization, or partner or stockholder therein, shall, directly or indirectly, hold any interest or participation in any joint account for buying or selling any security on the Exchange, unless such joint account is reported to and not disapproved by the Exchange.

(b) Such report shall be filed with the Exchange by any member, member organization, or partner or stockholder therein, participating in such joint account before any transactions are effected on the Exchange for such joint account and shall include in substance the following:

(1) Names of persons participating in such account and their respective interest therein.
(2) Purpose of such account.
(3) Amount of commitments in such account.
(4) A copy of any written agreement or instrument in writing relating to such account.

(c) Every member, member organization, or partner or stockholder therein, who is directly or indirectly interested in any substantial joint account for buying or selling any specific security on the Exchange or in any joint account which actively trades in any security on the Exchange, shall file with the Exchange not later than Monday of each week with respect to every such joint account existing at the close of business on the preceding Wednesday a report containing in substance the following information, unless such information is reported to the Exchange by some other member, member organization or participant therein:

(1) Name and amount of each security purchased or sold during the week ending on such Wednesday on the Exchange.
(2) Amount of commitments in such account at the close of business on such Wednesday.
(3) Any change which renders no longer accurate any portion of the original statement filed.

(d) Every member, member organization, or partner or stockholder therein, who has knowledge of any substantial joint account for buying or selling any specific security on the Exchange or of any joint account which actively trades in any security on the Exchange by reason of transactions executed by or through such member or member organization, for such account, shall file with the Exchange not later than Monday of each week with respect to every such joint account existing at the close of business on the preceding Wednesday a report containing in substance the following information, if known, unless such information has previously been reported to the Exchange:

(1) Names of persons participating in such account and their respective interest therein.
(2) Purpose of such account.
(3) Name and amount of each security purchased or sold during the week ending on such Wednesday.
(4) Amount of commitments in such account at the close of business on such Wednesday.

(e) In the event the requirements hereof should be applicable to a security also dealt in on another national securities exchange having requirements substantially equivalent hereto and a member or member organization, or partner or shareholder therein, is a member or member organizationof such other exchange and complies with such requirements of such other exchange, then such member or member organization, or partner or shareholder therein, need not comply with the reporting provisions hereof.

Amendment.
September 28, 2006 (06-43).

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Nasdaq PHLX Rules, Regulation, Rule 774. Disruptive Quoting and Trading Activity Prohibited

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(a) No member or member organization shall engage in or facilitate disruptive quoting and trading activity on the Exchange, as described in subsections (i) and (ii) of this Rule, including acting in concert with other persons to effect such activity.

(1) For purposes of this Rule, disruptive quoting and trading activity shall include a frequent pattern in which the following facts are present:

(A) Disruptive Quoting and Trading Activity Type 1:

(i) a party enters multiple limit orders on one side of the market at various price levels (the “Displayed Orders”); and
(ii) following the entry of the Displayed Orders, the level of supply and demand for the security changes; and
(iii) the party enters one or more orders on the opposite side of the market of the Displayed Orders (the “Contra-Side Orders”) that are subsequently executed; and
(iv) following the execution of the Contra-Side Orders, the party cancels the Displayed Orders.

(B) Disruptive Quoting and Trading Activity Type 2:

(i) a party narrows the spread for a security by placing an order inside the NBBO; and
(ii) the party then submits an order on the opposite side of the market that executes against another market participant that joined the new inside market established by the order described in paragraph (b)(i).

(2) Applicability. For purposes of this Rule, disruptive quoting and trading activity shall include a frequent pattern in which the facts listed above are present. Unless otherwise indicated, the order of the events indicating the pattern does not modify the applicability of the Rule. Further, disruptive quoting and trading activity includes a pattern or practice in which the quoting and trading activity is conducted on the Exchange as well as a pattern or practice in which some portion of the quoting or trading activity is conducted on the Exchange and the other portions of the quoting or trading activity are conducted on one or more other exchanges.

Amendments.
August 11, 1978.
September 28, 2006 (06-43).
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 777. Guarantees Not Permitted

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(a) No branch office manager of any member organization, no employee of any member organization engaged in trading in securities for the organization, and no securities salesman of any member organization, shall guarantee the payment of the debit balance, in a customer's account, to his employer or to any other creditor carrying such account, without the prior written consent of the Chief Regulatory Officer.

(b) No branch office manager of any member organization, no employee of any member organization engaged in trading in securities for the organization, and no securities salesman of any member organization, shall guarantee any customer against losses in his account, or in any way represent to any customer that he or his employer will guarantee the customer against such losses.

Amendments.
2011 (11-13).
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 782. Manipulative Operations

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(a) No member, member organization, partner or stockholder therein shall directly or indirectly participate in or have any interest in the profits of a manipulative operation or knowingly manage or finance a manipulative operation.

(b) No member or member organization shall execute or cause to be executed or participate in an account for which there are executed purchases of any listed security at successively higher prices, or sales of any such security at successively lower prices, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

(c) No member or member organization shall, for the purpose of creating or inducing a false or misleading appearance of activity in a listed security or creating or inducing a false or misleading appearance with respect to the market in such security:

(1) execute any transaction in such security which involves no change in the beneficial ownership thereof; or
(2) enter any order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties; or
(3) enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.

(d) No member or member organization shall execute purchases or sales of listed securities for any account in which such member or member organization is directly or indirectly interested, which purchases or sales are excessive in view of the member's or member organization’s financial resources or in view of the market for such security.

(e) No member or member organization shall participate or have any interest, directly or indirectly, in the profits of a manipulative operation or knowingly manage or finance a manipulative operation.

(1) Any pool, syndicate or joint account organized or used intentionally for the purpose of unfairly influencing the market price of a listed security shall be deemed to be a manipulative operation.
(2) The solicitation of subscriptions to or the acceptance of discretionary orders from any such pool, syndicate or joint account shall be deemed to be managing a manipulative operation.
(3) The carrying on margin of a position in such securities or the advancing of credit through loans to any such pool, syndicate or joint account shall be deemed to be financing a manipulative operation.

(f) No member or member organization shall make any statement or circulate and disseminate any information concerning a listed security which such member knows or has reasonable grounds for believing is false or misleading or would improperly influence the market price of such security.

(g) No member, member organization or person associated with a member or member organization shall, directly or indirectly, hold any interest or participation in any joint account for buying or selling a listed security, unless such joint account is promptly reported to Phlx. The report should contain the following information for each account:

(1) Name of the account, with names of all participants and their respective interests in profits and losses;
(2) a statement regarding the purpose of the account;
(3) name of the member carrying and clearing the account; and
(4) a copy of any written agreement or instrument relating to the account.

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(h) No member or member organization shall offer that a transaction or transactions to buy or sell a listed security will influence the closing transaction on the Consolidated Tape or The Options Price Reporting Authority ("OPRA").

(i) (1) A member or member organization may, but is not obligated to, accept a stop order in a listed security.

(A) A buy stop order is an order to buy which becomes a market order when a transaction takes place at or above the stop price.

(B) A sell stop order is an order to sell which becomes a market order when a transaction takes place at or below the stop price.

(2) A member or member organization may, but is not obligated to, accept stop limit orders in listed securities. When a transaction occurs at the stop price, the stop limit order to buy or sell becomes a limit order at the limit price.

(j) No member, member organization or person associated with a member or member organization shall execute or cause to be executed, directly or indirectly, on a Phlx transaction in a security subject to an initial public offering until such security has first opened for trading on the national securities exchange listing the security, as indicated by the dissemination of an opening transaction in the security by the listing exchange via the Consolidated Tape or OPRA.

Amendment.
August 19, 2015 (15-73).

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Nasdaq PHLX Rules, Regulation, Rule
783. Report of Financial Arrangements

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(a) *Financial Arrangements*—Each member, member organization general partner and voting stockholder therein shall report to the Exchange, forthwith in a form prescribed by the Exchange, any financial arrangement entered into, either directly or indirectly, with another member or member organization or general partner, voting shareholder, or any associated person thereof or a non-member. For the purposes of this Rule, a financial arrangement shall be defined as:

1. the direct financing of a member organization's dealings upon the Exchange with the exception of clearing arrangements;
2. any direct equity investment or profit sharing arrangement;
3. any consideration over the amount of $5,000 that constitutes a gift, loan, salary or bonus; and
4. the guarantee of a trading account with the exception of clearing arrangements

(b) The disclosure of such financial arrangements shall be the responsibility of all members involved. The member organization shall submit to the Exchange notification of the initiation or termination of such financial arrangements within ten (10) business days of the effective date of such arrangements. The notice of termination will constitute the end of the financial arrangement.

(c) Nothing in this rule would require the reporting of agreements for the lending and borrowing of securities, financial arrangements between members affiliated with the same member organization or transactions in publicly traded securities of a member organization.

• • • ***Supplementary Material:***

.01 As used herein, an agreement for the lending of securities shall mean a securities contract or other agreement, including related terms, for the transfer of securities against the transfer of funds, securities or other collateral, with a simultaneous agreement by the transferee to transfer to the transferor against the transfer of funds, securities, or other collateral, upon notice, at a date certain, upon demand, the same or substituted securities.

Amendments.
November 24, 1998 (98-04).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 784. Report of Options

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Each member and member organization shall report to the Exchange such information as may be required with respect to any substantial option relating to listed securities, or securities admitted to unlisted trading privileges on the Exchange, in which such member, member organization or partner or stockholder therein is directly or indirectly interested or of which such member, member organization or partner or stockholder has knowledge by reason of transactions executed by or through such member or organization; provided that this Rule shall not apply to an option which is a matter of record in a prospectus or registration statement filed with the Exchange, or with the Securities and Exchange Commission.

The Exchange may disapprove of the connection of any member, member organization or partner or stockholder therein with any such option which it shall determine to be contrary to the best interest or welfare of the Exchange, or to be likely to create prices which will not fairly reflect market values.

Adopted.
May 21, 1947.
Amendments.
June 24, 1947.
June 13, 2006 (05-69).

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Nasdaq PHLX Rules, Regulation, Rule
785. Automated Submission of Trading Data

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A member or member organization shall submit such of the following trade data elements specified below in such automated format as may be prescribed by the Exchange from time to time, in regard to such transaction or transactions as may be subject of a particular request for information made by the Exchange:

(a) If the transaction was a proprietary transaction effected or caused to be effected by the member or member organization for any account in which such member or member organization, or any member, allied member, approved person, partner, officer, director, or employee thereof, is directly or indirectly interested, such member or member organization shall submit or cause to be submitted the following information:

1) Clearing house number, or alpha symbol as used by the member or the member organization submitting the data;
2) Clearing house number(s), or alpha symbol(s) as may be used from time to time, of the member(s) or member organization(s) on the opposite side of the transaction;
3) Identifying symbol assigned to the security;
4) Date transaction was executed;
5) Number of shares, or quantity of bonds or options contracts for each specific transaction and whether each transaction was a purchase, sale, short sale, and if an options contract whether open long or short or close long or short;
6) Transaction price;
7) Account number; and
8) Market center where transaction was executed.

(b) If the transaction was effected or caused to be effected by the member or member organization for any customer account, such member organization shall submit or cause to be submitted the following information:

1) Data elements (1) through (8) as contained in paragraph (a) above; and
2) Customer name, address(es), branch office number, registered representative number, whether order was solicited or unsolicited, date account opened and employer name and the tax identification number(s).
3) If transaction was effected from a member broker-dealer customer, whether the broker-dealer was acting as principal or agent on the transaction or transactions that are the subject of the Exchange's request.

(c) In addition to the above trade data elements, a member or member organization shall submit such other information in such automated format as may be prescribed by the Exchange, as may from time to time be required.

(d) The Exchange may grant exceptions, in such cases and for such time periods as it deems appropriate, from the requirement that the data elements prescribed in paragraphs (a) and (b) above be submitted to the Exchange in an automated format.

Adopted.
August 23, 1989.
Amendments.
December 29, 2004 (04-82).
November 21, 2007 (07-55).

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Nasdaq PHLX Rules, Regulation, Rule 786. Periodic Reports

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Member organizations shall submit, as required by the Exchange, periodic reports with respect to short positions in securities.

•••***Supplementary Material:***

.01 *Short Positions*—Member organizations for which the Exchange is the designated examining authority ("DEA") are required to report short positions, including odd-lots, in each stock or warrant traded on the Exchange, and in each other stock or warrant not traded on the Exchange for which short positions are not otherwise reported to another United States securities exchange or association, using such automated format and methods as prescribed by the Exchange. Such reports must include customer and proprietary positions and must be made at such times and covering such time period as may be designated by the Exchange. Member organizations whose short positions have properly been reported to, and are carried by, a non-member clearing organization will be in compliance with this rule if adequate arrangements have been made providing for the clearing organization to properly report such positions to the Exchange or to another United States securities exchange or association.

"Short" positions to be reported are those resulting from "short" sales as defined in Securities and Exchange Commission Rule 200(a) of Regulation SHO, but excluding sales that meet an exception in .02 below. Also, to be excluded are "short" positions carried for other members and member organizations reporting for themselves.

Only one report should be made for each stock or warrant for which there is a short position, if more than one "account" has a short position in the same stock or warrant, the combined aggregate should be reported.

Member organizations for which the Exchange is not the DEA must report short positions to its DEA if such DEA has a requirement for such reports. If the DEA does not have such a reporting requirement, then such member organization must comply with the provisions of this rule.

.02 *Exceptions*

(a) Any sale by any person, for an account in which he has an interest, if such person owns the security sold and intends to deliver such security as soon as is possible without undue inconvenience or expense.

(b) Any sale of a security covered by a short sale rule on a national securities exchange (except a sale to a stabilizing bid complying with Rule 104 of Regulation M) effected with the approval of such exchange which is necessary to equalize the price of such security thereon with the current price of such security on another national securities exchange which is the principal exchange market for such security.

(c) Any sale of a security for a special arbitrage account by a person who then owns another security by virtue of which he is, or presently will be, entitled to acquire an equivalent number of securities of the same class as the securities sold; provided such sale, or the purchase which such sale offsets, is effected for the bona fide purpose of profitting from a current difference between the price of security sold and the security owned and that such right of acquisition was originally attached to or represented by another security or was issued to all the holders of any such class of securities of the issuer.

(d) Any sale of a security registered on, or admitted to unlisted trading privileges on, a national securities exchange effected for a special international arbitrage account for the bona fide purpose of profitting from a current difference between the price of such security on a securities market not within or subject to the jurisdiction of the United States and on a securities market subject to the jurisdiction of the United States; provided the seller at the time of such sale knows or, by virtue of information

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currently received, has reasonable grounds to believe that an offer enabling him to cover such sale is then available to him such foreign securities market and intends to accept such offer immediately.

(e) Any sale by an underwriter, or any member of a syndicate or group participating in the distribution of a security, in connection with an over-allotment of securities, or any lay-off sale by such a person in connection with a distribution of securities through rights or a standby underwriting commitment.

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Adopted.
March 7, 1995 (94-29).
Amendments.
December 29, 2004 (04-82).
December 10, 2007 (07-63).

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Nasdaq PHLX Rules, Regulation, Rule 791. Reserved

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Reserved

Reserved

Amendments.
Rescinded June 7, 1976.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 792. Reserved

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Amendments.
May 6, 1953
January 16, 2004 (03-73).
April 25, 2011 (11-13).
January 4, 2016 (16-01).

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Nasdaq PHLX Rules, Regulation, Rule 793. Reserved

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Reserved

Amendments.
February 21, 1985.
April 20, 1993 (91-07).
January 16, 2004 (03-73).
January 5, 2011 (10-148).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 794. Reserved

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Amendments.
January 16, 2004 (03-73).
April 25, 2011 (11-13).
January 4, 2016 (16-01).

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Nasdaq PHLX Rules, Regulation, Rule 795. Reserved

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Amendments.
January 16, 2004 (03-73).
April 25, 2011 (11-13).
January 4, 2012 (11-149).

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Nasdaq PHLX Rules, Regulation, Rule 796. Underwriting of Securities by Member Organizations

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Member organizations shall submit, as required by the Exchange periodic reports with respect to obligations in respect of security underwritings and net positions resulting therefrom.

Amendment.
December 15, 1959.

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Nasdaq PHLX Rules, Regulation, Rule 797. Reserved

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Amendments.
January 16, 2004 (03-73).
January 4, 2016 (16-01).

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Nasdaq PHLX Rules, Regulation, Rule 798. Reserved

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Adopted.
April 25, 2011 (11-13).
Amendment.
January 4, 2016 (16-01).

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Nasdaq PHLX Rules, Regulation, Rule 800. Definitions

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The terms defined herein shall have the meanings specified herein for all purposes in Rules 800-899, unless the context of a Rule or Regulation requires otherwise.

(a) The term "Common Stock" or "common stock" shall include any security of an issuer designated as common stock and any security of an issuer, however designated, which by statute or by its terms, is a common stock (e.g., a security which entitles the holders thereof to vote generally on matters submitted to the issuer's security holders for a vote).

(b) “Public shareholder” or “public holder” does not include officers, directors, controlling shareholders or other owners of family or concentrated holdings, and beneficial holders rather than holders of record will be counted by the Exchange.

Amendments.
June 17, 1994 (93-31).
September 28, 2006 (06-43).
August 30, 2007 (07-56).
April 25, 2011 (11-13).
September 25, 2012 (12-115).

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Nasdaq PHLX Rules, Regulation, Rule
801. Securities Eligible to be Admitted to Dealings

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Only such securities admitted pursuant to unlisted trading privileges shall be dealt in on the Exchange. The Exchange does not rate or guarantee the quality of any security dealt in on the Exchange. The Exchange lists only standardized options, as defined in Rule 9b-1 under the Exchange Act, issued by a clearing agency that is registered pursuant to Section 17A of the Exchange Act, pursuant to the Rule 1000, 1000A and 1000C Series. The Exchange will not list securities pursuant to any other Rule until the Exchange files a proposed rule change under Section 19(b)(2) under the Exchange Act to amend its Rules to make any changes needed to comply with Rules 10A-3 and 10C-1 under the Exchange Act and to incorporate additional qualitative and other listing criteria, and such proposed rule change is approved by the Commission. Therefore, the provisions of this Rule 800 Series are not effective to permit the listing of securities.

Amendments.
March 18, 1980.
June 17, 1994 (93-31).
September 28, 2006 (06-43).
September 25, 2012 (12-115).

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Nasdaq PHLX Rules, Regulation, Rule 802. Reserved.

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Reserved.

Amendments.
March 18, 1980.
June 17, 1994 (93-31).
November 15, 2007 (07-60).
April 25, 2011 (11-13).
September 25, 2012 (12-115).

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Nasdaq PHLX Rules, Regulation, Rule 803. Listing Standards for Unlisted Trading Privileges

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Issuers should consider whether to list their securities under the Tier I or Tier II listing standards. While all listed issues will be traded pursuant to the identical Exchange auction rules, issues listed pursuant to the Tier I and Tier II standards may be distinguished with respect to blue sky exemptions, transactions reporting symbols, listing fees and maintenance standards. The Exchange will identify and distinguish at all times which securities are listed pursuant to the Exchange's Tier I and Tier II standards. An issuer seeking to list its securities pursuant to the Tier I standards must satisfy one of the two alternative Tier I quantitative criteria and an issuer seeking to list its securities pursuant to the Tier II standards must satisfy the Tier II quantitative criteria. Issuers listing under either criteria must adhere to the policies and procedures and the corporate governance criteria provided in Rules 812 through 853.

The Exchange also places great emphasis upon the level of public interest in the securities of an issuer. Causes for concern may include a low trading volume on another Exchange, lack of dealer interest in the over-the-counter market, unusual geographical concentration of shareholders or a low rate of transfers. Under such circumstances the Exchange may implement a higher distribution standard provided it perceives a relatively low level of investor interest.

The Exchange may extend unlisted trading privileges to any security for which the Exchange has in effect Rules providing for transactions in such class or type of security. Provisions of Rule 803 that govern trading hours, dissemination of information (i.e. Intraday Indicative Value and index value) and surveillance procedures, and that relate to information and prospectus delivery, shall apply to securities traded on an unlisted trading privileges basis.

The listing criteria for Tier I Issues are as follows:

(a) In the case of Common Stock:

(1) Net Tangible Assets—Total assets (including the value of patents, copyrights and trademarks but excluding the value of goodwill) less total liabilities of at least $4,000,000.
(2) Earnings—Pretax income of $750,000 and net income of at least $400,000 in its last fiscal year.
(3) Public Distribution—at least 500,000 publicly held shares and at least 800 public shareholders if the issuer has between 500,000 and 1 million shares publicly held, or at least 400 public shareholders if the issuer has either (i) over 1 million shares publicly held or (ii) over 500,000 shares publicly held and average daily trading volume in excess of 2,000 shares per day for a six month period preceding the date of application.
(4) Stock Price/Market Value of Shares Publicly Held—$5 per share on each of the five business days prior to the application date and $3,000,000 aggregate market value.
(5) Voting Rights—See Rule 812

(b) In the case of Preferred Stock:

(1) Net Tangible Assets and Earnings—The issuer meets the net tangible assets and earnings criteria for common stock and appears to be able to service the dividend requirements of the issue.
(2) Public Distribution—If issuer's common stock is listed and traded on the Exchange (or the NYSE Amex LLC (“NYSE Amex”) or New York Stock Exchange):

Preferred Shares Publicly Held	100,000
Aggregate Market Value/Price	$2,000,000/$10
If not so listed and traded:	

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Preferred Shares Publicly Held	400,000
Public Round-lot Holders	800
Aggregate Market Value/Price	$4,000,000/$10

(3) Voting Rights-See Rule 812

(c) In the case of Bonds, Debentures and Notes:

(1) Net Tangible Assets and Earnings—The issuer meets the net tangible assets and earnings criteria for common stock and appears to be able to satisfy interest and principal when due.

(2) Public Distribution—If issuer's common stock is listed and traded on the Exchange (or the New York Stock Exchange or the NYSE Amex):

Principal Amount/Aggregate Market Value	$5,000,000
Number of Public Holders	100
If not so listed and traded:	
Principal Amount/Aggregate Market Value	$20,000,000
Number of Public Holders	100

(3) Current last sale information must be publicly available and independently certifiable with respect to the underlying security into which the bond or debenture is convertible.

(4) Redeemable issues must provide for redemption pro rata or by lot.

(5) In the case of municipal securities, to insure adequate public interest in the debt securities, of non-listed issuers, the following requirements must be met:

a. Aggregate market value and principal amount outstanding of at least twenty million dollars ($20,000,000);
b. At least one hundred (100) public beneficial holders of record; and
c. The security must be rated as investment grade by at least one nationally recognized rating service.

(d) In the case of Warrants:

(1) Net Tangible Assets and earnings—The issuer meets the net tangible assets and earnings criteria for common stock.

(2) Public Distribution—The issuer meets the distribution criteria for equity issues. However, if the warrant issue is sold as part of a unit offering consisting of warrants and other securities, a minimum of 500,000 warrants must be publicly held by not less than 400 public holders.

(3) The common stock or other securities underlying the warrants must be listed on the Exchange (or on the NYSE Amex or the New York Stock Exchange).

(e) In the case of Currency, Currency Index and Stock Index Warrants:

1. *Size and Earnings of Warrant Issuer*—Tangible net worth in excess of $150,000,000 and the issuer meets the earnings criteria set forth in paragraph (a)(2) above.
2. *Term*—One to five years from date of issuance.
3. *Distribution/Market Value*—Minimum public distribution of 1,000,000 warrants together with a minimum of 400 public warrant holders and an aggregate market value of $4,000,000.
4. *Issuer Standards*—Even if an issuer meets the criteria in subsection 1 above, the Exchange shall not list stock index, currency index or currency warrants of that issuer if the value of such warrants plus the aggregate value, based upon the original issuing price, of all outstanding stock index, currency index and currency warrants of the issuer and its affiliates combined that are listed for trading on a national securities exchange or traded through the facilities of Nasdaq is greater than 25% of the warrant issuer's net worth. If, however, the issuer has a tangible net worth of at least $250,000,000, this restriction will not apply.
5. *Settlement Value*—With respect to stock index warrants where 25% or more of the value of the underlying index is represented by securities that are traded primarily in the United States, the warrant issuer will be expected to use the U.S. market opening prices of such

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United States securities in determining settlement values or the closing prices for American style warrants except within 48 hours prior to expiration.

6. *Automatic Exercise*—All currency and index warrants must include in their terms provisions specifying: (i) the time by which all exercise notices must be submitted, (ii) that all unexercised warrants that are in the money will be automatically exercised on their expiration date or on or promptly following the date on which such warrants are delisted by the Exchange (if such warrant issues have not been listed on another organized securities market in the United States.)
7. *Foreign Securities*—Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements should not in the aggregate represent more than 20% of the weight of the index. For purposes of this requirement, the term "non-U.S. component securities" means the securities of companies organized outside the United States where at least 50% of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security and ADRs overlying such other stock over the prior three months occurs outside of the United States.
8. *Changes in Number of Warrants Outstanding*—The Exchange expects that issuers of stock index warrants either will make arrangements with warrant transfer agents to advise the Exchange immediately of any change in the number of warrants outstanding due to the early exercise of such warrants or will provide this information themselves. With respect to stock index warrants for which 25% or more of the value of the underlying index is represented by securities traded primarily in the United States, such notice shall be filed with the Exchange's Regulatory staff no later than 4:30 p.m. E.T. on the date when the settlement value for such warrants is determined. Such notice shall be filed in such form and manner as may be prescribed by the Exchange from time to time.
9. *Cash Settlement*—The warrants will be cash-settled in U.S. dollars.

(f) In the case of Other Securities, the Exchange will consider listing any security not otherwise covered by the criteria set forth in this Rule, provided the issue is otherwise suited for trading on the Exchange. Such issues will be evaluated for listing against the following criteria:

issue is otherwise suited for auction market trading. Such issues will be evaluated for listing against the following criteria:

Initial Listing Requirements

1. Assets/Equity—The issuer shall have total assets in excess of $100 million and shareholders' equity of at least $ 10 million.
2. Earnings—The issuer shall have pre-tax income of at least $750,000 in its last fiscal year or in two of its last three fiscal years. In the case where the issuer is unable to satisfy this earnings criteria, the Exchange generally will require the issuer to have the following: (i) assets in the excess of $200 million and shareholders' equity of at least $ 10 million: or (ii) assets in excess of $ 100 million and shareholders' equity of at least $20 million.
3. Distribution—Minimum public distribution of 1 million trading units including a minimum of 400 public holders.
4. Aggregate Market Value/Principal Amount—Not less than $4 million.

Prior to commencement of trading of securities admitted to listing under this paragraph, the Exchange will evaluate the nature and complexity of the issue and, if appropriate, distribute a circular to

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the members and member organizations providing guidance regarding member firm compliance responsibilities when handling transactions in such securities.

Continued Listing Requirements

1. The aggregate market value or principal amount of publicly-held units (except index-linked securities that were listed pursuant to Rule 803(m)) must be at least $1 million.
2. Delisting or removal proceedings will be commenced (unless the Commission has approved the continued trading) with respect to any index-linked security that was listed pursuant to Rule 803(m)(7)(B) if any of the standards set forth in such Rule are not continuously maintained, except that:

    (i) the criteria that no single component represent more than 25% of the weight of the index and the five highest weighted components in the index may not represent more than 50% (or 60% for indexes with less than 25 components) of the weight of the Index, need only be satisfied for capitalization weighted and price weighted indexes as of the first day of January and July in each year;

    (ii) the total number of components in the index may not increase or decrease by more than 33-1/3% from the number of components in the index at the time of its initial listing, and in no event may be less than ten (10) components;

    (iii) the trading volume of each component security in the index must be at least 500,000 shares for each of the last six months, except that for each of the lowest weighted components in the index that in the aggregate account for no more than 10% of the weight of the index, trading volume must be at least 400,000 shares for each of the last six months; and

    (iv) in a capitalization-weighted or modified capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of stocks in the index have had an average monthly trading volume of at least 1,000,000 shares over the previous six months.
3. With respect to an index-linked security that was listed pursuant to Rule 803(m)(7)(A), delisting or removal proceedings will be commenced (unless the Commission has approved the continued trading of the subject index-linked security) if an underlying index or indexes fails to satisfy the maintenance standards or conditions for such index or indexes as set forth by the Commission in its order under Section 19(b)(2) of the Act approving the index or indexes for the trading of options or other derivatives.
4. With respect to a Commodity-Linked Security that was listed pursuant to Rule 803(m), delisting or removal proceedings will be commenced (unless the Commission has approved the continued trading of the subject security) if any of the listing requirements set forth in Rule 803(m) that were applicable at the time of the initial listing of the security are no longer being met. Notwithstanding the foregoing, a security will not be delisted due to lack of comprehensive surveillance sharing agreements if the Reference Asset has at least 10 components and the Exchange has comprehensive surveillance sharing agreements

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with respect to at least 90% of the dollar weight of the Reference Asset for which such agreements are otherwise required.

5. Delisting or removal proceedings will also be commenced with respect to any Linked Security listed pursuant to Rule 803(m) (unless the Commission has approved the continued trading of the subject security), under any of the following circumstances:

    (i) if the aggregate market value or the principal amount of the Linked Security issue publicly held is less than $400,000;
    (ii) if the value of the index, composite value of the indexes or the value of the Reference Asset (as applicable) is no longer calculated or widely disseminated as required by Rule 803(m)(9);
    (iii) with respect to a Commodity-Linked Security, if the value of the Reference Asset is no longer calculated or available and a new Reference Asset is substituted, unless the new Reference Asset meets the requirements of this Rule and Rule 803(m); or
    (iv) if such other event shall occur or condition exists which in the opinion of the Exchange makes further dealings on the Exchange inadvisable.

(g) In the case of Contingent Value Rights:

(1) Issuer must meet the financial listing criteria for common stock;
(2) Issuer total assets in excess of $100 million;
(3) Minimum public distribution of 600,000 rights with a minimum of 400 public holders of those rights;
(4) Aggregate market value of $18 million; and
(5) The rights must have a term of at least one year; or
(6) Contingent value rights have already been approved for trading on another national securities exchange.

Prior to the commencement of trading of securities admitted to listing under this paragraph, the Exchange will distribute a circular to the members and member organizations explaining specific risks associated with CVRs and emphasizing the need to disclose to CVR investors the special characteristics of CVRs and suggesting that transactions in CVRs be recommended only to investors whose accounts have been approved for options trading or after ascertaining that CVRs are suitable for the customer.

(h) In the case of Equity Linked Notes ("ELNs"):

ELNs are limited term debt securities of an issuer where the value of the debt is based in whole or in part on the value of another issuer's common stock, non-convertible preferred stock or sponsored American Depository Receipts ("ADRs") overlying such equity securities. The Exchange will consider listing or trading ELNs, pursuant to Rule 19b-4(e) under the Securities and Exchange Act of 1934, that meet the following criteria:

(1) *Issuer Listing Standards*

    (A) The issuer of the ELN must be listed on a national securities exchange or the Nasdaq National Market or be an affiliate of a company listed on a national securities exchange or Nasdaq National Market;
    (B) The issuer of the ELN must have a minimum tangible net worth of $150 million; and
    (C) The market value of the ELN offering when combined with the market value of all the ELN offerings previously completed by the issuer and traded on a national

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securities exchange or the Nasdaq National Market may not be greater than 25% of the issuer's net worth at the time of the issuance.

(2) *ELN Listing Standards*

(A) The issue must have a minimum public distribution of one million ELNs;

(B) There must be a minimum of 400 holders of the ELNs, provided, however, that if the ELNs are traded in $1,000 denominations, there is no minimum number of holders;

(C) The issue must have a minimum market value of $4 million; and

(D) The ELN must have a term of two to seven years, provided that if the issuer of the underlying security is a non-U.S. company, or if the underlying security is a sponsored ADR, the issue may not have a term of more than three years.

(3) *Linked Security Standards*

(A) The underlying linked security must have either; (i) a minimum market capitalization of $3 billion and during the 12 months preceding listing is shown to have traded at least 2.5 million shares in the United States, (ii) a minimum market capitalization of $1.5 billion and during the 12 months preceding listing is shown to have traded at least 20 million shares in the United States; or (iii) a minimum market capitalization of $500 million and during the 12 months preceding listing is shown to have traded at least 80 million shares in the United States. If an issuer proposes to list an ELN on an underlying linked stock that does not meet the market capitalization and trading volume standards set forth above, the Exchange, with the concurrence of the staff of the Division of Trading and Markets of the Securities and Exchange Commission, may, after evaluating the trading volume, public float, and market capitalization of the stocks, as well as other relevant factors, determine on a case-by-case basis that it is appropriate to list an ELN on that security.

(B) The underlying linked security must be issued by a company that has a continuous reporting obligation under the Securities Exchange Act of 1934 (Act), as amended, and the security must be listed on a national securities exchange or the Nasdaq National Market and be subject to last sale reporting pursuant to Rule 11Aa3-1 under the Act; and

(C) The underlying linked security must be issued by a U.S. company, a non-U.S. company (including a company that is traded in the United States through sponsored ADRs). For purposes of this subsection, a non-U.S. company is any company formed or incorporated outside of the United States. If the issuer of the underlying linked security is a non-U.S. company; (i) the Exchange must have in place a comprehensive surveillance sharing agreement with the primary exchange on which the non-U.S. security is traded, (in the case of an ADR, the primary exchange on which the security underlying the ADR is traded); or (ii) the combined trading volume of the non-U.S. security and other related non-U.S. securities occurring in the U.S. market represents (on a share equivalent basis for any ADRs) at least 50% of the combined worldwide trading volume in the non-U.S. security, other related non-U.S. securities, and other classes of common stock related to the non-U.S. security over the six month period preceding the date of designation; and

(D) If the underlying linked security is the stock of a non-U.S. company which is traded in the U.S. market as a sponsored ADR, ordinary shares or otherwise, then the minimum number of holders of the underlying linked security shall be 2,000.

(4) *Limits on the Number of ELNs Linked to a Particular Security*

(A) The issuance of ELNs relating to any underlying U.S. security may not exceed 5% of the total outstanding shares of such underlying security. The issuance of

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the ELNs relating to any underlying non-U.S. security or sponsored ADR may not exceed; (i) 2% of the total shares outstanding worldwide provided at least 30% of the worldwide trading volume in the underlying security occurs in the U.S. market during the six month period preceding the date of designation; (ii) 3% of the total worldwide shares outstanding provided at least 50% of the worldwide trading volume in the underlying security occurs in the U.S. market during the six month period preceding the date of designation; or (iii) 5% of the total shares outstanding worldwide provided at least 70% of the worldwide trading volume in the underlying security occurs in the U.S. market during the six month period preceding the date of designation. If a non-U.S. security (including sponsored ADRs) and related securities has less than 30% of the worldwide trading volume occurring in the U.S. market during the six month period preceding the date of listing, then the instrument may not be linked to that non-U.S. security.

If an issuer proposes to list an ELN that relates to more than the allowable percentages set forth above, the Exchange, with the concurrence of the staff of the Division of Trading and Markets of the Securities and Exchange Commission, will evaluate the maximum percentage of ELNs that may be issued on a case-by-case basis.

(5) Equity Linked Notes will be treated as equity instruments.

(6) Prior to the commencement of trading of a particular ELN designated pursuant to this subsection, the Exchange will distribute a circular to the members providing guidance regarding member organization compliance responsibilities (including suitability recommendations and account approval) when handling transactions in ELNs.

(i) Trust Shares

(1) *Definitions.*

(i) Trust Shares. The term "Trust Share" means a security (a) that is based on a unit investment trust ("Trust") which holds the securities which comprise an index or portfolio underlying a series of Trust Shares; (b) that is issued by the Trust in a specified aggregate minimum number in return for a "Portfolio Deposit" consisting of specified numbers of shares of stock plus a cash amount; (c) that, when aggregated in the same specified minimum number, may be redeemed from the Trust which will pay to the redeeming holder the stock and cash then comprising the "Portfolio Deposit"; and (d) that pays holders a periodic cash payment corresponding to the regular cash dividends or distributions declared with respect to the component securities of the stock index or portfolio of securities underlying the Trust Shares, less certain expenses and other charges as set forth in the Trust prospectus.

(ii) Reporting Authority. The term "Reporting Authority" in respect of a particular series of Trust Shares means the Exchange, a wholly-owned subsidiary of the Exchange, an institution (including the Trustee for Trust Shares), or a reporting service designated by the Exchange or its subsidiary or by the exchange that lists a particular series of Trust Shares (if the Exchange is trading such series pursuant to unlisted trading privileges) as the official source for calculating and reporting information relating to such series, including, but not limited to, any current index or portfolio value; the current value of the portfolio of securities required to be deposited to the Trust in connection with issuance of Trust Shares; the amount of any dividend equivalent payment or cash distribution to holders of Trust Shares, net

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asset value, or other information relating to the creation, redemption or trading of Trust Shares.

(iii) The term "US Component Stock" shall mean an equity security that is registered under Sections 12(b) or 12(g) of the Securities Exchange Act of 1934 ("Exchange Act") or an American Depository Receipt the underlying equity security of which is registered under Sections 12(b) or 12(g) of the Exchange Act.

(iv) The term "Non-US Component Stock" shall mean an equity security that is not registered under Sections 12(b) or 12(g) of the Exchange Act and that is issued by an entity that (a) is not organized, domiciled or incorporated in the United States, and (b) is an operating company (including real estate investment trusts (REITs) and income trusts, but excluding investment trusts, unit trusts, mutual funds, and derivatives).

(2) *Applicability.* This Rule is applicable only to Trust Shares. Except to the extent inconsistent with this Rule, or unless the context otherwise requires, the provisions of the By-Laws and all other Rules and policies of the Board of Directors shall be applicable to the trading on the Exchange of such securities. Trust Shares are included within the definition of "security" or "securities" as such terms are used in the By-Laws and Rules of the Exchange.

(3) *Disclosure Requirements.* Members and member organizations shall provide to all purchasers of a series of Trust Shares a written description of the terms and characteristics of such securities, in a form approved by the Exchange, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, members and member organizations shall include such a written description with any sales material relating to a series of Trust Shares that is provided to customers or the public. Any other written materials provided by a member or member organization to customers or the public making specific reference to a series of Trust Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of (the series of Trust Shares) is available from your broker. It is recommended that you obtain and review such circular before purchasing (the series of Trust Shares). In addition, upon request you may obtain from your broker a prospectus for (the series of Trust Shares)."

A member or member organization carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase a series of Trust Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to members and member organizations under this Rule.

Upon request of a customer, a member or member organization shall also provide a prospectus for the particular series of Trust Shares.

(4) *Designation of an Index or Portfolio.* The trading of Trust Shares based on one or more stock indexes or securities portfolios, whether by listing or pursuant to unlisted trading privileges, shall be considered on a case by case basis. The Trust Shares based on each particular stock index or portfolio shall be identified as a separate series and shall be identified by a unique symbol. The stocks that are included in an index or portfolio on which Trust Shares are based shall be selected by the Exchange or its agent, a wholly-owned subsidiary of the Exchange, or by such other person as shall have a proprietary interest in and authorized

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use of such index or portfolio, and may be revised from time to time as may be deemed necessary or appropriate to maintain the quality and character of the index or portfolio.

(5) *Initial and Continued Listing and/or Trading.* A Trust upon which a series of Trust Shares are based will be listed and traded on the Exchange subject to application of the following criteria:

(A) Commencement of Trading - For each Trust, the Exchange will establish a minimum number of Trust Shares required to be outstanding at the time of commencement of trading on the Exchange.

(B) Continued Trading - Following the initial twelve month period following formation of a Trust and commencement of trading on the Exchange, the Exchange will consider the suspension of trading in or removal from listing of a Trust upon which a series of Trust Shares is based under any of the following circumstances:

(i) if the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Trust Shares for 30 or more consecutive trading days; or

(ii) if the value of the index or portfolio of securities on which the Trust is based is no longer calculated or available; or

(iii) if such other event shall occur or condition exists which in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.

(C) Termination of Trust - Upon termination of a Trust, the Exchange requires that Trust Shares issued in connection with such Trust be removed from Exchange listing or have their unlisted trading privileges terminated. A Trust may terminate in accordance with the provisions of the Trust prospectus, which may provide for termination if the value of securities in the Trust falls below a specified amount.

(D) The Exchange will obtain a representation from the issuer of each series of Trust Shares that the net asset value per share for the series will be calculated daily and will be made available to all market participants at the same time.

(6) *Term.* The stated term of the Trust shall be as stated in the Trust prospectus. However, a Trust may be terminated under such earlier circumstances as may be specified in the Trust prospectus.

(7) *Trustee.* The trustee must be a trust company or banking institution having substantial capital and surplus and the experience and facilities for handling corporate trust business. In cases where, for any reason, an individual has been appointed as trustee, a qualified trust company or banking institution must be appointed co-trustee.

(8) *Voting.* Voting rights shall be as set forth in the Trust prospectus. The Trustee of a Trust may have the right to vote all of the voting securities of such Trust.

(9) *Limitation of Exchange Liability.* Neither the Exchange, the Reporting Authority nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating any current index or portfolio value; the current value of the portfolio of securities required to be deposited to the Trust; the amount of any dividend equivalent payment or cash distribution to holders of Trust Shares; net asset value; or other information relating to the creation, redemption or trading of Trust Shares, resulting from any negligent act or omission by the Exchange, or the Reporting Authority, or any agent of the Exchange, or any act, condition or cause beyond the reasonable control of the Exchange or its agent, or the Reporting Authority, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; or any error, omission or delay in the reports of transactions in one or more underlying securities. The Exchange makes no warranty, express or implied, as to results to be obtained by any person or entity from the use of Trust Shares or any underlying

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index or data included therein and the Exchange makes no express or implied warranties, and disclaims all warranties of merchantability or fitness for a particular purpose with respect to Trust Shares or any underlying index or data included therein. This limitation of liability shall be in addition to any other limitation contained in the Exchange's Limited Liability Company Agreement or By-Laws or elsewhere in the Rules.

(10) *Listing Fees and Other Rules.* The Exchange may, in its discretion, waive listing fees for any issuer of any particular series of Trust Shares listed on the Exchange pursuant to Rule 803(i). The provisions of Rules 847, 849, 850 and 851 do not apply to unit investment trusts issuing Trust Shares listed on the Exchange pursuant to Rule 803(i), or to the trustees or the sponsors thereof. In addition, consideration of the suspension of trading in or removal from listing of any Trust Shares pursuant to Rule 810 will be made pursuant to the criteria set forth in section 5(B) of this Rule 803(i) rather than the specific criteria set forth in subsections (1) through (5) of Rule 810(a).

(11) The Exchange may approve a series of Trust Shares for listing and trading pursuant to Rule 19b-4(e) under the Exchange Act provided the criteria described in paragraphs (a), (b) or (c) below and (d) through (l) are satisfied:

(a) *Series of Trust Shares that are based on an Index or Portfolio comprised solely of US Component Stocks.* Upon the initial listing of a series of Trust Shares on the Exchange, the component stocks of an index or portfolio underlying such series of Trust Shares shall meet the following criteria as of the date of the initial deposit of cash and securities into the trust:

(i) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio shall each have a minimum market value of at least $75 million;

(ii) The component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each must have a minimum monthly trading volume during each of the last six months of at least 250,000 shares;

(iii) The most heavily weighted component stock cannot exceed 30% of the weight of the index or portfolio, and the five most heavily weighted component stocks cannot exceed 65% of the weight of the index or portfolio;

(iv) The underlying index or portfolio must include a minimum of 13 component stocks; and

(v) All securities in an underlying index or portfolio must be US Component Stocks listed on a national securities exchange and shall be NMS Stocks.

(b) *Eligibility Criteria for series of Trust Shares that are based on an Index or Portfolio comprised solely of Non-US Component Stocks or Both US and Non-US Component Stocks.* Upon the initial listing of a series of Trust Shares, the component stocks of an index or portfolio underlying such series of Trust Shares shall meet the following criteria as of the date of the initial deposit of securities to the fund in connection with the initial issuance of shares of such fund:

(i) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each must have a minimum market value of at least $100 million;

(ii) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each must have a minimum worldwide

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monthly trading volume during each of the last six months of at least 250,000 shares;

(iii) the most heavily weighted component stock may not exceed 25% of the weight of the index or portfolio, and the five most heavily weighted component stocks may not exceed 60% of the weight of the index or portfolio;

(iv) the index or portfolio must include a minimum of 20 component stocks; and

(v) each US Component Stock must be listed on a national securities exchange and must be an NMS Stock, and each Non-US Component Stock must be listed and traded on an exchange that has last-sale reporting.

(c) *Index or portfolio approved in connection with options or other derivative securities.* Upon the initial listing of a series of Trust Shares, pursuant to Rule 19b-4(e) under the Exchange Act, the index or portfolio underlying such series shall have been reviewed and approved for trading of options, Trust Shares, Index Fund Shares, Index-Linked Exchangeable Notes or Index-Linked Securities by the Commission under Section 19(b)(2) of the Exchange Act and rules thereunder and the conditions set forth in the Commission's approval order, including comprehensive surveillance sharing agreements with respect to Non-US Component Stocks and requirements regarding dissemination of information continue to be satisfied. Each component stock of the index or portfolio shall be either (I) a US Component Stock that is listed on a national securities exchange and is an NMS Stock or (II) a Non-US Component Stock that is listed and traded on an exchange that has last-sale reporting.

(d) *Index Methodology and Calculation.*

(i) If the index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the index and the index shall be calculated by a third party who is not a broker-dealer or fund advisor; and

(ii) Any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or a major market data vendor or that makes decisions on the index or portfolio composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable index.

(e) *Disseminated Information.* If a series of Trust Shares is listed for trading, or trades pursuant to unlisted trading privileges, on the Exchange in reliance upon Rule 19b-4(e) under the Exchange Act, and invests solely in US Component Stocks, the current value of the underlying index must be widely disseminated by one or more major market data vendors or disseminated over the consolidated tape at least every 15 seconds during trading hours on the Exchange. If a series of Trust Shares is listed for trading on the Exchange in reliance upon Rule 19b-4(e) under the Exchange Act and invest in both US Component Stocks and Non-US Component Stocks or only in Non-US Component Stocks, the current value of the underlying index must be widely disseminated by one or more major market data vendors or disseminated over the consolidated tape at least every 60 seconds during trading hours on the Exchange. If the index value does not change during some or all of the period when trading is occurring on the Exchange (for example, for indexes

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of Non-US Component Stocks because of time zone differences or holidays in the countries where such indexes' component stocks trade), then the last official calculated index value must remain available throughout Exchange trading hours.

There must be disseminated for each series of Trust Shares, whether listed or traded pursuant to unlisted trading privileges, an estimate, updated at least every 15 seconds, of the value of a share of each series (the "Intraday Indicative Value") during the Core Session on PSX, and, if applicable, during the Pre Market Session on PSX. This may be based, for example, upon current information regarding the required deposit of securities plus any cash amount to permit the creation of new shares of the series or upon the index value. The Intraday Indicative Value will be updated at least every 15 seconds during the Core Session on PSX, and, if applicable, during the Pre Market Session on PSX, to reflect changes in the exchange rate between the U.S. dollar and the currency in which any component stock is denominated. If the Intraday Indicative Value does not change during some or all of the period when trading is occurring on PSX, then the last official calculated Intraday Indicative Value must remain available throughout PSX's trading hours.

(f) *Initial Shares Outstanding.* A minimum of 100,000 shares of a series of Trust Shares is required to be outstanding at start-up of trading on the Exchange.

(g) *Trading Increment.* The minimum trading increment is set in Rule 125.

(h) *Listing Fees.* The original listing fee is $7,500 for each series of Trust Shares. The annual maintenance listing fee will be $1,250 for each series of Trust Shares.

(i) *Surveillance Procedures.* The Exchange will implement written surveillance procedures for Trust Shares.

(j) *Applicability of Other Rules.* All other provisions of Rule 803(i) will apply to all series of Trust Shares.

(k) *Creation and Redemption.* For Trust Shares listed pursuant to (i)(11)(b) or (c) above, the statutory prospectus or the application for exemption from provisions of the Investment Company Act of 1940 for the series of Trust Shares must state that the series of Trust Shares must comply with the federal securities laws in accepting securities for deposits and satisfying redemptions with redemption securities, including that the securities accepted for deposits and the securities used to satisfy redemption requests are sold in transactions that would be exempt from registration under the Securities Act of 1933.

(l) *Hours of Trading.* Trading will occur on PSX during the times set in Rule 3217. In addition, the Exchange may designate each series of Trust Shares for trading during the Pre Market Session and/or the Post Market Session; provided, however that the Exchange will not designate a series of Trust Shares for Pre Market or Post Market trading unless the requirements of Phlx Rule 803(i)(11)(e) are satisfied. If there is no overlap with the trading hours of the primary market(s) trading the underlying components of a series of Trust Shares, the Exchange may designate such series for Pre Market trading as long as the last official calculated Intraday Indicative Value remains available.

(j) Trust Issued Receipts.

(1) *Applicability.* Rule 803(j) is applicable only to Trust Issued Receipts. Except to the extent inconsistent with Rule 803(j) or unless the context otherwise requires, the provisions of the By-Laws and all other Rules and policies of the Board of Directors shall be applicable to the trading on the Exchange of such securities. Trust Issued Receipts are included within the

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definition of "security" or "securities" as such terms are used in the By-Laws and Rules of the Exchange.

(2) *Definitions.* The following terms as used in the Rules shall, unless the context otherwise requires, have the meanings herein specified:

(A) Trust Issued Receipts. The term "Trust Issued Receipt" means a security (i) that is issued by a trust ("Trust") which holds specified securities deposited with the Trust; (ii) that, when aggregated in some specified minimum number, may be surrendered to the Trust by the beneficial owner to receive the securities; and (iii) that pays beneficial owners dividends and other distributions on the deposited securities, if any are declared and paid to the trustee by an issuer of the deposited securities.

(B) Reporting Authority. The term "Reporting Authority" in respect of a particular series of Trust Issued Receipts means the Exchange, a wholly-owned subsidiary of the Exchange, an institution (including the Trustee for that series of Trust Issued Receipts), or a reporting service designated by the Exchange or its subsidiary or by the exchange that lists a particular series of Trust Issued Receipts (if the Exchange is trading the particular series of Trust Issued Receipts pursuant to unlisted trading privileges) as the official source for calculating and reporting information relating to such series of Trust Issued Receipts, including, but not limited to, any current basket or portfolio value; the current value of the basket or portfolio of securities required to be deposited to the Trust in connection with issuance of that series of Trust Issued Receipts; the amount of any dividend equivalent payment or cash distribution to holders of that series of Trust Issued Receipts, net asset value, or other information relating to the creation, redemption or trading of that series of Trust Issued Receipts.

(3) *Prospectus.* Members and member organizations shall provide to all purchasers of newly issued Trust Issued Receipts a prospectus for the series of Trust Issued Receipts.

(4) Reserved.

(5) *Designation.* The Exchange may list and trade Trust Issued Receipts based on one or more securities. The Trust Issued Receipts based on particular securities shall be designated as a separate series and shall be identified by a unique symbol. The securities that are included in a series of Trust Issued Receipts shall be selected by the Exchange or its agent, a wholly-owned subsidiary of the Exchange, or by such other person as shall have a proprietary interest in such Trust Issued Receipts.

(6) *Initial and Continued Listing.* Trust Issued Receipts will be listed and traded on the Exchange subject to application of the following criteria:

(A) Initial Listing. For each Trust, the Exchange will establish a minimum number of Trust Issued Receipts required to be outstanding at the time of commencement of trading on the Exchange.

(B) Continued Listing. Following the initial twelve month period after formation of a Trust and commencement of trading on the Exchange, the Exchange will consider the

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suspension of trading in or removal from listing of a Trust upon which a series of Trust Issued Receipts is based under any of the following circumstances:

(i) if the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Trust Issued Receipts for 30 or more consecutive trading days;
(ii) if the Trust has fewer than 50,000 receipts issued and outstanding;
(iii) if the market value of all receipts issued and outstanding is less than $1,000,000; or
(iv) if such other event shall occur or condition exists which in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.

(C) Upon termination of a Trust, the Exchange requires that Trust Issued Receipts issued in connection with such Trust be removed from Exchange listing. A Trust may terminate in accordance with the provisions of the Trust prospectus, which may provide for termination if the value of securities in the Trust falls below a specified amount.

(7) *Term.* The stated term of the Trust shall be stated in the Trust prospectus. However, a Trust may be terminated under such earlier circumstances as may be specified in the Trust prospectus.

(8) *Trustee.* The Trustee must be a trust company or banking institution having substantial capital and surplus and the experience and facilities for handling corporate trust business. In cases where, for any reason, an individual has been appointed as trustee, a qualified trust company or banking institution must be appointed co-trustee.

(9) *Voting.* Voting rights shall be as set forth in the Trust prospectus.

(10) *Limitation of Liability.* Neither the Exchange, the Reporting Authority nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating any current basket or portfolio value, the current value of the portfolio of securities required to be deposited to the Trust; the amount of any dividend equivalent payment or cash distribution to holders of Trust Issued Receipts; net asset value; or other information relating to the creation, redemption or trading of Trust Issued Receipts, resulting from any negligent act or omission by the Exchange, or the Reporting Authority, or any agent of the Exchange, or any act, condition or cause beyond the reasonable control of the Exchange or its agent, or the Reporting Authority, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; or any error, omission or delay in the reports of transactions in one or more underlying securities. The Exchange makes no warranty, express or implied, as to results to be obtained by any person or entity from the use of Trust Issued Receipts or any underlying basket or portfolio of securities or data included therein and the Exchange makes no express or implied warranties, and disclaims all warranties of merchantability or fitness for a particular purpose with respect to Trust Issued Receipts or any underlying basket or portfolio of securities or data included therein. This limitation of liability shall be in addition to any other limitation contained in the Exchange's Limited Liability Company Agreement or By-Laws or elsewhere in the Rules.

(11) *Listing Fees and Other Rules.* The Exchange may, in its discretion, waive listing fees for any issuer of Trust Issued Receipts listed on the Exchange pursuant to Rule 803(j). The provisions of Rules 847, 849, 850 and 851 do not apply to trusts issuing Trust Issued Receipts listed on the Exchange pursuant to Rule 803(j), or to the trustees or the sponsors thereof. In addition, consideration of the suspension of trading in or removal from listing of any Trust Issued Receipts pursuant to Rule 810 will be made pursuant to the criteria set forth

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in section 6(B) of this Rule 803(j) rather than the specific criteria set forth in subsections (1) through (5) of Rule 810(a).

• • • ***Commentary:***

.01 The Exchange may approve a series of Trust Issued Receipts for listing and trading on the Exchange pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 (Exchange Act), provided each of the component securities satisfies the following criteria:

Eligibility Criteria for Component Securities Represented by a series of Trust Issued Receipts:

(i) each component security must be registered under Section 12 of the Exchange Act;
(ii) each component security must have a minimum public float of at least $150 million;
(iii) each component security must be listed on a national securities exchange or traded through the facilities of Nasdaq and be a reported national market system security;
(iv) each component security must have an average daily trading volume of at least 100,000 shares during the preceding sixty-day trading period;
(v) each component security must have an average daily dollar value of shares traded during the preceding sixty-day trading period of at lease $1 million; and
(vi) the most heavily weighted component security may not initially represent more than 20% of the overall value of the Trust Issued Receipt.

.02 The eligibility requirements for component securities that are represented by a series of Trust Issued Receipts and that became part of the Trust Issued Receipt when the security was either: (a) distributed by a company already included as a component security in the series of Trust Issued Receipts; or (b) received in exchange for the securities of a company previously included as a component security that is no longer outstanding due to a merger, consolidation, corporate combination or other event, shall be as follows:

(i) the component security must be listed on a national securities exchange or traded through facilities of Nasdaq and be a reported national market system security;
(ii) the component security must be registered under section 12 of the Exchange Act; and;
(iii) the component security must have a Standard & Poor's Sector Classification that is the same as the Standard and Poor's Sector Classification represented by component securities included in the Trust Issued Receipt at the time of the distribution or exchange.

(k) Basket Linked Notes ("BLNs").

Income instruments which are linked, in whole or in part, to the market performance of up to thirty (30) common stocks or non-convertible preferred stocks will be considered for listing provided:

(1) Both the issue and the issuer of such security meet the criteria established in Rule 803(f) and the issue has a minimum term of one year.
(2) The issuer of such security will be expected to have a minimum tangible net worth in excess of $250,000,000, and to otherwise substantially exceed the earnings requirement set forth in Rule 803(a). In the alternative, the issuer will be expected: (i) to have a minimum tangible net worth of $150,000,000 and to otherwise substantially exceed the earnings requirements set forth in Rule 803(a), and (ii) not to have issued such securities where the original issue price of all the issuer's other equity and basket linked note offerings (combined with equity and basket linked note offerings of the issuer's affiliates) listed on a national securities exchange or traded through the facilities of Nasdaq exceeds 25% of the issuer's net worth.
(3) Each underlying linked stock either: (i) has a minimum market capitalization of $3 billion and during the 12 months preceding listing is shown to have traded at least 2.5 million shares, (ii) has a minimum market capitalization of $1.5 billion and during the 12 months preceding

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listing is shown to have traded at least 10 million shares; or (iii) has a minimum market capitalization of $500 million and during the 12 months preceding listing is shown to have traded at least 15 million shares.

(4) Each issuer of an underlying stock to which the instrument is to be linked shall be a 1934 Act reporting company which is listed on a national securities exchange or is traded through the facilities of a national securities system and is subject to last sale reporting. In addition, if any underlying security to which the instrument is to be linked is the stock of a non-U.S. company which is traded in the U.S. market as sponsored American Depository Shares ("ADS"), ordinary shares or otherwise, then for each such security the Exchange shall either: (i) have in place a comprehensive surveillance sharing agreement with the primary exchange on which each non-U.S. security is traded, (in the case of an ADS, the primary exchange on which the security underlying the ADS is traded); or (ii) the combined trading volume of each non-U.S. security and other related non-U.S. securities occurring in the U.S. market or in markets with which the Exchange has in place a comprehensive surveillance sharing agreement represents (on a share equivalent basis for any ADS) at least 50% of the combined worldwide trading volume in each non-U.S. security, other related non-U.S. securities, and other classes of common stock related to each non-U.S. security over the six month period preceding the date of listing; or (iii)(a) the combined trading volume of each non-U.S. security and other related non-U.S. securities occurring in the U.S. market represents (on a share equivalent basis) at least 20% of the combined world-wide trading volume in each non-U.S. security and in other related non-U.S. securities over the six month period preceding the date of selection of the non-U.S. security for a BLN listing, (b) the average daily trading volume for each non-U.S. security in the U.S. markets over the six months preceding the selection of each non-U.S. security for a BLN listing is 100,000 or more shares, and (c) the trading volume is at least 60,000 shares per day in the U.S. markets on a majority of the trading days for the six months preceding the date of selection of each non-U.S. security for a BLN listing.

(5) Each underlying linked stock to which the instrument relates may not exceed 5% of the total outstanding common shares of such entity, provided however, if any underlying linked stock is a non-U.S. security represented by ADSs, common shares, or otherwise, then for each such linked security the instrument may not exceed: (i) 2% of the total shares outstanding worldwide provided at least 20% of the worldwide trading volume in each non-U.S. security and related non-U.S. security during the six month period preceding the date of listing occurs in the U.S. market; (ii) 3% of the total worldwide shares outstanding provided at least 50% of the worldwide trading volume in each non-U.S. security and related non-U.S. security during the six month period preceding the date of listing occurs in the U.S. market; and (iii) 5% of the total shares outstanding worldwide provided at least 70% of the worldwide trading volume in each non-U.S. security and related non-U.S. security during the six month period preceding the date of listing occurs in the U.S. market. If any non-U.S. security and related securities has less than 20% of the worldwide trading volume occurring in the U.S. market during the six month period preceding the date of listing, then the instrument may not be linked to that non-U.S. security. If an issuer proposes to list a BLN that relates to more than the allowable percentages set forth above, the Exchange, with the concurrence of the staff of the Division of Trading and Markets of the Securities and Exchange Commission, will evaluate the maximum percentage of BLNs that may be issued on a case-by-case basis.

(6) BLNs will be treated as equity instruments.

(7) If any underlying security to which the instrument is to be linked is the stock of a non-U.S. company which is traded in the U.S. market as a sponsored ADS, ordinary shares or otherwise, then the minimum number of holders of such underlying linked security shall be 2,000.

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(l) Index Fund Shares.

(1) *Applicability.* This Rule 803(l) is applicable only to Index Fund Shares. Except to the extent inconsistent with this Rule 803(l), or unless the context otherwise requires, the provisions of the Rules and policies of the Exchange shall be applicable to the trading on the Exchange of Index Fund Shares. Index Fund Shares are included within the definition of "security" or "securities" as such terms are used in the Rules of the Exchange.

(2) *Definitions.* The following terms shall have the meanings specified herein:

(A) The term "Index Fund Share" means a security (I) that is issued by an open-end management investment company based on a portfolio of stocks that seeks to provide investment results that correspond generally to the price and yield performance of specified foreign or domestic stock index; (II) that is issued by such an open-end management investment company in a specified aggregate minimum number in return for a deposit of specified numbers of shares of stock and/or a cash amount with a value equal to the next determined net asset value; and (III) that, when aggregated in the same specified minimum number, may be redeemed at a holder's request by such open-end investment company which will pay to the redeeming holder the stock and/or cash with a value equal to the next determined net asset value.

(B) The term "Reporting Authority" with respect to a particular series of Index Fund Shares means the Exchange, or an institution or reporting service designated by the Exchange, as the official source for calculating and reporting information relating to such series, including, but not limited to, any current index or portfolio value; the current value of the portfolio of any securities required to be deposited in connection with issuance of Index Fund Shares; the amount of any dividend equivalent payment or cash distribution to holders of Index Fund Shares, net asset value, or other information relating to the issuance, redemption or trading of Index Fund Shares. Nothing in this section shall imply that an institution or reporting service that is the source for calculating and reporting information relating to Index Fund Shares must be designated by the Exchange, the term "Reporting Authority" shall not refer to an institution or reporting service not so designated.

(C) The term "US Component Stock" shall mean an equity security that is registered under Sections 12(b) or 12(g) of the Securities Exchange Act of 1934 ("Exchange Act") or an American Depository Receipt the underlying equity security of which is registered under Sections 12(b) or 12(g) of the Exchange Act.

(D) The term "Non-US Component Stock" shall mean an equity security that is not registered under Sections 12(b) or 12(g) of the Exchange Act and that is issued by an entity that (a) is not organized, domiciled or incorporated in the United States, and (b) is an operating company (including real estate investment trusts (REITs) and income trusts, but excluding investment trusts, unit trusts, mutual funds, and derivatives).

(3) *Disclosure.* Unless Rule 803(l)(7) applies, the Exchange requires that members and member organizations provide to all purchasers of newly issued Index Fund Shares a prospectus for the series of Index Fund Shares.

(4) *Designation.* The trading of Index Fund Shares based on one or more securities, whether by listing or pursuant to unlisted trading privileges, shall be considered on a case-by-case basis. Each issue of Index Fund Shares based on each particular stock index or portfolio shall be designated as a separate series and shall be identified by a unique symbol. The securities that are included in a series of Index Fund Shares shall be selected by the Exchange or its agent, a wholly-owned subsidiary of the Exchange, or by such other person, as shall have

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authorized use of such index. Such index may be revised from time to time as may deemed necessary or appropriate to maintain the quality and character of the index.

(5) *Initial and Continued Listing and/or Trading.* Each series of Index Fund Shares will be listed and traded on the Exchange subject to application of the following criteria:

(A) Commencement of Trading. For each Series, the Exchange will establish a minimum number of Index Fund Shares required to be outstanding at the time of commencement of trading on the Exchange.

(B) Continued Trading. Following the initial twelve month period following commencement of trading on the Exchange of a series of Index Fund Shares, the Exchange will consider the suspension of trading or the removal from listing for such series under any of the following circumstances: (I) If there are fewer than 50 beneficial holders of the series of Index Fund Shares for 30 or more consecutive trading days; (II) If the value of the index or portfolio of securities on which the series of Index Fund Shares is based is no longer calculated or available; or (III) If such other event shall occur or condition exists which in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.

Upon termination of an open-end management investment company, the Exchange requires that Index Fund Shares issued in connection with such entity be removed from Exchange listing.

(C) Voting. Voting rights shall be as set forth in the applicable open-end management investment company prospectus.

(D) The Exchange will obtain a representation from the issuer of each series of Index Fund Shares that the net asset value per share for the series will be calculated daily and will be made available to all market participants at the same time.

(6) *Listing Pursuant to SEC rule 19b-4(e).* The Exchange may approve a series of Index Fund Shares for listing and trading pursuant to Rule 19b-4(e) under the Exchange Act provided the criteria described in paragraph (A), (B) or (C) below and (D)-(K) are satisfied:

(A) Eligibility Criteria for series of Index Fund Shares that are based on an Index or Portfolio comprised solely of US Component Stocks. Upon the initial listing of a series of Index Fund Shares the component stocks of an index or portfolio underlying a series of Index Fund Shares shall meet the following criteria as of the date of the initial deposit of securities to the fund in connection with the initial issuance of shares of such fund: (I) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum market value of at least $75 million; (II) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each must have a minimum monthly trading volume during each of the last six months of at least 250,000 shares; (III) The most heavily weighted component stock cannot exceed 30% of the weight of the index or portfolio, and the five most heavily weighted component stocks cannot exceed 65% of the weight of the index or portfolio; (IV) The underlying index or portfolio must include a minimum of 13 component stocks; and (V) All securities in an underlying index or portfolio must be US Component Stocks listed on a national securities exchange and shall be NMS Stocks.

(B) Eligibility Criteria for series of Index Fund Shares that are based on an index or portfolio comprised solely of Non-US Component Stocks or Both US and Non-US Component Stocks. Upon the initial listing of a series of Index Fund Shares, the component stocks of an index or portfolio underlying such series of Index Fund Shares shall meet the following criteria as of the date of the initial deposit of

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securities to the fund in connection with the initial issuance of shares of such fund: (I) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each must have a minimum market value of at least $100 million; (II) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each must have a minimum worldwide monthly trading volume during each of the last six months of at least 250,000 shares; (III) the most heavily weighted component stock may not exceed 25% of the weight of the index or portfolio, and the five most heavily weighted component stocks may not exceed 60% of the weight of the index or portfolio; (IV) the index or portfolio must include a minimum of 20 component stocks; and (V) each US Component Stock must be listed on a national securities exchange and must be an NMS Stock, and each Non-US Component Stock must be listed and traded on an exchange that has last-sale reporting.

(C) Index or portfolio approved in connection with options or other derivative securities. Upon the initial listing of a series of Index Fund Shares, pursuant to Rule 19b-4(e) under the Exchange Act, the index or portfolio underlying such series shall have been reviewed and approved for trading of options, Trust Shares, Index Fund Shares, Index-Linked Exchangeable Notes or Index-Linked Securities by the Commission under Section 19(b)(2) of the Exchange Act and rules thereunder and the conditions set forth in the Commission's approval order, including comprehensive surveillance sharing agreements with respect to Non-US Component Stocks and requirements regarding dissemination of information continue to be satisfied. Each component stock of the index or portfolio shall be either (I) a US Component Stock that is listed on a national securities exchange and is an NMS Stock or (II) a Non-US Component Stock that is listed and traded on an exchange that has last-sale reporting.

(D) Index Methodology and Calculation. (I) If the index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the index and the index shall be calculated by a third party who is not a broker-dealer or fund advisor; and (II) Any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or a major market data vendor or that makes decisions on the index or portfolio composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable index.

(E) Disseminated Information. If a series of Index Fund Shares is listed for trading, or trades pursuant to unlisted trading privileges, on the Exchange in reliance upon rule 19b-4(e) under the Exchange Act, and invests solely in US Component Stocks, the current value of the underlying index must be widely disseminated by on or more major market data vendors or disseminated over the consolidated tape at least every 15 seconds during trading hours on the Exchange. If a series of Index Fund Shares is listed for trading on the Exchange in reliance upon Rule 19b-4(e) under the Exchange Act and invest in both US Component Stocks and Non-US Component Stocks or only in Non-US Component Stocks, the current value of the underlying index must be widely disseminated by one or more major market data vendors or disseminated over the consolidated tape at least every 60 seconds during trading hours on the Exchange. If the index value does not change during some or all of the period when trading is occurring on the Exchange (for example, for indexes of Non-US Component Stocks because of time zone differences or

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holidays in the countries where such indexes' component stocks trade), then the last official calculated index value must remain available throughout Exchange trading hours.

(7) *Product Description.* The following paragraphs only apply to series of Index Fund Shares that are the subject of an order by the Securities and Exchange Commission exempting such series from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940. The Exchange will inform members and member organizations regarding application of these provisions to a particular series of Index Fund Shares by means of an Information Circular prior to commencement of trading in such series. The Exchange requires that members and member organizations provide to all purchasers of a series of Index Fund Shares a written description of the terms and characteristics of such securities, in a form prepared by the open-end management investment company issuing such securities, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, members and member organizations shall include such a written description with any sales material relating to a series Index Fund Shares that is provided to customers or the public. Any other written materials provided by a member or member organization to customers or the public making specific reference to a series of Index Fund Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of and is available from your broker or the Exchange. It is recommended that you obtain and review such circular before purchasing. In addition, upon request you may obtain from your broker a prospectus for." A member or member organization carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase a series of Index Fund Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to members and member organizations under this Rule. Upon request of a customer, the member or member organization shall also provide a prospectus for the particular series of Index Fund Shares.

(8) *Limitation of Exchange Liability.* Neither the Exchange, the Reporting Authority, nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating any current index or portfolio value, the current value of the portfolio of securities required to be deposited to the open-end management investment company in connection with issuance of Index Fund Shares; the amount of any dividend equivalent payment or cash distribution to holders of Index Fund Shares; net asset value; or other information relating to the purchase, redemption or trading of Index Fund Shares, resulting from any negligent act or omission by the Exchange, the Reporting Authority or any agent of the Exchange, or any act, condition or cause beyond the reasonable control of the Exchange, its agent, or the Reporting Authority, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; or any error, omission or delay in the reports of transactions in one or more underlying securities.

(m) Securities Linked to the Performance of Indexes and Commodities (Including Currencies)

The Exchange will consider for listing and trading equity index-linked securities ("Equity Index-Linked Securities") and commodity-linked securities ("Commodity-Linked Securities" and, together with Equity Index-Linked Securities, "Linked Securities") that in each case meet the applicable criteria of this Rule. Equity Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance of an underlying equity index or indexes. The payment at maturity with respect to Commodity-Linked Securities is based on one or more physical Commodities or Commodity futures, options or other Commodity derivatives, Commodity-Related Securities, or a basket or index of

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any of the foregoing (any such basis for payment is referred to below as the "Reference Asset"). The terms "Commodity" and "Commodity-Related Security" are defined in Rule 3230.

Linked Securities may or may not provide for the repayment of the original principal investment amount. The Exchange may submit a rule filing pursuant to Section 19(b)(2) of the Act to permit the listing and trading of Linked Securities that do not otherwise meet the standards set forth below in paragraphs (1) through (12). The Exchange will consider Linked Securities for listing and trading pursuant to Rule 19b-4(e) under the Act, provided:

(1) Both the issue and the issuer of such security meet the criteria for other securities set forth in Rule 803(f), except that if the security is traded in $1,000 denominations or is redeemable at the option of holders thereof on at least a weekly basis, then no minimum number of holders and no minimum public distribution of trading units shall be required.

(2) The issue has a term of not less than one (1) year and not greater than thirty (30) years.

(3) The issue must be the non-convertible debt of the Company.

(4) The payment at maturity may or may not provide for a multiple of the direct or inverse performance of an underlying index, indexes or Reference Asset; however, in no event will a loss (negative payment) at maturity be accelerated by a multiple that exceeds twice the performance of an underlying index, indexes or Reference Asset.

(5) The Company will be expected to have a minimum tangible net worth in excess of $250,000,000 and to exceed by at least 20% the earnings requirements set forth in paragraph (a)(1) of this Rule. In the alternative, the Company will be expected: (i) to have a minimum tangible net worth of $150,000,000 and to exceed by at least 20% the earnings requirement set forth in paragraph (a)(1) of this Rule, and (ii) not to have issued securities where the original issue price of all the Company's other index-linked note offerings (combined with index-linked note offerings of the Company's affiliates) listed on a national securities exchange exceeds 25% of the Company's net worth.

(6) The Company is in compliance with Rule 10A-3 under the Act.

(7) Equity Index Criteria—In the case of an Equity Index-Linked Security, each underlying index is required to have at least ten (10) component securities. In addition, the index or indexes to which the security is linked shall either:

(A) have been reviewed and approved for the trading of options or other derivatives by the Commission under Section 19(b)(2) of the Act and rules thereunder and the conditions set forth in the Commission's approval order, including comprehensive surveillance sharing agreements for non-U.S. stocks, continue to be satisfied, or

(B) the index or indexes meet the following criteria:

(I) Each component security has a minimum market value of at least $75 million, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, the market value can be at least $50 million;

(II) Each component security shall have trading volume in each of the last six months of not less than 1,000,000 shares, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, the trading volume shall be at least 500,000 shares in each of the last six months;

(III) Indexes based upon the equal-dollar or modified equal-dollar weighting method will be rebalanced at least semiannually;

(IV) In the case of a capitalization-weighted or modified capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in

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the aggregate represent at least 30% of the total number of component securities in the index, each have an average monthly trading volume of at least 2,000,000 shares over the previous six months;

(V) No underlying component security will represent more than 25% of the weight of the index, and the five highest weighted component securities in the index do not in the aggregate account for more than 50% of the weight of the index (60% for an index consisting of fewer than 25 component securities);

(VI) 90% of the index's numerical value and at least 80% of the total number of component securities will meet the then current criteria for standardized option trading on a national securities exchange or a national securities association, provided, however, that an index will not be subject to this requirement if (a) no underlying component security represents more than 10% of the dollar weight of the index and (b) the index has a minimum of 20 components;

(VII) All component securities shall be either (a) securities (other than securities of a foreign issuer and American Depository Receipts ("ADRs")) that are (i) issued by a 1934 Act reporting company or by an investment company registered under the Investment Company Act of 1940 that, in each case, has securities listed on a national securities exchange and (ii) an "NMS stock" (as defined in Rule 600 of Regulation NMS under the Act) or (b) securities of a foreign issuer or ADRs, provided that securities of a foreign issuer (including when they underlie ADRs) whose primary trading market outside the United States is not a member of the Intermarket Surveillance Group ("ISG") or a party to a comprehensive surveillance sharing agreement with the Exchange will not in the aggregate represent more than 20% of the dollar weight of the index.

(8) Reference Asset Criteria—In the case of a Commodity-Linked Security, the Reference Asset shall meet the criteria in either subparagraph (A) or subparagraph (B) below:

(A) The Reference Asset to which the security is linked shall have been reviewed and approved for the trading of Commodity-Related Securities or options or other derivatives by the Commission under Section 19(b)(2) of the Act and rules thereunder and the conditions set forth in the Commission's approval order, including with respect to comprehensive surveillance sharing agreements, continue to be satisfied.

(B) The pricing information for each component of a Reference Asset other than a Currency must be derived from a market which is an ISG member or affiliate or with which the Exchange has a comprehensive surveillance sharing agreement. Notwithstanding the previous sentence, pricing information for gold and silver may be derived from the London Bullion Market Association. The pricing information for each component of a Reference Asset that is a Currency must be either: (i) the generally accepted spot price for the currency exchange rate in question; or (ii) derived from a market of which (x) is an ISG member or affiliate or with which the Exchange has a comprehensive surveillance sharing agreement and (y) is the pricing source for a currency component of a Reference Asset that has previously been approved by the Commission. A Reference Asset may include components representing not more than 10% of the dollar weight of such Reference Asset for which the pricing information is derived from markets that do not meet the requirements of this subparagraph (B), provided, however, that no single component subject to this exception exceeds 7% of the dollar weight of the

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Reference Asset. The term "Currency," as used in this subparagraph, shall mean one or more currencies, or currency options, futures, or other currency derivatives, Commodity-Related Securities if their underlying Commodities are currencies or currency derivatives, or a basket or index of any of the foregoing.

(9) Maintenance and Dissemination—(A) If the index is maintained by a broker-dealer, the broker-dealer shall erect a "firewall" around the personnel who have access to information concerning changes and adjustments to the index and the index shall be calculated by a third party who is not a broker-dealer. (B) Unless the Commission order applicable under clause 7(A) or 8(A) hereof provides otherwise, the current value of the index or the Reference Asset (as applicable) will be widely disseminated at least every 15 seconds during the Exchange's regular market session, except as provided in the next clause (C). (C) The values of the following indexes need not be calculated and widely disseminated at least every 15 seconds if, after the close of trading, the indicative value of the Equity Index-Linked Security based on one or more of such indexes is calculated and disseminated to provide an updated value: CBOE S&P 500 BuyWrite Index(sm), CBOE DJIA Buy Write Index(sm), CBOE Nasdaq-100 BuyWrite Index(sm). (D) If the value of a Linked Security is based on more than one index, then the dissemination requirement of this paragraph (9) applies to the composite value of such indexes. (E) In the case of a Commodity-Linked Security that is periodically redeemable, the indicative value of the subject Commodity-Linked Security must be calculated and widely disseminated by one or more major market data vendors on at least a 15-second basis during the Exchange's regular market session.

(10) Trading Halts. In the case of Commodity-Linked Securities, if the indicative value (if required to be disseminated) or the Reference Asset value is not being disseminated as required, or, in the case of Equity Index-Linked Securities, if the value of the index is not being disseminated as required, the Exchange may halt trading during the day on which such interruption occurs. The Exchange will halt trading no later than the beginning of trading following the trading day when the interruption commenced if such interruption persists at this time.

(11) Surveillance Procedures. FINRA will implement on behalf of the Exchange written surveillance procedures for Linked Securities. The Exchange will enter into adequate comprehensive surveillance sharing agreements for non-U.S. securities, as applicable.

(12) Linked Securities will be treated as equity instruments. Furthermore, for the purpose of fee determination, Linked Securities shall be deemed and treated as Other Securities.

(n) Managed Fund Shares

(1) The Exchange will consider listing Managed Fund Shares that meet the criteria of Rule 803(n).

(2) Applicability. Rule 803(n) is applicable only to Managed Fund Shares. Except to the extent inconsistent with Rule 803(n), or unless the context otherwise requires, the Rules and procedures of the Board of Directors shall be applicable to the trading on the Exchange of

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such securities. Managed Fund Shares are included within the definition of "security" or "securities" as such terms are used in the Rules of the Exchange.

(A) The Exchange will file separate proposals under Section 19(b) of the Act before the listing of Managed Fund Shares

(B) Transactions in Managed Fund Shares will occur throughout the Exchange's trading hours.

(C) Minimum Price Variance. The minimum price variation for quoting and entry of orders in Managed Fund Shares is $0.01.

(D) Surveillance Procedures. The Exchange will implement written surveillance procedures for Managed Fund Shares.

(E) Creation and Redemption. For Managed Fund Shares based on an international or global portfolio, the statutory prospectus or the application for exemption from provisions of the Investment Company Act of 1940 for the series of Managed Fund Shares must state that such series must comply with the federal securities laws in accepting securities for deposits and satisfying redemptions with redemption securities, including that the securities accepted for deposits and the securities used to satisfy redemption requests are sold in transactions that would be exempt from registration under the Securities Act of 1933.

(3) Definitions. The following terms as used in the Rules shall, unless the context otherwise requires, have the meanings herein specified:

(A) Managed Fund Share. The term "Managed Fund Share" means a security that (a) represents an interest in a registered investment company ("Investment Company") organized as an open-end management investment company or similar entity, that invests in a portfolio of securities selected by the Investment Company's investment adviser consistent with the Investment Company's investment objectives and policies; (b) is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value; and (c) when aggregated in the same specified minimum number, may be redeemed at a holder's request, which holder will be paid a specified portfolio of securities and/or cash with a value equal to the next determined net asset value.

(B) Disclosed Portfolio. The term "Disclosed Portfolio" means the identities and quantities of the securities and other assets held by the Investment Company that will form the basis for the Investment Company's calculation of net asset value at the end of the business day.

(C) Intraday Indicative Value. The term "Intraday Indicative Value" is the estimated indicative value of a Managed Fund Share based on current information regarding the value of the securities and other assets in the Disclosed Portfolio.

(D) Reporting Authority. The term "Reporting Authority" in respect of a particular series of Managed Fund Shares means the Exchange, an institution, or a reporting service designated by the Exchange or by the exchange that lists a particular series of Managed Fund Shares (if the Exchange is trading such series pursuant to unlisted trading privileges) as the official source for calculating and reporting information relating to such series, including, but not limited to, the Intraday Indicative Value; the Disclosed Portfolio; the amount of any cash distribution to holders of Managed Fund Shares, net asset value, or other information relating to the issuance,

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redemption or trading of Managed Fund Shares. A series of Managed Fund Shares may have more than one Reporting Authority, each having different functions.

(4) Initial and Continued Listing — Managed Fund Shares will be listed and traded on the Exchange subject to application of the following criteria:

(A) Initial Listing — Each series of Managed Fund Shares will be listed and traded on the Exchange subject to application of the following initial listing criteria:

(I) For each series, the Exchange will establish a minimum number of Managed Fund Shares required to be outstanding at the time of commencement of trading on the Exchange.

(II) The Exchange will obtain a representation from the issuer of each series of Managed Fund Shares that the net asset value per share for the series will be calculated daily and that the net asset value and the Disclosed Portfolio will be made available to all market participants at the same time.

(B) Continued Listing — Each series of Managed Fund Shares will be listed and traded on the Exchange subject to application of the following continued listing criteria:

(I) Intraday Indicative Value. The Intraday Indicative Value for Managed Fund Shares will be widely disseminated by one or more major market data vendors at least every 15 seconds during the time when the Managed Fund Shares trade on the Exchange.

(II) Disclosed Portfolio.

(a) The Disclosed Portfolio will be disseminated at least once daily and will be made available to all market participants at the same time.

(b) The Reporting Authority that provides the Disclosed Portfolio must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the actual components of the portfolio.

(C) Suspension of trading or removal. The Exchange will consider the suspension of trading in or removal from listing of a series of Managed Fund Shares under any of the following circumstances:

(I) if, following the initial twelve-month period after commencement of trading on the Exchange of a series of Managed Fund Shares, there are fewer than 50 beneficial holders of the series of Managed Fund Shares for 30 or more consecutive trading days;

(II) if the value of the Intraday Indicative Value is no longer calculated or available or the Disclosed Portfolio is not made available to all market participants at the same time;

(III) if the Investment Company issuing the Managed Fund Shares has failed to file any filings required by the Commission or if the Exchange is aware that the Investment Company is not in compliance with the conditions of any exemptive order or no-action relief granted by the Commission to the

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Investment Company with respect to the series of Managed Fund Shares; or

(IV) if such other event shall occur or condition exists which, in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.

(D) Trading Halt. If the Intraday Indicative Value of a series of Managed Fund Shares is not being disseminated as required, the Exchange may halt trading during the day in which the interruption to the dissemination of the Intraday Indicative Value occurs. If the interruption to the dissemination of the Intraday Indicative Value persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. In addition, if the Exchange becomes aware that the net asset value or the Disclosed Portfolio with respect to a series of Managed Fund Shares is not disseminated to all market participants at the same time, it will halt trading in such series until such time as the net asset value or the Disclosed Portfolio is available to all market participants.

(E) Termination. Upon termination of an Investment Company, the Exchange requires that Managed Fund Shares issued in connection with such entity be removed from listing on the Exchange.

(F) Voting. Voting rights shall be as set forth in the applicable Investment Company prospectus.

(5) Limitation of Liability. Neither the Exchange, the Reporting Authority, nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating any current portfolio value; the current value of the portfolio of securities required to be deposited to the open-end management investment company in connection with issuance of Managed Fund Shares; the amount of any dividend equivalent payment or cash distribution to holders of Managed Fund Shares; net asset value; or other information relating to the purchase, redemption, or trading of Managed Fund Shares, resulting from any negligent act or omission by the Exchange, the Reporting Authority or any agent of the Exchange, or any act, condition, or cause beyond the reasonable control of the Exchange, its agent, or the Reporting Authority, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; or any error, omission, or delay in the reports of transactions in one or more underlying securities.

(6) Disclosures. The provisions of this subparagraph apply only to series of Managed Fund Shares that are the subject of an order by the Securities and Exchange Commission exempting such series from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940 and are not otherwise subject to prospectus delivery requirements under the Securities Act of 1933. The Exchange will inform its members and member organizations regarding application of these provisions of this subparagraph to a particular series of Managed Fund Shares by means of an information circular prior to commencement of trading in such series.

The Exchange requires that members and member organizations provide to all purchasers of a series of Managed Fund Shares a written description of the terms and characteristics of those securities, in a form prepared by the open-end management investment company issuing such securities, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, members and member organizations shall include such a written description with any sales material relating to a series of Managed Fund Shares that is provided to customers or the public. Any other written materials provided by a member or member organization to customers or the public making specific reference to a series of Managed Fund Shares as an investment vehicle must include a statement

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in substantially the following form: "A circular describing the terms and characteristics of (the series of Managed Fund Shares) has been prepared by the (open-end management investment company name) and is available from your broker. It is recommended that you obtain and review such circular before purchasing (the series of Managed Fund Shares)."

A member or member organization carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase a series of Managed Fund Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to members and member organizations under this Rule.

Upon request of a customer, a member organization shall also provide a prospectus for the particular series of Managed Fund Shares.

(7) If the investment adviser to the Investment Company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect a "fire wall" between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such Investment Company portfolio. Personnel who make decisions on the Investment Company's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the applicable Investment Company portfolio.

(o) Unlisted Trading Privileges

(1) Applicability. The Exchange may determine to extend unlisted trading privileges ("UTP") to a NMS Stock that is listed on another national securities exchange. Any such security will be subject to all Exchange trading Rules applicable to NMS Stocks, unless otherwise noted, including the Exchange's Rule 3000 Series. The Exchange lists only standardized options, as defined in Rule 9b-1 under the Exchange Act, issued by a clearing agency that is registered pursuant to Section 17A of the Exchange Act, pursuant to the Rule 1000, 1000A and 1000C Series, and the provisions of this Rule 800 Series are not effective to permit the listing of securities. For purposes of this Rule, the term NMS Stock shall have the meaning given such term by Rule 600 under Regulation NMS, and may include, but is not limited to, common stock, preferred stock and similar issues, shares or certificates of beneficial interest of trusts, notes, limited partnership interests, warrants, certificates of deposit for common stock, convertible debt securities, American Depositary Receipts (ADRs), contingent value rights ("CVRs"), Trust Shares, Trust Issued Receipts, Index Fund Shares, Equity Index-Linked Securities, Commodity-Linked Securities, Equity-Linked Notes, and Managed Fund Shares.

(2) Prior to the commencement of trading of CVRs on the Exchange, the Exchange will distribute a circular to its member organizations providing guidance regarding member organization compliance responsibilities (including suitability recommendations and account approval) when handling transactions in CVRs.

(3) Any "new derivative securities product"("NDSP") traded on the Exchange pursuant to UTP shall be subject to the additional following Rules:

(A) Information Circular. The Exchange shall distribute an information circular prior to the commencement of trading in such NDSP that generally includes the same information as the information circular provided by the listing exchange, including: (1) the special risks of trading the NDSP; (2) the Exchange's Rules that will apply to the NDSP, including the suitability rule; (3) information about the dissemination of value of the underlying assets or indexes; and (4) the risk of trading during the period from 9:00 a.m. to 9:30 a.m. and from 4:00 p.m. to 5:00 p.m. due to the lack of calculation or dissemination of the underlying index value, the Intraday Indicative

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Value, the Indicative Optimized Portfolio Value or other comparable estimate of the value of a share of the NDSP.

(B) Prospectus Delivery/Product Description. Members and member organizations are subject to the prospectus delivery requirements under the Securities Act of 1933, unless the NDSP is the subject of an order by the Securities and Exchange Commission exempting the product from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940 and the product is not otherwise subject to prospectus delivery requirements under the Securities Act of 1933. The Exchange shall inform its members and member organizations regarding the application of the provisions of this subparagraph to such NDSPs by means of an information circular.

The Exchange requires that members and member organizations provide to all purchasers of such NDSPs a written description of the terms and characteristics of those securities, in a form approved by the Exchange or prepared by the open-ended management company issuing such securities, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, the members and member organizations shall include a written description with any sales material relating to such NDSPs that is provided to customers or the public. Any other written materials provided by a member or member organization to customers or the public making specific reference to such NDSPs as an investment vehicle must include a statement substantially in the following form: "A circular describing the terms and characteristics of [such NDSPs] has been prepared by the [open-ended management investment company name] and is available from your broker. It is recommended that you obtain and review such circular before purchasing [such NDSPs]."

A member or member organization carrying an omnibus account for a non-member is required to inform such non-member that execution of an order to purchase such NDSPs for such omnibus account will be deemed to constitute an agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to members and member organizations under this Rule.

Upon request of a customer, a member or member organization shall also provide a prospectus for such NDSPs.

(C) Comprehensive Surveillance Sharing Agreements. The Exchange shall enter into a comprehensive surveillance sharing agreement ("CSSA") with markets trading components of the index or portfolio on which the NDSP is based to the same extent as the listing Exchange's Rules require the listing exchange to enter into a CSSA with such markets.

• • • Commentary:

.01 The Nasdaq Stock Market, Inc. ("Nasdaq") has licensed the use of the Nasdaq-100 Index for certain purposes in connection with trading in a particular series of Trust Shares on the Exchange. Nasdaq and its affiliates do not guarantee the accuracy and/or completeness of the Nasdaq-100 Index or any data included therein. Nasdaq, the Exchange and their affiliates make no warranty, express or implied, as to results to be obtained by any person or entity from the use of the Nasdaq-100 Index or any data included therein in connection with the rights licensed or for any other use. Nasdaq, the Exchange and their affiliates make no express or implied warranties, and disclaim all warranties of merchantability or fitness for a particular purpose with respect to the Nasdaq-100 Index or any data included therein. Without limiting any of the foregoing, in no event shall Nasdaq, the Exchange

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and their affiliates have any liability for any lost profits or special, punitive, incidental, indirect, or consequential damages, even if notified of the possibility of such damages. In addition, Nasdaq, the Exchange and their affiliates shall have no liability for any damages, claims, losses or expenses caused by any errors or delays in calculating or disseminating the Nasdaq-100 Index.

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Amendments.
March 18, 1980.
July 26, 1990.
March 11, 1992.
June 17, 1994 (93-31).
December 16, 1994 (94-68).
March 28, 1995 (94-69).
March 31, 1995 (95-09).
May 24, 1995. (94-49).
June 1, 1995 (95-34).
August 29, 1995 (94-49).
March 21, 1996 (95-76).
July 23, 1996.
September 11, 1997 (97-29).
December 6, 2000 (00-90).
December 13, 2000 (00-54).
December 27, 2000 (00-31).
January 31, 2001 (00-91).
September 20, 2001 (01-75).
November 19, 2001 (01-92).
December 20, 2001 (00-68).
July 29, 2002 (02-05).
January 16, 2004 (03-73).
October 7, 2005 (05-57).
January 31, 2007 (06-79).
February 21, 2007 (06-85).
May 25, 2007 (07-07).
July 11, 2007 (07-20).
September 18, 2007 (07-43).
January 29, 2008 (08-03).
May 9, 2008 (08-34).
May 19, 2008 (08-33).
May 14, 2009 (09-23).
September 9, 2010 (10-79).
April 25, 2011 (11-13).
September 25, 2012 (12-115).
October 18, 2017 (17-82).
October 24, 2018 (18-67), operative November 26, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 804. Alternative Criteria for Listing—Tier I

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The Exchange recognizes that certain financially sound companies may be unable to meet its full listing criteria due to the nature of their business: Such companies may still be eligible for listing provided the following criteria are met:

(1) Net Tangible Assets—Total Assets (including the value of patents, copyrights and trademarks, but excluding the value of goodwill) less total liabilities must be $12 million;
(2) At least 1,000,000 shares publicly held with at least 400 public shareholders.
(3) Stock price of $3 per share on each of the five business days prior to the application date;
(4) Aggregate Market Value $15,000,000
(5) Three years of operating history;
(6) Voting Rights—See Rule 812;
(7) The company must have sufficient financial resources to continue operating over an extended period of time and its securities are regarded by the Exchange as suitable for listing and auction market trading.

Amendments.
March 18, 1980.
June 17, 1994 (93-31).
July 18, 1996 (96-16).

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Nasdaq PHLX Rules, Regulation, Rule 805. Listing Criteria—Tier II

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The Exchange has established certain numerical criteria which companies that are too small to meet the Exchange's Tier I listing standards are required to meet in order to be eligible for listing. In addition, companies must adhere to the policies and procedures and corporate governance standards provided in Rules 812 through 853.

(a) In the case of Common Stock:

1. At least 750,000 shares are issued and outstanding having a minimum market value of $2,250,000, exclusive of shares held by those required to report their stock holdings under Section 16(a) of the Securities Exchange Act of 1934 ("Exchange Act") (hereinafter Section 16(a) Reporting Persons);
2. At least 500 public holders;
3. Net tangible assets, which is defined by the Exchange as total assets (which include the value of patents, copyrights and trademarks but exclude the value of goodwill) less total liabilities of at least $1,500,000;
4. Net income after federal income taxes and before extraordinary items of $100,000 a year for three of the last four years preceding the listing review or $2,000,000 in net tangible assets; and
5. A minimum market price of $3 per share on each of the five business days prior to the application date

(b) In the case of Warrants:

1. At least 500,000 warrants outstanding, exclusive of warrants held by Section 16(a) Reporting Persons; and
2. The company meets the net tangible assets and net income criteria applicable to common stock.

(c) In the case of Preferred Stock:

1. At least 500,000 shares outstanding, exclusive of shares held by Section 16 (a) Reporting Persons;
2. At least 250 public holders; and
3. The company meets the net tangible assets and net income criteria applicable to common stock and appears to be able to service the dividend requirements of the issue.

(d) In the case of Bonds, Debentures or Notes:

1. The issue has a principal amount of at least $2,000,000;
2. The issue has an aggregate market value of at least $2,000,000;
3. At least 250 public holders; and
4. The company meets the net tangible assets and net income criteria applicable to common stock and appears to be able to satisfy interest and principal when due.

(e) In the case of Units:

1. The Exchange will review unit offerings with respect to its components.

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(f) In the case of shares of a foreign issuer either registered directly as American Depository Receipts (ADRs) or as American Depositary Shares (ADSs):

1. The shares must be registered or exempt from registration under the Exchange Act;
2. At least 750,000 shares or ADRs are issued and outstanding in the United States having a minimum market value of at least $1,500,000 United States dollars, exclusive of shares held by Section 16(a) Reporting Persons:
3. At least 500 public holders in the United States;
4. Total net tangible assets of at least $1,500,000 in United States dollars; and
5. Net income of $100,000 a year for three of the last four years preceding the listing review or $2,000,000 in net tangible assets (in United States dollars);
6. Share certificates shall be printed in English and in registered form and share certificates shall be interchangeable and capable of being delivered or transferred in the United States as well as in the country of origin;
7. The ADRs shall be issued by a United States bank or trust company, representing the deposit of an equivalent amount of underlying foreign shares;
8. ADRs dealt in on the Exchange must conform to customary standards as to form and printing and include a statement on the face of the certificate that title thereto is transferable with the same effect as in the case of an investment security under Article 8 of the Uniform Commercial Code; and
9. A foreign issuer is required to furnish to American shareholders an English language version of the materials provided to its shareholders; and
10. The Exchange will consider the law and commercial and business practices of the applicant's domicile in evaluating (a) the election and composition of its Board of Directors, (b) shareholder approval, voting rights and quorum requirements for meetings, and (c) the issuance of quarterly earnings statements. A company seeking relief under these provisions should provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law.

Adopted.
April 9, 1958.
Amendments.
March 18, 1980.
June 17, 1994 (93-31).
December 16, 1994 (94-68).
June 1, 1995 (95-34).
September 28, 2006 (06-43).

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Nasdaq PHLX Rules, Regulation, Rule 806. Initial Public Offerings

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(a) A new issue of securities shall be eligible for listing on the day that its registration statement is effective with the Securities and Exchange Commission, or where registration with Securities and Exchange Commission is not required, upon effectiveness of its registration statement or equivalent document filed with the appropriate regulatory authority, provided that the issuer has met the initial listing criteria as follows: prior to the offering, the issuer has met the initial listing criteria of Rules 803, 804 or 805 except that as a result of the offering, the criteria for shares outstanding, price per share and holder of record contained in Rules 803, 804 or 805 as applicable, were met for a majority of the trading days in the first month after the offering is complete.

(b) Prior to the offering the issuer must provide the Exchange with a letter from the principal investment bank which represents that, in their opinion, the company will attain the requisite level of shareholders, market value and price in order to be eligible for listing. Within one month after the offering has been completed and closed, the Exchange requires documentation from the company's transfer agent that the requisite criteria have been met for a majority of trading days during that month. If criteria has not been met, the issue will be immediately delisted. A new issue of securities listed pursuant to Rule 803(f), (h), (k), (m) and (n) shall be exempt from the provisions of Rule 806(b).

Amendments.
May 24, 1989.
June 17, 1994 (93-31)
November 15, 2007 (07-60).

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Nasdaq PHLX Rules, Regulation, Rule
807. Registration Under the Exchange Act

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A security approved for listing by the Exchange must be registered under Section 12(b) of the Exchange Act before it may be admitted to trading on the Exchange. Exchange Act registration is required even though the issuer may have previously registered all or part of the securities under the Securities Act of 1933 ("Securities Act"). However, a security which has already been registered under Section 12(g) of the Exchange Act, or has recently been the subject of a public offering registered under the Securities Act, may normally be registered under Section 12(b) of the Exchange Act for Exchange trading on SEC Form 8-A.

In addition, securities of an issuer which has another class or series of securities registered on another national securities exchange may also use SEC Form 8-A. If an applicant does not have a class of securities registered under Exchange Act Section 12(g) or another class of securities registered on a national securities exchange, SEC Form 10 may be required.

Applicants should prepare and file the SEC registration statement and exhibits concurrently with the Exchange listing application and exhibits. However, registration under Section 12(b) of the Exchange Act cannot become effective until after the issue has been approved for listing by the Exchange. Upon such approval, the Exchange is required to certify to the SEC that it has received its copy of the registration statement and has approved the particular securities for listing and registration. Registration of a class of securities on Form 8-A becomes effective automatically upon the later of the filing of the Form 8-A with the SEC, the SEC's receipt of certification from the Exchange, or (if the class of securities is concurrently being registered under the Securities Act) the effectiveness of the related Securities Act registration statement. Registration other than on Form 8-A becomes effective automatically 30 days after receipt by the SEC of the Exchange's certification but may become effective within a shorter period, by order of the SEC, on request for acceleration of the effective date made by the company to the SEC.

One manually signed copy of the Exchange Act registration statement, including exhibits, must be filed with the listing application.

Redesignated.
April 9, 1958.
May 24, 1989.
Amendments.
March 18, 1980.
May 24, 1989.
June 17, 1994 (93-31).
November 15, 2007 (07-60).

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Nasdaq PHLX Rules, Regulation, Rule
808. Submission of Original Listing Application

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(a) An applicant company seeking listing privileges should submit to the Exchange a preliminary draft listing application (signed by an Executive Officer) along with the following supporting documentation:

1. Latest Form 10-K Annual report, Form 10-Q Quarterly Report(s) for the last three quarters, Form 8-K reports filed pursuant to the Exchange Act, and latest proxy statement for the annual meeting of stockholders; or
2. A prospectus declared effective by the SEC which contains the latest audited financial statements of the applicant company, Form 10-Q Quarterly Reports(s) and Form 8-K Current Report(s)(or comparable periodic reports filed with the appropriate regulatory agency of the applicant company pursuant to the Securities Exchange Act of 1934), for the last year and latest available proxy statement for a meeting of stockholders. In the event a Form 10-Q Quarterly Report (or comparable periodic report) for a quarter ended more than 45 days before the date of the listing application is not required to be filed with the SEC (or other appropriate regulatory agency), financial information comparable to that which would have been included in the Form 10-Q Quarterly Report shall be filed with the Exchange as part of the listing application; and
3. Latest annual report distributed to stockholders; and
4. Any other information deemed necessary by the Exchange in order to render a decision concerning listing eligibility.
5. Specimen Certificates. One specimen copy of each denomination of certificate of class to be listed. If transfer agent(s) and registrar(s) are located in more than one city, furnish one specimen of each denomination of certificates used in each city. Specimens should be accompanied by certificate and agreement of the banknote company. Foreign issuers must provide specimen certificates in English.
6. Opinion of Counsel. One copy of opinion of counsel of satisfactory standing, addressed to the Exchange, as to the following: (a) the legality of organization and valid existence of the applicant; (b) its qualification in jurisdictions other than that of incorporation (if applicable): (c) the validity of authorization and issuance (or proposed issuance) of the securities applied for; and (d) whether the securities are (or will be) fully paid and non-assessable, and whether personal liability attaches to ownership. If such counsel or any partner of such counsel (or, if a firm, and member thereof) is an officer, director or shareholder of the applicant, this fact must be disclosed in the opinion and in the listing application. In addition, the opinion should enumerate the circumstances of original issuance of the securities from the date of incorporation to the date of application and, if an exemption from registration under the Securities Act has been claimed for any such issuance, the basis of exemption should be set forth. With respect to any unissued securities applied for which, upon issuance, will be issued without registration under the Securities Act, in reliance upon an exemption therefrom, the opinion should state that such certificates (identify blocks and purposes for which issuable) will bear a legend relating to the sale or transfer restriction. Such legend (which must be quoted in the opinion) should read substantially as follows: "The shares represented by this certificate have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."
7. Listing Resolution. Certified copy of resolution of board of directors, authorizing the filing of the listing application and designating the officer or officers authorized to sign documents or agreements relative thereto and (if requested) to appear before officials of the Exchange. A suggested wording is as follows:

   "RESOLVED, that application be made to Nasdaq PHLX LLC (“Exchange”) for the listing of (amount and designation of security) of this Corporation and that name(s) of officer(s) is (are) hereby authorized

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and directed by the Corporation to sign said application and any listing agreements or documents required by said Exchange in connection therewith and to make such changes in any of same as may be necessary to conform with the requirements for listing, and to appear (if requested) before officials of said Exchange."

8. Contract with Transfer Agent. One copy of the contract with transfer agent relative to the issuance of additional shares.
9. Contract with Registrar. One copy of the contract of each registrar relative to the registration of additional shares.
10. Option, Bonus, Profit-Participation, Pension and Retirement Plans. One certified copy of any such employee benefit plan.
11. Listing Fee—a check drawn to the Nasdaq PHLX LLC (“Exchange”) in the amount of $7500. Should the company not be eligible for listing the Exchange will retain $500.

(b) Bond Listing Application

An original listing application for bond or debenture issues should essentially follow the same format in section (a) above except that the following descriptions should accompany the application in narrative form:

1. Description of Bonds. If a prospectus is attached to the listing application, the relevant information may be incorporated by reference to such document. If a prospectus is not attached, applicant will give the following information in narrative form:

   (1) full title of issue; (2) title of instrument under which created; (3) name of trustee; (4) dates of authorization by directors, shareholders and public authorities; (5) amounts authorized, issued to date, retired, and outstanding; (6) date of issue maturity, and interest rate; (7) places and dates for payment of principal and interest and standard of money in which payable; (8) tax exemptions; (9) whether issuable in coupon or registered form; (10) denominations issuable; (11) whether exchangeable as between registered and coupon form, and interchangeable as to denominations, together with places and times at which exchanges may be made; and (12) where registerable and transferable.
2. Indenture Provision. Summarize the indenture provisions of the issue applied for with respect to the following:

   (1) security, describing the lien created by the indenture or other instrument, properties covered (in general terms), and other assets pledged thereunder (describe also and underlying or prior liens); (2) additional issues, stating conditions under which additional amounts of indebtedness may be issued; (3) sinking fund; (4) redemption and call, including date on which redeemable, prices, method of selection in event of partial redemption, duration and place of published notice, disposition of bonds redeemed; (5) default, including events constituting default, remedies of bondholders' percentage of bonds necessary to direct or control trustee's action in regard to default (6) release of pledged property from lien, stating conditions under which pledged property may be released from lien of the indenture, or other property substituted for pledged property; (7) convertibility; (8) modification, stating extent to which indenture may be modified in any particular circumstance and conditions under which it may be so modified; (9) treatment of deposited funds, stating how funds deposited pursuant to the term of the indenture are required to be held, whether deposit of funds operates to discharge the properties pledged from the lien of the indenture and whether deposit of funds for payment of principal, interest of redemption operates to discharge the obligation of the issuer with respect thereto; (10) summarize the more important covenants of the indenture; and (11) names and addresses of trustee, fiscal and paying agent(s), agent(s) for registry, exchange and interchange of bonds.
3. Distributions. Schedule of distribution. If, as in the case of a non-registered bond, details concerning distribution cannot be determined, the Exchange will accept the best available estimate of the number of holders.
4. Opinion of Counsel. One copy of opinion of counsel of satisfactory standing addressed to the Exchange, as to the following: (a) the legality of organization and valid existence of the applicant; (b)

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the validity of authorization and issuance of the bonds; and (c) the legal, valid and binding nature of the obligations enforceable against the applicant in accordance with the terms of the instrument creating such bonds with remedies exceptions, if appropriate. If the bonds are convertible into equity securities of the applicant, an opinion should further set forth the basis for exemption from registration under the Securities Act that has been, or will be, claimed for the issuance of the bonds of the securities into which they are convertible; and, if they are to be issued under an exemption, the legend that such certificates will bear must be quoted in the opinion. If counsel, or any partner of such counsel (or, if a firm, any member thereof) is an officer, director or shareholder of the applicant, this fact must be disclosed in the opinion and in the listing application.

5. Indenture. One copy of the mortgage, indenture, or equivalent instrument certified by the trustee.
6. Trustee's Certificate. A certificate from the trustee showing: (a) acceptance of the trust; (b) that the securities have been issued in accordance with the terms of the indenture; (c) what disposition has been made of securities redeemed or refunded; (d) that pledged collateral has been deposited; and (e) what disposition has been made of prior obligations. (see suggested Form.)

Adopted.
June 17, 1994 (93-31).
Amendments.
April 25, 2011 (11-13).
October 18, 2017 (17-82).

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Nasdaq PHLX Rules, Regulation, Rule 809. Issuer Request for Removal and Delisting of Securities

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(a) An issuer proposing to withdraw a security from listing on the Exchange shall submit a certified copy of a resolution adopted by the Board of Directors of the issuer authorizing withdrawal from listing and registration and a statement setting forth in detail the reasons for the proposed withdrawal and the facts in support thereof.

The issuer may be required to submit the proposed withdrawal to the security holders for their vote at a meeting for which proxies are solicited provided the stock is not also listed on another Exchange having similar requirements.

(b) An issuer proposing to withdraw a security from listing on the Exchange shall do so by electronically submitting to the Securities and Exchange Commission ("Commission") Form 25 via the EDGAR system in compliance with all of the requirements of Rule 12d2-2(c) under the Exchange Act, and shall simultaneously provide a copy of such Form 25 to the Exchange.

(c) Not less than ten days before the issuer submits Form 25 pursuant to paragraph (b) herein an issuer seeking to voluntarily apply to withdraw a security from listing on the Exchange where the issuer has received notice from the Exchange, pursuant to Rule 811 or otherwise, that the issuer is below the Exchange's continued listing policies and standards, or that the issuer is aware that it is below such continued listing policies and standards notwithstanding that it has not received such notice from the Exchange, must:

(i) provide written notice to the Exchange of its decision to withdraw from listing indicating all material facts relating to the reasons for withdraw in compliance with Rule12d2-2(c) under the Exchange Act, and

(ii) contemporaneously with providing such notice to the Exchange disclose that it is no longer eligible for continued listing (including the specific continued listing policies and standards that the issue is below) in (A) its statement of all material facts relating to the reasons for withdrawal from listing provided to the Exchange along with written notice of its determination to withdraw from listing required by Rule12d2-2(c)(2)(ii) under the Exchange Act and (B) its release and Web site notice required by Rule 12d2-2(c)(2)(iii) under the Exchange Act.

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June 17, 1994 (93-31).
April 20, 2006 (05-62).

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Nasdaq PHLX Rules, Regulation, Rule 810. Suspension and Delisting Policies Based on Exchange Findings

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The Exchange may suspend dealings in any security admitted to the list and/or institute proceedings to remove a security from the list. The issues will be reviewed on a quarterly basis and as necessary due to extraordinary corporate events. All issues listed prior to the adoption of this Rule will be reviewed by the Exchange in order to determine whether the company fully complies with the new maintenance criteria. All such issues will be given six months to demonstrate full compliance with the new maintenance standards. If the issuer cannot demonstrate full compliance after that time it will become subject to delisting proceedings pursuant to Rule 811.

(a) The Exchange has adopted certain criteria which an issuer which has been listed pursuant to Rule 803 or 804 must meet in order to remain listed. The following minimum criteria does not limit or restrict the Exchange's right to delist a security. Upon reviewing the relevant circumstances in each case, the Exchange may suspend dealings in, or remove a security from listing or unlisted trading when, in its opinion, the security is unsuitable for continued trading on the Exchange, regardless of whether all of the following criteria is met:

(1) 200,000 publicly held shares with an aggregate market value of $1,000,000;
(2) 400 public shareholders or 300 round lot shareholders;
(3) Net tangible assets of at least $2 million if the issuer has sustained losses from continuing operations and/or net losses in two of its three most recent fiscal years; or $4 million if the issuer has losses from continuing operations and/or net losses in three of its four most recent fiscal years;
(4) For CVRs, aggregate market value of at least $1 million and the related equity security to which a cash payment is tied must remain listed.
(5) For Bonds, Debentures and Notes:

(i) aggregate market value or the principal amount of bonds publicly held of $400,000; and
(ii) the issuer must be able to meet its obligations in the listed debt securities
(iii) a debt security convertible into a listed equity security will be reviewed when the underlying equity security is delisted and will be delisted when the underlying equity security is no longer subject to real-time trade reporting in the United States. In addition, if common stock is delisted for violation of any of the corporate governance criteria in Exchange Rules 812 through 899, the Exchange will also delist any listed debt securities convertible into that common stock.

(b) The Exchange has adopted certain criteria which an issuer which has been listed pursuant to Rule 805 must meet in order to remain listed. The following minimum criteria does not limit or restrict the Exchange's right to delist a security. Upon reviewing the relevant circumstances in each case, the Exchange may suspend dealings in, or remove a security from listing or unlisted trading when, in its opinion, the security is unsuitable for continued trading on the Exchange, regardless of whether all of the following criteria is met:

(1) In the Case of Common Stock:

i. Less than 375,000 shares are issued and outstanding exclusive of shares held by Section 16(a) Reporting Persons;
ii. Should the aggregate market value of publicly held shares (aggregate market value) remain below $250,000 for a majority of trading days in the most recent three (3) calendar month period, below $500,000 in the most recent six (6) calendar

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month period, below $750,000 in the most recent nine (9) calendar month period or below $1 million in the most recent twelve (12) calendar month period, it would be subject to delisting procedures. In each instance the aggregate market value shall be calculated by using the last sale of the trading day. Should no transactions be effected in the issue, the prevailing closing bid shall be the factor used in the aggregate market value calculation. In the event that there is not a bid price readily available, the Exchange will use its best efforts in determining an accurate share price on which to base its aggregate market value calculations.

iii. Fewer than 250 public holders; or

iv. Net tangible assets, as defined in Rule 805(a)(3) less than $1,500,000; or

v. A price per share of less than $1.00 for a majority of days in a 60 trading day period.

(2) In the case of Warrants:

i. Less than 250,000 warrants outstanding, exclusive of warrants held by Section 16(a) Reporting Persons; or

ii. The company does not satisfy the net tangible assets criteria for common stock.

(3) In the case of Preferred Stock:

i. Less than 250,000 shares outstanding, exclusive of shares held by Section 16(a) Reporting Persons;

ii. Fewer than 100 public holders; or

iii. The issuer does not satisfy the net tangible assets criteria for common stock.

(4) In the case of Bonds:

a. Publicly held principal amount outstanding less than $1,000,000 having an aggregate market value of less than $500,000;

b. Fewer than 125 public holders; or

c. The issuer does not satisfy the net tangible assets criteria for common stock.

d. In the case of municipal securities, such security is not rated as investment grade by at least on nationally recognized rating service, does not have at least a market value or principal amount outstanding of one half million dollars ($500,000) or is not held by at least fifty (50) public beneficial holders of record.

(5) In the case of Units:

a. The components of the unit no longer satisfy the respective criteria of Rule 810.

(6) In the case of shares of a foreign issuer either registered directly or as ADRs or ADSs:

a. Less than 375,000 shares or ADRs or ADSs are issued and outstanding in the United States, exclusive of shares held by Section 16(a) Reporting Persons;

b. Aggregate market value of publicly held shares issued and outstanding in the United States is less than 750,000 United States dollars for a one-year period;

c. Fewer than 250 public holders in the United States; or

d. Net tangible assets are less than $1,500,000.

(c) In considering whether a security should continue to be traded, the Exchange considers, among other things, the degree of investor interest in the security, the reputation of the issuer and whether its securities continue to be suitable for auction market trading. The Exchange may also review the continued listing of an issuer when there has been a substantial sale of operating assets or the issuer has taken steps toward liquidation.

The Exchange may at any time in its discretion suspend dealings in any security from listed or unlisted trading privileges. In addition to the quantitative criteria provided in this Rule, the Exchange may

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consider suspending trading in or removing from listing or unlisted trading in any security when in the opinion of the Exchange any one of the following conditions are found to exist:

(1) Unsatisfactory Financial Condition—the financial condition and/or operating results of the issuer appear to be unsatisfactory, i.e., the issuer has sustained losses which are so substantial in relation to its overall operations or its existing financial resources, or its financial condition has become so impaired that it appears questionable, in the opinion of the Exchange, as to whether the company will be able to continue operations and/or meet its obligations as they mature; or

(2) Disposal of Assets—the issuer has sold or otherwise disposed of its principal operating assets, or has ceased to be an operating company, absent extraordinary circumstances;

(i) If the company has sold or otherwise disposed of its principal operating assets or has ceased to be an operating company or has discontinued a substantial portion of its operations or business for any reason whatsoever, including without limitation, such events as sale, lease, spin-off, distribution, foreclosure, discontinuance, abandonment, destruction, condemnation, seizure or expropriation. Where the company has substantially discontinued the business that it conducted at the time it was listed or admitted to trading, and has become engaged in ventures or promotions which have not developed to a commercial stage or the success of which is questionable, it shall not be considered an operating company for the purposes of continued trading and listing on the Exchange.

(ii) If liquidation of the company has been authorized. However, where such liquidation has been authorized by stockholders and the company is committed to proceed, the Exchange will normally continue trading until substantial liquidation distributions have been made.

(iii) If advice has been received, deemed by the Exchange to be authoritative, that the security is without value.

(3) Listing Agreement—the issuer has failed to comply with its listing agreement with the Exchange.

(4) Exchange Rules—the issuer of a company fails (or the transfer agent or registrar of which fails) to comply with the Exchange Rules in any material respect including the corporate governance rules in Rules 812 to 851.

(5) Registration No longer Effective—if the registration (or exemption from registration thereof) pursuant to the Exchange Act is no longer effective.

(6) Payment, Redemption or Retirement of Entire Class, Issue or Series—if the entire outstanding amount of a class, issue or series is retired through payment at maturity or through redemption, reclassification or otherwise. In such event the Exchange may, at a time which is appropriate under all circumstances of the particular case, suspend dealings in the security and, in the case of a listed security, give notice to the SEC on Form 25, of the Exchange's intention to remove such security from listing and registration as required by Rule 12d-2(a) under the Exchange Act.

(7) Operations Contrary to Public Interest—if the company or its management shall engage in operations which, in the opinion of the Exchange, are contrary to the public interest.

(8) Failure to Pay Listing Fees—if the company shall fail or refuse to pay, when due, any applicable listing fees established by the Exchange.

(9) Low selling Price Issues—in the case of a common stock selling for a substantial period of time at a price less than $3 per share, if the issuer shall fail to effect a reverse split of such

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shares within a reasonable time after being notified that the Exchange deems such action to be appropriate under all circumstances.

In its review of the question of whether it deems a reverse split of a given issue to be appropriate, the Exchange will consider all pertinent factors including, market conditions in general, the number of shares outstanding, plans which may have been formulated by management, applicable regulations of the state or country of incorporation or of any governmental agency having jurisdiction over the company, the relationship to other Exchange policies regarding continued listing, and, in respect of securities of foreign issuers, the general practice in the country of origin of trading in low-selling price issues.

(10) Any other event shall occur or any other condition shall exist which makes further dealings on the Exchange inadvisable.

• • • ***Supplementary Material:***

.01 An application by the Exchange to strike a security from listing and/or registration will be submitted to the Securities and Exchange Commission electronically on Form 25 via the EDGAR system, and a copy of the application on Form 25 will be promptly delivered to the issuer.

Adopted.
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Nasdaq PHLX Rules, Regulation, Rule 811. Delisting Policies and Procedures

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Once Exchange staff identifies a company as being below the Exchange's continued listing criteria (and not able to otherwise qualify under an initial listing standard), Exchange staff will so notify the company by letter. This letter will also provide the company with an opportunity to provide the Exchange staff with a plan (the "Plan") advising the Exchange of action the company has taken, or will take, that would bring it into compliance with the continued listing standards within three months of receipt of the letter. The company has 30 days from the receipt of the letter to submit its Plan to the Exchange for review; if it does not submit a Plan within this period the Exchange will promptly initiate delisting proceedings as provided in subsections (a)—(g) below. The Exchange will evaluate the Plan and determine whether the company has made reasonable demonstration in the Plan of an ability to regain compliance with the continued listing standards within the three month period. The Exchange will make such determination within 45 days of receipt of the proposed Plan, and will promptly notify the company of its determination in writing. If the Exchange does not accept the Plan, the Exchange will promptly initiate delisting proceedings as provided in subsections (a)—(g) below. If Exchange staff accepts the Plan, the three month Plan period will commence on the date the issuer is notified of such acceptance. The Exchange will then review the company on a periodic basis for compliance with the Plan. If the company does not show progress consistent with the Plan, the Exchange will review the circumstances and variance, and determine whether such variance warrants the commencement of delisting procedures. Should the Exchange determine to proceed with delisting procedures, it may do so regardless of the company's continued listing status at that time. If, prior to the end of the three month Plan period, the company is able to demonstrate compliance with the continued listing standards at the end of the three month Plan period, the Exchange will deem the Plan period over. If the company does not meet continued listing standards at the end of the three month Plan period, the Exchange will promptly initiate delisting procedures. If the company, within twelve months of the end of the Plan (including any early termination of the Plan period) is again determined to be below continued listing standards, the Exchange will examine the relationship between the two incidents of falling below continued listing standards and re-evaluate the company's method of recovery from the first incident. It will then take appropriate action which, depending upon the circumstances, may include truncating the procedures described above or immediately initiating delisting procedures.

Whenever the Exchange determines that it is appropriate to consider removing a security from listing for other than routine reasons (redemptions or maturities) it will follow the following procedures:

(a) The Exchange will furnish the company with a statement in writing which indicates the facts and circumstances which have caused the Exchange to consider the removal of the company's security from listing (or unlisted trading) and which specifies the delisting policies and guidelines which are applicable. Such statement will also request that the company respond in writing within 20 days with any reasons why the company believes the security should not be removed from listing (or unlisted trading).

(b) If after reviewing the company's response, the Exchange determines that the security should be removed, it will provide written notification to the company which delineates the reasons for the decision and the delisting policies which will apply. The company will also be informed that it may appeal to the Board of Directors of the Exchange and request a hearing.

(c) If, within five days after receiving such written notice, the company informs the Exchange in writing that it wishes to appeal the decision and requests an opportunity for a hearing, the Exchange will give the company at least ten days prior written notice of the time and place at which a hearing shall be held. If no written request for a hearing is received within five days of receipt of such notice, the decision of the Exchange will become final and any further appeal rights will be waived.

(d) Such hearing shall be held before an ad hoc Exchange committee appointed for the purpose of acting in an advisory capacity to the Board of Directors. The Committee will consist of three persons, at least

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one of which must be a member of the Board of Directors. The other two members of the Committee may be Directors, members, Exchange Presiding Officials, and/or other persons (not having an interest in the matter) as the Chairman of the Board of Directors shall determine.

(e) Any documents or other written material which the company wishes the Committee to consider should be submitted to the Exchange at least five days prior to the date of the hearing.

(f) At the hearing, the issuer and Exchange Staff must prove their respective cases by presenting testimony, evidence, and argument to the Committee. Both parties may present any witnesses they wish and all those witnesses and parties who testify are subject to cross examination by the opposing side and questioning from the members of the Committee. The form and manner in which the actual hearing will be conducted will be established by the Committee so as to assure the orderly conduct of the proceeding. At the hearing, the Committee may require the parties to furnish additional written information which has come to its attention.

(g) At the conclusion of the hearing the Committee will present its findings to the Board of Directors so that a final determination can be made. Such decision shall be final. If the Committee or the Board determines that the security of the issuer should be removed from listing, an application shall be submitted by the Exchange to the Securities and Exchange Commission ("Commission") to strike the security from listing and registration and a copy of such application shall be furnished to the issuer in accordance with Section 12 of the Exchange Act and the rules promulgated thereunder. If the decision is that the security should not be removed from listing, the issuer will receive a notice to that effect from the Exchange.

An application by the Exchange to strike a security from listing and / or registration will be submitted to the Commission electronically on Form 25 via the EDGAR system, and a copy of the application on Form 25 will be promptly delivered to the issuer.

The actions required to be taken by the Exchange and issuers to strike a security from listing and / or registration are set forth in Rule 12d2-2 and Rule 19d-1 promulgated under the Exchange Act.

The relevant portions of Section 12 of the Exchange Act and Rules promulgated thereunder pertaining to the suspension, removal or withdrawal of registration and/ or listing of securities, and the timing thereof are summarized below:

(1) Withdrawal of registration and / or striking for certain corporate events from listing of Exchange listed security –Section 12(d) of the Exchange Act and Rule 12d2-d(a) thereunder;
(2) suspension of trading by Exchange-Rule 12d2-1 under the Exchange Act;
(3) application of Exchange to strike security from listing and or / registration and notice provisions – Rule 12d2-2(a) and (b) under the Exchange Act;
(4) application of issuer to withdraw from listing and registration and notice provisions – Rule 12d2-2(c) under the Exchange Act;
(5) timing and effectiveness of application by issuer or Exchange to strike a security from listing and / or registration – Rule 12d2-2(d) under the Exchange Act; or
(6) exemption of certain standardized options and futures products from Section 12(d) of the Act – Rule 12d2-2(e)

In appropriate circumstances, when the Exchange is considering delisting because a company no longer meets the requirements for continued listing, a company may file a delisting application pursuant to Rule 809(b) and (c).

Pursuant to this Rule, the Exchange will provide public notice of its final determination to remove a security from listing and/or registration by issuing a press release and posting a notice on its web site. Such notice will be disseminated no fewer than ten days before the delisting becomes effective pursuant to paragraph (d)(1) of Rule 12d2-2 under the Exchange Act, and will remain posted on the web site until the delisting is effective.

Adopted.

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Nasdaq PHLX Rules, Regulation, Rule 812. Voting Rights Listing Standards—Disenfranchisement Rule

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(a) No Rule, stated policy, practice, or interpretation of this Exchange shall permit the listing, or the continuance of the listing, of any common stock or other equity security of a domestic issuer if, on or after July 7, 1988, the issuer of such security issues any class of security, or takes other corporate action, with the effect of nullifying, restricting or disparately reducing the per share voting rights of holders of an outstanding class or classes of common stock of such issuer registered pursuant to Section 12 of the Act.

(b) For the purpose of paragraph (a) of this Rule, the following shall be presumed to have the effect of nullifying, restricting, or disparately reducing the per share voting rights of an outstanding class or classes of common stock:

(1) corporate action to impose any restriction on the voting power of shares of the common stock of the issuer held by a beneficial or record holder based on the number of shares held by such beneficial or record holder;
(2) corporate action to impose any restriction on the voting power of shares of the common stock of the issuer held by a beneficial or record holder based on the length of time such shares have been held by such beneficial or record holder;
(3) any issuance of securities through an exchange offer by the issuer for shares of an outstanding class of the common stock of the issuer, in which the securities issued have voting rights greater than or less than the per share voting rights of any outstanding class of the common stock of the issuer;
(4) any issuance of securities pursuant to a stock dividend, or any other type of distribution of stock, in which the securities issued have voting rights greater than the per share voting rights of any outstanding class of the common stock of the issuer.

(c) For the purpose of paragraph (a) of this Rule, the following, standing alone, shall be presumed not to have the effect of nullifying, restricting, or disparately reducing the per share voting rights of holders of an outstanding class or classes of common stock:

(1) the issuance of securities pursuant to an initial registered public offering;
(2) the issuance of any class of securities, through a registered public offering, with voting rights not greater than the per share voting rights of any outstanding class of the common stock of the issuer;
(3) the issuance of any class of securities to effect a bona fide merger or acquisition, with voting rights not greater than the per share voting rights of any outstanding class of the common stock of the issuer;
(4) corporate action taken pursuant to state law requiring a state's domestic corporation to condition the voting rights of a beneficial or record holder of a specified threshold percentage of the corporation's voting stock on the approval of the corporation's independent shareholders;
(5) such other action, including the issuance of any class of securities under specified circumstances, which is deemed, pursuant to the rules of another exchange or association, to be excluded from the prohibition in paragraph (a) of this Rule.

(d) Definitions

The following terms shall have the following meanings for purposes of this Rule:

(1) The term "Act" shall mean the Securities Exchange Act of 1934, as amended.
(2) The term "common stock" shall include any security of an issuer designated as common stock and any security of an issuer, however designated, which, by statute or by its terms, is a common stock (e.g., a security which entitles the holders thereof to vote generally on matters submitted to the issuer's security holders for a vote).

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(3) The term "equity security" shall include any equity security defined as such pursuant to Rule 3a11-1 under the Act.

(4) The term "domestic issuer" shall mean an issuer that is not a "foreign private issuer" as defined in Rule 3b-4 under the Act.

(5) The term "security" shall include any security defined as such pursuant to Section 3(a)(10) of the Act, but shall exclude any class of security having a preference or priority over the issuer's common stock as to dividends, interest payments, redemption or payments in liquidation, if the voting rights of such securities only become effective as a result of specified events, not relating to an acquisition of the common stock of the issuer, which reasonably can be expected to jeopardize the issuer's financial ability to meet its payment obligations to the holders of that class of securities.

(6) the term "exchange" shall mean a national securities exchange, registered as such with the Securities and Exchange Commission pursuant to Section 6 of the Act, which makes transaction reports available pursuant to Rule 11Aa3-1 under the Act.

(7) the term "association" shall mean a national securities association registered as such with the Securities and Exchange Commission pursuant to Section 15A of the Act.

Adopted.
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Amendment.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 813. Certification to Securities and Exchange Commission

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Pursuant to Rules 801 through 809, the Board may delegate to the Exchange staff, in respect to securities, the authority to list, admit to dealings, suspend from dealings and remove from the list.

The Exchange staff is authorized to certify to the Securities and Exchange Commission that the Exchange approved the listing and registration of securities and the admission of securities to dealings, and to file applications for the removal of securities from listing and registration and from dealings.

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Nasdaq PHLX Rules, Regulation, Rule
814. Outline of Exchange Disclosure Policies

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The Exchange requires every listed company to make available to the public information necessary for informed investing and to take reasonable steps to ensure that all who invest in its securities enjoy equal access to such information. In applying this fundamental principle, the Exchange has adopted the following six specific policies concerning disclosure:

(a) Immediate Public Disclosure of Material Information—A listed company is required to make immediate public disclosure of all material information concerning its affairs, except in unusual circumstances. When such disclosure is to be made during trading hours, it is essential that the Exchange be notified prior to the announcement.

(b) Thorough Public Dissemination—A listed company is required to release material information to the public in a manner designed to obtain the widest possible public dissemination.

(c) Clarification or Confirmation of Rumors and Reports—Whenever a listed company becomes aware of a rumor or report, true or false, that contains information that is likely to have, or has had, an effect on the trading in its securities, or would be likely to have a bearing on investment decisions, the company is required to publicly clarify the rumor or report as promptly as possible.

(d) Response to Unusual Market Activity—Whenever unusual market activity takes place in a listed company's securities, the company is expected to make inquiry to determine whether rumors or other conditions requiring corrective action exist, and, if so, to take whatever action is appropriate.

If, after this review, the unusual market activity remains unexplained, it may be appropriate for the company to issue a "no news" release in which it announces that there has been no material development in its business affairs not previously disclosed and to its knowledge, there is no other reason to account for the unusual market activity.

(e) Unwarranted Promotional Disclosure—A listed company should refrain from promotional disclosure activity which exceeds that necessary to enable the public to make informed investment decisions. Such activity includes inappropriately worded news releases, public announcements not justified by actual developments in a company's affairs, exaggerated reports or predictions, flamboyant wording and other forms of over-stated or over-zealous disclosure activity which may mislead investors and cause unwarranted price movements and activity in a company's securities.

(f) Insider Trading—Insiders should not trade on the basis of material information which is not known to the investing public. Moreover, insiders should refrain from trading, even after material information has been released to the press and other media, for a period sufficient to permit thorough public dissemination and evaluation of the information.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 815. Content and Preparation of Public Announcements

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The content of a press release or other public announcement is as important as its timing. Each announcement should be reviewed by the Exchange at least 15 minutes prior to its public dissemination. In addition, each release should conform to the following criteria:

(a) Be factual, clear and succinct;
(b) Contain sufficient quantitative information to allow investors to evaluate its relative importance to the activities of the company;
(c) Be balanced and fair while avoiding the following:

- The omission of important unfavorable facts, or the slighting of such facts (by "burying" them at the end of a press release).
- The presentation of favorable possibilities as certain, or as more probable than is actually the case.
- The presentation of projections without sufficient qualification or without sufficient factual basis.
- Negative statements phrased so as to create a positive implication: "The company cannot now predict whether the development will have a materially favorable effect on its earnings," (creating the implication that the effect will be favorable even if not materially favorable) or "The company expects that the development will not have a materially favorable effect on earnings in the immediate future," (creating the implication that the development will eventually have materially favorable effect).
- The use of over technical language or promotional jargon calculated to excite rather than to inform.

(d) Explain, if the consequences or effects of the information on the company's future prospects cannot be assessed, why this is so; and
(e) Clarify and point out any reasonable alternatives where the public announcement undertakes to interpret information disclosed.

The requirements of the Federal securities laws must also be carefully considered in the preparation of public announcements. In particular, these laws may impose special restrictions on the extent of permissible disclosure before or during a public offering of securities or a solicitation of proxies. Generally, in such circumstances, while the restrictions of the securities laws may affect the character of disclosure, they do not prohibit the timely disclosure of material factual information.

Whenever a conflict arises, the company should discuss the matter with the Securities and Exchange Commission, as well as with the Exchange.

Every press release or public announcement should be either prepared or reviewed by a company official having familiarity with the matters about which disclosure is to be made and a company official familiar with the requirements of the Exchange, (as well as any applicable requirements of the securities laws). In addition, review of these documents by legal counsel is often desirable and necessary, depending on the importance and complexity of the announcement.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 816. Dividends and Stock Splits Notice of Dividend or Non-Payment of Dividend

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(a) A company is required to publicize and notify the Exchange immediately of any action taken by it in respect to the payment or non-payment of dividends.

(b) If a company has been paying regular dividends and its board of directors determines to cease or postpone such payments, this fact should be announced at least twice: First, immediately at the time the board decides to cease or postpone payment, and second, on the next monthly, quarterly, or other periodic date of declaration (assuming it is again decided to omit or postpone payment). Such announcement should be released to the press and notice should be given to the Exchange as specified in Rule 818.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 817. Record Date

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A company is not permitted to close its stock transfer books for any reason, including the declaration of a dividend. Rather, it must establish a record date for shareholders entitled to a dividend which is at least ten days after the date on which the dividend is declared (declaration date).

A company is also required to give the Exchange at least ten days notice in advance of a record date established for any other purpose, including meetings of shareholders.

Adopted.
June 17, 1994 (93-31).
Amendment
May 2, 2003 (03-24).

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Nasdaq PHLX Rules, Regulation, Rule 818. Form of Notice

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Immediately after the board of directors has declared a cash or stock dividend, the company should: (a) release the news to the newspapers and news services, including the news-ticker services operated by Dow Jones & Company, Inc., and Reuters Ltd., and (b) notify the Exchange by telephone, telegram, telex, or facsimile transmission and confirm by letter. The announcement and notice should specify the name of the company, date of declaration, amount (per share) of the dividend, and the record and payment dates. In the case of stock dividends, the notice to the Exchange should also state whether cash is to be paid or order forms are to be issued in settlement of fractional share interests resulting from the stock dividend. If cash is to be paid, state the basis for determining the amount (for example, based on the "last sale" on the record date).

The stock dividend notice should also state the "cut-off" date (usually five to seven days after the record date) until which the transfer agent for the stock will accept instructions from brokers as to their requirements for full shares or cash with respect to stock registered in their names, as nominees, and as to which they must make exact allocations among their clients.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 819. Split-Ups or Stock Dividends on Lower Priced Issues

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The Exchange does not view favorably a split-up of a stock selling in a low price range or a split-up or substantial stock dividend which may result in an abnormally low price range for shares after the split or stock dividend. Any company considering a split-up (or a stock dividend of more than 5%) which would result in an adjusted price of less than $5.00 per share for its stock should consult with the Exchange in advance of taking formal action.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 820. Accounting for Stock Dividends

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A listed company must account for stock dividends and stock splits in accordance with generally accepted accounting principles.

In instances where it is not clear that the accounting treatment being followed is in compliance with generally accepted accounting principles ("GAAP"), the Exchange may require that the company provide a written opinion from its independent accountants that the accounting treatment complies with GAAP.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 821. Cash in Lieu of Fractional Shares

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Most companies prefer to pay cash in settlement of fraction share interests since this procedure is the least expensive and easiest method. The work and problems of member organizations are simplified when fractional share interests are paid in cash, since the use of order forms involves special handling. If cash is paid, the procedure is greatly simplified. For the foregoing reasons, the Exchange urges listed companies to follow the procedure of paying cash in lieu of fractional share interests.

The usual procedure of most companies is to compute the cash payment based on the last sale price of the stock on the record date, because: (a) the record date is the date on which the stockholder becomes "long" the stock dividend shares; and (b) by such date the stock will have been quoted "ex-dividend" (except in the case of large stock dividends of 25% or more), so that the market price of the stock will have been adjusted for the dividend. A company may prefer to compute the cash payment based on the last sale price of the stock on the dividend declaration date. Where this is done, the company should adjust the "dividend on" selling price of the stock on the declaration date to an "ex-dividend" basis. Otherwise, there will be an overpayment of the cash portion of the dividend. For example, if a company declares a 10% stock dividend and the last sale price on the declaration date is $11, the value of the dividend at that time computes to $1 per share, or an adjusted "ex-dividend" price for the stock of $10 (10/11ths of $11). On this basis, the fractional share interests should be paid for in cash at the rate of $10 per full share.

This adjustment is even more important in cases of large stock dividends (25% or more). In these instances, the Exchange may postpone the "ex-dividend" date until the dividend has been paid (see Rule 831). For example, in the case of a 50% stock dividend, the "theoretical ex-dividend" price would be equivalent to 2/3rds of the "dividend on" price of the stock. Thus, if the price of the stock at the close of business on the declaration or record date is $33 per share, the "theoretical ex-dividend" price would be adjusted to $22 per share. Accordingly, fractional share interests should be settled based upon a price of $22 per share.

Adopted.
June 17, 1994 (93-31).
Amendments.
January 16, 2004 (03-73).

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Nasdaq PHLX Rules, Regulation, Rule 822. Warrant Splits

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Whenever a company having warrants listed on the Exchange effects a split of 3-for-2 or greater in the underlying shares, the Exchange requires that a corresponding split be made in the warrants.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 823. Three Day Delivery Plan

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All transactions effected on the Exchange (unless otherwise specified) will be settled pursuant to the "three day delivery plan". Under the three day delivery plan, a "regular way" transaction is due for settlement by delivery of the securities against payment on the third business day after the transaction date. For example, a "regular way" transaction made on Monday is due for settlement on the Thursday of the same week; a transaction on Tuesday, is due for settlement on Friday of the same week, etc. (an intervening holiday postpones the settlement date by one business day).

Adopted.
June 17, 1994 (93-31).
Amendment.
March 16, 1995 (94-55).

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Nasdaq PHLX Rules, Regulation, Rule 824. Definition of “Ex-dividend” and “Ex-rights”

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The term "ex-dividend" means "without the dividend" and the term "ex-rights" means "without the rights". The effect of quoting a stock "ex-dividend" or "ex-rights" is that quotations for, and transactions in, the stock on and after the "ex-dividend" or "ex-rights" date reflect the fact that the buyer is not entitled to the dividend or rights.

Transactions in stocks are not ex-dividend or ex-rights until an announcement to that effect is made by the Exchange.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 825. Ex-dividend Procedure

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Transactions in stocks (except those made for "cash") are ex-dividend on the first business day preceding the record date. If the record date selected is not a business day, the stock will be quoted ex-dividend on the second preceding business day. "Cash" transactions are ex-dividend on the business day following the record date.

Adopted.
June 17, 1994 (93-31).
Amendments.
March 16, 1995 (94-55).
May 2, 2003 (03-24).
August 22, 2017 (17-71), operative September 5, 2017.

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Nasdaq PHLX Rules, Regulation, Rule 826. Ex-rights Procedure

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In the establishment and announcement of ex-rights dates, the Exchange proceeds as follows:

Subscription Price Established—Where the Subscription price and all other terms of the rights and subscription offering are established sufficiently in advance of the record date to determine the value of the rights (and the registration statement relating to the offering has been declared effective by the SEC sufficiently in advance of the record date), transactions in stocks to which the rights pertain are quoted ex-rights in a manner similar to that described in Rule 825 above.

Subscription Price Not Known—Where the subscription price and all other terms of the rights and subscription offering are not known sufficiently in advance of the record date to determine the value of the rights, the Exchange will rule the stock ex-rights on the day following the date the rights commence trading (which, in most instances, is a date subsequent to the record date for the subscription offering).

Under such circumstances, the Exchange requires that all deliveries of stock made after the record date in settlement of transactions made prior to the ex-rights date, and on a "rights on" basis carry "due bills" for the rights.

Adopted.
June 17, 1994 (93-31).
Amendment.
May 2, 2003 (03-24).

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Nasdaq PHLX Rules, Regulation, Rule 827. Return of Dividend

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Members and member organizations, receiving deliveries in advance of the record date against ex-dividend or ex-rights transactions, who are able to effect transfer of the purchased security by the record date, will be responsible to return the dividend or rights to the member or member organization from whom delivery was received.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 828. Optional Dividends

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When a dividend is payable at the option of the stockholder, in either cash or securities, the stock will be ex-dividend the value of the cash or securities, whichever is greater.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 829. Canadian Currency

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When a dividend is payable in Canadian currency, the stock will be "ex" the amount of the dividend in U.S. currency at the rate of exchange prevailing on the ex-dividend date. Orders will not be reduced to an ex-dividend basis by the amount of any tax on the dividend deductible at the source.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 830. American Depository Receipts

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In the case of American shares or American Depository Receipts for stocks of foreign (other than Canadian) corporations, the reduction of orders to an ex-dividend basis shall be for the net amount of the dividend in U.S. currency after giving effect to all deductions, including taxes, foreign exchange discount, and the expenses of the Depositary.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 831. Special Ex-dividend Rulings

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If, as required by Exchange Rules, the Exchange does not receive a notice of a dividend declaration sufficiently in advance of a record date to permit a stock to be quoted "ex-dividend" in the usual manner, the Exchange quotes the stock "ex-dividend" as soon as possible following receipt of notice of the dividend. The Exchange also rules that the "dividend on" purchaser (in transactions made during the interval between the date when the stock should have been quoted "ex" and the date when the stock is actually quoted "ex") is entitled to receive the dividend from the seller. The seller in such transactions is required to give to the purchaser a due bill, covering the amount of the dividend, to be redeemed subsequent to the payment date for the dividend.

Larger or Valuable Dividends, Dividends "Not in Kind", and Split-ups Effected as Stock Distributions—When large or valuable cash or stock dividends (usually 25% or more), or a dividend "not in kind", (i.e., a distribution of securities of another issuer), or a split-up is declared, it is the policy of the Exchange to postpone the "ex-dividend" or "ex-distribution" date until the dividend has been paid. The reason for this is so that the stock is not quoted at the substantially lower "ex-dividend" or "ex-distribution" price until the distribution is received by shareholders. If this were not the case, the collateral value of the stock would be reduced between the "ex" date and payment date, and the shareholder might be required to provide additional collateral.

In the case of dividends "not in kind" (regardless of its size in relation to the listed security), it will be necessary to postpone the "ex-dividend" date in the event a market does not exist in the security to be distributed at the time the listed issue would normally be quoted "ex-dividend".

In all of the above instances, the postponement of the "ex" date until after the payment date makes it possible for shareholders to sell all of their holdings at one time, on a "dividend on" basis (prior to the "ex" date). As a result of this ruling, purchasers of the stock prior to the "ex" date continue to pay a "dividend on" price, but will not receive the dividend payment from the company. Accordingly, the Exchange Rules that the "dividend on" purchaser is entitled to receive the dividend from the seller. The seller, in turn, is required to give the purchaser a due bill, covering the amount of the dividend, to be redeemed on the date fixed by the Exchange.

"Cash" Transactions—The Ex-Dividend Rule of the Exchange specifies that "cash" transactions (in which delivery of the security must be made on the date of the transaction) shall be "ex-dividend" on the business day following the record date.

Adopted.
June 17, 1994 (93-31).
Amendments.
May 2, 2003 (03-24).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 832. Price Adjustment of Open Orders on “Ex-date”

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When a security is quoted ex-dividend, ex-distribution, ex-rights or ex-interest, all open orders to buy and open stop orders to sell shall be reduced by the cash value of the payment or rights, except where the security is quoted "ex" a stock dividend or stock distribution.

When a security is quoted "ex" a stock dividend, or stock distribution all open orders including open orders to sell and open orders to buy, shall be reduced by the proportional value of the dividend.

With respect to options contracts, open orders for one or more option contracts dealt in on the Exchange held by members or member organizations prior to the effective date of an adjustment by The Options Clearing Corporation (“OCC”) to the terms of a class of options pursuant to the rules of OCC shall be adjusted on the "ex-date" by such amount as OCC shall specify, unless otherwise instructed by the customer.

Adopted.
June 17, 1994 (93-31).
Amendment.
March 18, 2015 (15-28), operative April 17, 2015.

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Nasdaq PHLX Rules, Regulation, Rule 833. Accounting

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Rule 203 of the rules of Conduct of the American Institute of Certified Public Accounts' Code of Professional Ethics states that a member shall not express an opinion that financial statements are presented in conformity with GAAP, if such statements contain any departure from an accounting principle, promulgated by the body designated by the Institute to establish such principles, which has a material effect on the financial statements taken as a whole.

The Institute has designated the Financial Accounting Standards Board as such body and has also resolved that FASB Statements of Financial Accounting Standards together with those Accounting Research Bulletins and Accounting Principles Board Opinions, which are not superseded by action of the FASB, constitute accounting principles as contemplated by Rule 203.

The Exchange expects listed companies and their auditors, whether or not members of the AICPA, to adhere to the Institute's requirements concerning departures from GAAP.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 834. Independent Accountants

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All financial statements contained in the annual report of a listed company to its shareholders are required to be audited by independent accountants qualified under the laws of a state or country; and shall be accompanied by a report of the independent accounts prepared in accordance with Regulation S-X (Rule 2.02), showing the scope of their audit and any qualifications.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 835. Change in Accountants

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A listed company is required to notify the Exchange promptly (prior to filing its 8-K) if it changes independent accountants and must state the reason for such change.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 836. Defaults

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A listed company must immediately notify the Exchange whenever there exists: (a) an event of default in any technical covenant of its outstanding loan agreements; (b) a default in interest or principal payments on outstanding indebtedness; (c) a default in cumulative dividend payments on an outstanding preferred stock issue; or (d) a failure to meet the sinking fund or redemption provisions of any outstanding debt or equity issues of the company.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 837. Annual Reports

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(a) A listed company is required to publish and furnish to its shareholders (or to holders of any other listed security when its common stock is not listed on a national securities exchange) an annual report containing audited financial statements of the company and its subsidiaries. Three copies of the report must be filed with the Exchange at the time it is distributed to shareholders. If the report is filed on the SEC's EDGAR system, such report will be deemed sent to the Exchange when accepted for filing on EDGAR.

(b) Annual reports must be submitted to shareholders and filed with the Exchange at least ten days in advance of the annual meeting of shareholders, and not later than four months after the close of the last preceding fiscal year of the company.

Adopted.
June 17, 1994 (93-31).
Amendment.
November 15, 2007 (07-60).

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Nasdaq PHLX Rules, Regulation, Rule 838. Request for Extension

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(a) If, due to circumstances beyond a company's control, it becomes impossible to furnish shareholders with the required annual report within four months after the end of the company's fiscal year, the company should request an extension of time in which to distribute its annual report, and set forth the basis for its request. The request should be in the form of a letter directed to the Exchange as soon as it has been determined that the annual report cannot be distributed on time and, in any event, at least two weeks before the four months have expired. (A similar request must also be made of the SEC on Form 12b-25 in connection with annual reports on Form 10-K).

(b) The Exchange may grant the request if: there is good cause for the delay, the company has a record of filing annual reports on time in the past, and the lack of information as to the financial condition of the company does not warrant a halt or suspension of trading:

(1) Good cause for delay in the publication of an annual report includes: catastrophes such as a fire, flood, war, destruction of a company's records or unavoidable regulatory delays such as a pending review by the SEC of financial statements in a preliminary prospectus or proxy statement.

(2) Failure to retain auditors in time, shortages of personnel, or other avoidable reasons, do not generally constitute good cause for a delay. In addition, failure to clear a proxy statement in time to mail it with the annual report is not considered a good cause for a delay beyond the four-month period for the mailing of the annual report.

(c) If the Exchange, for any reason, does not grant the request, the securities of the company are subject to possible halt or suspension from trading after the expiration of the four-month period.

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Nasdaq PHLX Rules, Regulation, Rule 839. Contents of Report

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The Annual Report of a listed company must contain the following financial statements:

(a) balance sheets;
(b) income statement; and
(c) statements of changes in financial position.

Such financial statements should be prepared in accordance with GAAP and Regulation S-X which requires balance sheets to be presented for each of the two most recent fiscal years and statements of income and changes in financial position to be presented for each of the three fiscal years preceding the date of the most recent balance sheet being filed.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 840. Options

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A listed company is required to disclose in its report to shareholders, for the year covered by the report: (a) the number of unoptioned shares available for granting under the plan at the beginning and end of the year; and (b) any changes in the exercise price of outstanding options as a result of cancellations, reissuance or otherwise. Price changes resulting from the normal operation of anti-dilution provisions of options need not be reported.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 841. President's Letter

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Most annual reports contain a letter to shareholders from the President or other officer of the company. The Exchange expects that such letter, as well as all other releases and statements by the company, will be factual and that judgment and restraint will be used in not publicizing information which may be construed as over-optimistic, slanted or promotional.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 842. Quarterly Reports

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(a) Under SEC rules, quarterly statements of operating results and financial position (generally on Form 10-Q) must be prepared pursuant to GAAP and in conformity with Regulation S-X.

(b) SEC rules require that quarterly statements be published within 45 days after the end of the company's first, second and third fiscal quarters. No statement is required for the fourth quarter, since that period is covered by the annual report.

(c) A company should immediately notify the Exchange whenever it files with the SEC a request for extension of the filing of its quarterly statements on SEC Form 12b-25.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule
843. Dissemination of Quarterly Reports

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Quarterly statements (unaudited) are not required to be sent to security holders by any company whose common stock is listed on a national securities exchange but shall be made available to security holders upon request. The Exchange recommends that companies send such statements to shareholders.

Companies whose common stock is not listed on a national securities exchange must send quarterly statements (unaudited) to holders of its securities which are listed on the Exchange.

Such information (whether or not furnished to security holders) must be disseminated in the form of a press release to one or more newspapers of general circulation regularly publishing financial news and to one or more of the national news-wire services. Three copies must also be sent to the Exchange.

Each issuer which is subject to SEC rule 13a-13 shall make available to shareholders copies of quarterly reports including statements of operating results either prior to or as soon as practicable following the company's filing its Form 10-Q with the SEC. If the form of such quarterly report differs from the Form 10-Q, both the quarterly report and the Form 10-Q shall be filed with the Exchange. The statement of operations contained in quarterly reports shall disclose, at a minimum, any substantial items of an unusual or non-recurrent nature and net income and the amount of estimated federal taxes.

Each issuer which is not subject to SEc rule 13a-13 and which is required to file with the SEC, or another federal or state regulatory authority, interim reports relating primarily to operations and financial position, shall make available to shareholders reports which reflect the information contained in those interim reports. Such reports shall be made available to shareholders either before or as soon as practicable following filing with the appropriate regulatory authority. If the form of the interim report made available to shareholders differs from that filed with the regulatory authority, both the report to shareholders and the report to the regulatory authority shall be filed with the Exchange.

Adopted.
June 17, 1994 (93-31).
Amendment.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 844. Filing Material Mailed to Shareholders

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A listed company is required to file with the Exchange three copies of all material mailed to shareholders (including mailings for annual and special shareholder's meetings) such as notices, proxy statements, forms of proxy and other soliciting materials. This material should be sent to the Exchange as soon as it is mailed to shareholders.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 845. Charter and By-Law Amendment

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A listed company is required to file with the Exchange a copy of any amendment to its charter or by-laws (or equivalent documents) as soon as it becomes effective. Such filing must include:

(a) in the case of a charter amendment-a certification by the Secretary of State (or similar authority) that the filing is a true and complete copy of the amendments; and

(b) in the case of a by-law amendment-a resolution of the board of directors (certified by an officer of the company) authorizing the by-law amendment.

Adopted.
June 17, 1994 (93-31).
Amendment.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule
846. Shareholder Eligibility and Notice of Meetings

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A listed company must immediately notify the Exchange when it establishes a date for the taking of a record of its shareholders. Such record date, which will determine shareholder eligibility to vote at a shareholder meeting, shall be at least ten days in advance of such meeting. Exchange Rules prohibit the closing of a listed company's transfer books, for any purpose.

In addition, a listed company is required to give written notice to shareholders in advance of all shareholders' meetings, and to provide for such notice in its by-laws.

The Exchange recommends that such notice and proxy soliciting material be received by stockholders as many days as possible (preferably at least 20 days) in advance of the meeting. A similar arrangement should be followed in delivering such proxy material to member organizations in order to allow such organizations ample time to mail the material to, and receive voting instructions from, beneficial owners.

In the case of a routine meeting, member organizations should be afforded ample opportunity in which to relay proxy materials and specific voting instructions between the company and the beneficial holders of record.

If a company plans to request brokers to forward proxy-soliciting material to customers, it should communicate with the brokers at least ten days in advance of the voting record date for the meeting in order to:

(a) inform them of the record and meeting dates;
(b) provide them with a return postcard on which they may indicate the number of sets of proxy material required for transmittal to customers; and
(c) agree to provide reimbursement to them for out-of-pocket expenses incurred in handling the material. The sets of proxy material distributed to member organizations should include the required number of proxies and annual reports to assure compliance with the Rules and Regulations of the Exchange and the rules and regulations of the SEC.

Adopted.
June 17, 1994 (93-31).
Amendment.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 847. Annual Meetings

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A listed company is required to hold a meeting of its stockholders annually, at which a quorum shall be in effect, as specified in the by-laws, to elect directors and to take action on other corporate matters in accordance with its charter, by-laws and applicable state or other laws. In no case shall a quorum be less than 33 1/3 percent of the outstanding shares of the common voting stock. In the event unusual circumstances affecting the company shall preclude the holding of its annual meeting within a reasonable period after the time specified in its charter, the Exchange must be informed in writing, stating the reasons for the delay. The letter should also articulate the good faith efforts being undertaken by the company in order to ensure that such annual meeting is held as soon as reasonably practicable in light of the circumstances causing the delay.

Adopted.
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Nasdaq PHLX Rules, Regulation, Rule 848. Meeting and Solicitation of Proxies Required

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A listed company is required, with respect to any matter requiring authorization by its stockholders, to hold a meeting of its stockholders in accordance with its charter, by-laws and applicable state or other laws and to solicit proxies (pursuant to a proxy statement conforming to the proxy rules of the SEC) for such meeting of stockholders; unless, upon prior Exchange review and approval, the Exchange permits the solicitation, from all stockholders of record, of written consents (conforming to the proxy rules of the SEC) in lieu of such meeting and proxy solicitation. An information statement under Regulation 14C of the SEC is not considered a proxy statement for purposes of this requirement. A copy of all proxy solicitations shall be provided to the Exchange.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 849. Audit Committee/Conflicts of Interest

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Introductory Note: The requirements set forth in this Rule 849 shall continue to apply pending implementation of Rule 867.

(a) A listed company shall establish and maintain an audit committee, a majority of the members of which shall be independent directors, as defined in Rule 851. The requirements set forth in this Rule 849(a) shall continue to apply pending the implementation of the new requirements set forth in 849(b)—(j) and Commentary Sections (1)—(4). Listed issuers must be in compliance with such new requirements, subject to any applicable exemptions set forth therein, by the following dates: (A) July 31, 2005 for foreign private issuers and small business issuers as defined in Commission Rule 12b-2 under the Securities Exchange Act of 1934 (the Act); and (B) for all other listed issuers, the earlier of the listed issuer's first annual shareholders meeting after January 15, 2004, or October 31, 2004.

(b) **Listing Standards Relating to Audit Committees.** Each issuer of securities listed on the Exchange must have, and certify that it has and will continue to have, an audit committee, as defined in Section 3(a)(58) of the Securities Exchange Act of 1934, of at least three members each of whom meet the following criteria.

(1) **Independence.**

(i) Each member of the audit committee must be a member of the board of directors of the listed issuer, and must otherwise be independent; provided that, where a listed issuer is one of two dual holding companies, those companies may designate one audit committee for both companies so long as each member of the audit committee is a member of the board of directors of at least one of such dual holding companies. The following restrictions apply to every audit committee member:

(A) Employees. A director who is an employee (including non-employee executive officers) of the company or any of its affiliates may not serve on the audit committee until three years following the termination of his or her employment. In the event the employment relationship is with a former parent or predecessor of the company, the director could serve on the audit committee after three years following the termination of the relationship between the company and the former parent or predecessor. "Affiliate" for purposes of this subsection (A) includes a subsidiary, sibling company, predecessor, parent company, or former parent company.

(B) Business Relationship. A director (a) who is a partner, controlling shareholder, or executive officer of an organization that has a business relationship with the company, or (b) who has a direct business relationship with the company (e.g., as a consultant), may serve on the audit committee only if the issuer's board of directors determines in its business judgment that the relationship does not interfere with the director's exercise of independent judgment. In making a determination regarding the independence of a director pursuant to this paragraph, the board of directors should consider, among other things, the materiality of the relationship to the issuer, to the director, and, if applicable, to the organization with which the director is affiliated.

"Business relationships" can include commercial, industrial, banking, consulting, legal, accounting and other relationships. A director can have this relationship directly with the company, or the director can be a partner, officer or employee of an organization that has such a relationship. The director, may serve on the audit

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committee without the above-referenced board of directors' determination after three years following the termination of, as applicable, either (a) the relationship between the organization with which the director is affiliated and the company, (b) the relationship between the director and his or her partnership status, shareholder interest or executive officer position, or (c) the direct business relationship between the director and the company.

(C) Cross Compensation Committee Link. A director who is employed as an executive of another corporation where any of the company's executives serves on that corporation's compensation committee may not serve on the audit committee.

(D) Immediate Family. A director who is an Immediate Family member of an individual who is an executive officer of the company or any of its affiliates cannot serve on the audit committee until three years following the termination of such employment relationship. "Immediate Family" includes a person's spouse, parents, children, siblings, mothers-in-law and fathers-in-law, sons and daughters-in-law, and anyone (other than employees) who shares such person's home.

(ii) Independence requirements for non-investment company issuers. In order to be considered to be independent for purposes of this paragraph (b)(1), a member of an audit committee of a listed issuer that is not an investment company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee:

(A) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, provided that compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the listed issuer (provided that such compensation is not contingent in any way on continued service); or

(B) Be an affiliated person of the issuer or any subsidiary thereof.

(iii) Independence requirements for investment company issuers. In order to be considered to be independent for purposes of this paragraph (b)(1), a member of an audit committee of a listed issuer that is an investment company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee:

(A) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, provided that compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the listed issuer (provided that such compensation is not contingent in any way on continued service); or

(B) Be an "interested person" of the issuer as defined in section 2(a)(19) of the Investment Company Act of 1940.

(iv) Exemptions from the independence requirements.

(A) For an issuer listing securities pursuant to a registration statement under section 12 of the Act, or for an issuer that has a registration statement under the Securities Act of 1933 covering an initial public offering of securities to be listed by the issuer, where in each case the listed issuer was not, immediately prior to the effective date of such registration statement, required to file reports with the Commission pursuant to section 13(a) or 15(d) of the Act; and

(1) A minority of the members of the listed issuer's audit committee may be exempt from the independence requirements of paragraph (b)(1)(ii) of this

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section for one year from the date of effectiveness of such registration statement.

(B) An audit committee member that sits on the board of directors of a listed issuer and an affiliate of the listed issuer is exempt from the requirements of paragraph (b)(1)(ii)(B) of this section if the member, except for being a director on each such board of directors, otherwise meets the independence requirements of paragraph (b)(1)(ii) of this section for each such entity, including the receipt of only ordinary-course compensation for serving as a member of the board of directors, audit committee or any other board committee of each such entity.

(C) An employee of a foreign private issuer who is not an executive officer of the foreign private issuer is exempt from the requirements of paragraph (b)(1)(ii) of this section if the employee is elected or named to the board of directors or audit committee of the foreign private issuer pursuant to the issuer's governing law or documents, an employee collective bargaining or similar agreement or other home country legal or listing requirements.

(D) An audit committee member of a foreign private issuer may be exempt from the requirements of paragraph (b)(1)(ii)(B) of this section if that member meets the following requirements:

(1) The member is an affiliate of the foreign private issuer or a representative of such an affiliate;

(2) The member has only observer status on, and is not a voting member or the chair of, the audit committee; and

(3) Neither the member nor the affiliate is an executive officer of the foreign private issuer.

(E) An audit committee member of a foreign private issuer may be exempt from the requirements of paragraph (b)(1)(ii)(B) of this section if that member meets the following requirements:

(1) The member is a representative or designee of a foreign government or foreign governmental entity that is an affiliate of the foreign private issuer; and

(2) The member is not an executive officer of the foreign private issuer.

(F) In addition to paragraphs (b)(1)(iv)(A) through (E) of this section, if the Commission exempts from the requirements of paragraphs (b)(1)(ii) or (b)(1)(iii) of Commission Rule 10A-3 under the Act a particular relationship with respect to audit committee members, as the Commission determines appropriate in light of the circumstances, such relationship shall also be exempt from the requirements of paragraphs (b)(1)(ii) or (b)(1)(iii) of this Rule 849.

(2) **Responsibilities relating to registered public accounting firms.** The audit committee of each listed issuer, in its capacity as a committee of the board of directors, must be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer, and each such registered public accounting firm must report directly to the audit committee.

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(3) **Complaints.** Each audit committee must establish procedures for:

(i) The receipt, retention, and treatment of complaints received by the listed issuer regarding accounting, internal accounting controls, or auditing matters; and

(ii) The confidential, anonymous submission by employees of the listed issuer of concerns regarding questionable accounting or auditing matters; and

(iii) If the company is an investment company, the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.

(4) **Authority to engage advisers.** Each audit committee must have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.

(5) **Funding.** Each listed issuer must provide for appropriate funding, as determined by the audit committee, in its capacity as a committee of the board of directors, for payment of:

(i) Compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer;

(ii) Compensation to any advisers employed by the audit committee under paragraph (b)(4) of this section; and

(iii) Ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.

(c) **General exemptions.**

(1) At any time when an issuer has a class of common equity or similar securities that is listed on a national securities exchange or national securities association subject to the requirements of listing standards which comply with the requirements of Commission Rule 10A-3 under the Act, the listing of other classes of securities on the Exchange is not subject to the requirements of this section.

(2) At any time when an issuer has a class of common equity securities (or similar securities) that is listed on a national securities exchange or national securities association subject to the requirements of listing standards which comply with the requirements of Commission Rule 10A-3 under the Act, the listing on the Exchange of classes of securities of a direct or indirect consolidated subsidiary or an at least 50% beneficially owned subsidiary of the issuer (except classes of equity securities, other than non-convertible, non-participating preferred securities, of such subsidiary) is not subject to the requirements of this section.

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(3) The listing of securities of a foreign private issuer is not subject to the requirements of paragraphs (b)(1) through (b)(5) of this section if the foreign private issuer meets the following requirements:

(i) The foreign private issuer has a board of auditors (or similar body), or has statutory auditors, established and selected pursuant to home country legal or listing provisions expressly requiring or permitting such a board or similar body;

(ii) The board or body, or statutory auditors is required under home country legal or listing requirements to be either:

(A) Separate from the board of directors; or

(B) Composed of one or more members of the board of directors and one or more members that are not also members of the board of directors;

(iii) The board or body, or statutory auditors, are not elected by management of such issuer and no executive officer of the foreign private issuer is a member of such board or body, or statutory auditors;

(iv) Home country legal or listing provisions set forth or provide for standards for the independence of such board or body, or statutory auditors, from the foreign private issuer or the management of such issuer;

(v) Such board or body, or statutory auditors, in accordance with any applicable home country legal or listing requirements or the issuer's governing documents, are responsible, to the extent permitted by law, for the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, to the extent permitted by law, the resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the issuer; and

(vi) The audit committee requirements of paragraphs (b)(3), (b)(4) and (b)(5) of this section apply to such board or body, or statutory auditors, to the extent permitted by law.

(4) The listing of a security futures product cleared by a clearing agency that is registered pursuant to Section 17A of the Act or that is exempt from the registration requirements of Section 17A pursuant to paragraph (b)(7)(A) of such section is not subject to the requirements of this section.

(5) The listing of a standardized option, as defined in Commission Rule 9b-1(a)(4) under the Act, issued by a clearing agency that is registered pursuant to Section 17A of the Act is not subject to the requirements of this section.

(6) The listing of securities of the following listed issuers are not subject to the requirements of this section:

(i) Asset-Backed Issuers (as defined in Commission Rules 13a-14(g) and 15d-14(g) under the Act);

(ii) Unit investment trusts (as defined in 15 U.S.C. 80a-4(2)); and

(iii) Foreign governments (as defined in Commission Rule 3b-4(a) under the Act).

(7) The listing of securities of a listed issuer is not subject to the requirements of this section if:

(i) The listed issuer, as reflected in the applicable listing application, is organized as a trust or other unincorporated association that does not have a board of directors or persons acting in a similar capacity; and

(ii) The activities of the listed issuer that is described in paragraph (c)(7)(i) of this section are limited to passively owning or holding (as well as administering and distributing amounts in respect of) securities, rights, collateral or other assets on behalf of or for the benefit of the holders of the listed securities.

(d) **[Reserved].**

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(e) **Definitions.** Unless the context otherwise requires, all terms used in this section have the same meaning as in the Act. In addition, unless the context otherwise requires, the following definitions apply for purposes of this section:

(1) (i) The term affiliate of, or a person affiliated with, a specified person, means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(ii)(A) A person will be deemed not to be in control of a specified person for purposes of this section if the person:

(1) Is not the beneficial owner, directly or indirectly, of more than 10% of any class of voting equity securities of the specified person; and
(2) Is not an executive officer of the specified person.

(B) Paragraph (e)(1)(ii)(A) of this section only creates a safe harbor position that a person does not control a specified person. The existence of the safe harbor does not create a presumption in any way that a person exceeding the ownership requirement in paragraph (e)(1)(ii)(A)(1) of this section controls or is otherwise an affiliate of a specified person.

(iii) The following will be deemed to be affiliates:

(A) An executive officer of an affiliate;
(B) A director who also is an employee of an affiliate;
(C) A general partner of an affiliate; and
(D) A managing member of an affiliate.

(iv) For purposes of paragraph (e)(1)(i) of this section, dual holding companies will not be deemed to be affiliates of or persons affiliated with each other by virtue of their dual holding company arrangements with each other, including where directors of one dual holding company are also directors of the other dual holding company, or where directors of one or both dual holding companies are also directors of the businesses jointly controlled, directly or indirectly, by the dual holding companies (and, in each case, receive only ordinary-course compensation for serving as a member of the board of directors, audit committee or any other board committee of the dual holding companies or any entity that is jointly controlled, directly or indirectly, by the dual holding companies).

(2) In the case of foreign private issuers with a two-tier board system, the term board of directors means the supervisory or non-management board.

(3) In the case of a listed issuer that is a limited partnership or limited liability company where such entity does not have a board of directors or equivalent body, the term board of directors means the board of directors of the managing general partner, managing member or equivalent body.

(4) The term control (including the terms controlling, controlled by and under common control with) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

(5) The term dual holding companies means two foreign private issuers that:

(i) Are organized in different national jurisdictions;
(ii) Collectively own and supervise the management of one or more businesses which are conducted as a single economic enterprise; and
(iii) Do not conduct any business other than collectively owning and supervising such businesses and activities reasonably incidental thereto.

(6) The term executive officer has the meaning set forth in Commission Rule 3b-7.

(7) The term foreign private issuer has the meaning set forth in Commission Rule 3b-4(c).

(8) The term indirect acceptance by a member of an audit committee of any consulting, advisory or other compensatory fee includes acceptance of such a fee by a spouse, a minor child or stepchild or a child or stepchild sharing a home with the member or by an entity in which such member is a partner,

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member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary of the issuer.

(9) The terms listed and listing refer to securities listed on a national securities exchange or listed in an automated inter-dealer quotation system of a national securities association or to issuers of such securities.

(f) **Opportunity to cure defects.** A listed issuer shall have the opportunity provided for in Rule 811 to cure any defects that would be the basis for delisting under paragraph (a) of this section, before the imposition of such delisting. Additionally, if a member of an audit committee ceases to be independent in accordance with the requirements of this section for reasons outside the member's reasonable control, that person, with notice by the issuer to the Exchange, may remain an audit committee member of the listed issuer until the earlier of the next annual shareholders meeting of the listed issuer or one year from the occurrence of the event that caused the member to be no longer independent.

(g) **Notification of noncompliance.** Listed issuers must notify the Exchange promptly after an executive officer of the listed issuer becomes aware of any material noncompliance by the listed issuer with the requirements of this section.

(h) Audit committee charter. The board of directors must adopt and approve a formal written charter for the audit committee. The audit committee must review and reassess the adequacy of the formal written charter on an annual basis. The charter must specify the following:

(i) The scope of the audit committee's responsibilities and how it carries out those responsibilities, including structure, processes, and membership requirements;

(ii) That the outside auditor is ultimately accountable to the board of directors and the audit committee of the company, that the audit committee and board of directors have the ultimate authority and responsibility to select, evaluate, and, where appropriate, replace the outside auditor (or to nominate the outside auditor to be proposed for shareholder approval in any proxy statement), and that the audit committee is vested with all responsibilities and authority required by Rule 10A-3 under the Securities Exchange Act of 1934; and

(iii) That the audit committee is responsible for ensuring that the outside auditor submits on a periodic basis to the audit committee a formal written statement delineating all relationships between the auditor and the company and that the audit committee is responsible for actively engaging in a dialogue with the outside auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the outside auditor and for recommending that the board of directors take appropriate action in response to the outside auditors' report to satisfy itself of the outside auditors' independence.

(i) **Expertise Requirement of audit committee members.**

(i) Each member of the audit committee must be financially literate, as such qualification is interpreted by the company's board of directors in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the audit committee; and

(ii) At least one member of the audit committee must have accounting or related financial management expertise, as the board of directors interprets such qualification in its business judgment.

(j) **Written Affirmation.** As part of the initial listing process, and with respect to any subsequent changes to the composition of the audit committee, and otherwise approximately once each year, each company should provide the Exchange written confirmation regarding:

(i) any determination that the company's board of directors has made regarding the independence of directors pursuant to any of the subparagraphs above;

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(ii) the financial literacy of the audit committee member;
(iii) the determination that at least one of the audit committee members has accounting or related financial management expertise; and
(iv) the annual review and reassessment of the adequacy of the audit committee charter.

(k) **Related Party Transactions.** Each issuer shall conduct an appropriate review of all related party transactions on an ongoing basis and all such transactions must be approved by the company's audit committee or another independent body of the board of directors. For purposes of this Rule, the term "related party transaction" shall refer to transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404.

Commentary:

1. The requirements in paragraphs (b)(2) through (b)(5), (c)(3)(v) and (c)(3)(vi) of this section do not conflict with, and do not affect the application of, any requirement or ability under a listed issuer's governing law or documents or other home country legal or listing provisions that requires or permits shareholders to ultimately vote on, approve or ratify such requirements. The requirements instead relate to the assignment of responsibility as between the audit committee and management. In such an instance, however, if the listed issuer provides a recommendation or nomination regarding such responsibilities to shareholders, the audit committee of the listed issuer, or body performing similar functions, must be responsible for making the recommendation or nomination.

2. The requirements in paragraphs (b)(2) through (b)(5), (c)(3)(v), (c)(3)(vi) and Commentary 1 of this section do not conflict with any legal or listing requirement in a listed issuer's home jurisdiction that prohibits the full board of directors from delegating such responsibilities to the listed issuer's audit committee or limits the degree of such delegation. In that case, the audit committee, or body performing similar functions, must be granted such responsibilities, which can include advisory powers, with respect to such matters to the extent permitted by law, including submitting nominations or recommendations to the full board.

3. The requirements in paragraphs (b)(2) through (b)(5), (c)(3)(v) and (c)(3)(vi) of this section do not conflict with any legal or listing requirement in a listed issuer's home jurisdiction that vests such responsibilities with a government entity or tribunal. In that case, the audit committee, or body performing similar functions, must be granted such responsibilities, which can include advisory powers, with respect to such matters to the extent permitted by law.

4. For purposes of this section, the determination of a person's beneficial ownership must be made in accordance with Rule 13d-3 under the Act.

Adopted.
June 17, 1994 (93-31).
Amendments.
November 25, 2003 (03-51).
June 17, 2004 (04-33).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 850. Shareholder Approval Policy

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Each issuer shall require shareholder approval prior to the issuance of designated securities under subparagraph (a), (b), or (c) below:

(a) when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended pursuant to which options or stock may be acquired by officers, directors, employees, or consultants, except for:

(i) warrants or rights issued generally to all security holders of the company or stock purchase plans available on equal terms to all security holders of the company (such as a dividend reinvestment plan); or

(ii) tax qualified, non-discriminatory employee benefit plans (e.g., plans that meet the requirements of Section 401(a) or 423 of the Internal Revenue Code) or parallel nonqualified plans, provided such plans are approved by the issuer's independent compensation committee or a majority of the issuer's independent directors; or plans that merely provide a convenient way to purchase shares on the open market or from the issuer at fair market value; or

(iii) plans or arrangements relating to an acquisition or merger as permitted under the Commentary to this Rule; or

(iv) issuances to a person not previously an employee or director of the company, or following a bonafide period of non-employment, as an inducement material to the individual's entering into employment with the company, provided such issuances are approved by either the issuer's independent compensation committee or a majority of the issuer's independent directors. Promptly following an issuance of any employment inducement grant in reliance on this exception, a company must disclose in a press release the material terms of the grant, including the recipient(s) of the grant and the number of the shares involved.

Issuers shall notify the Exchange no later than 15 calendar days prior to establishing or materially amending a stock option plan, purchase plan or other equity compensation arrangement pursuant to which stock may be acquired by officers, directors, employees, or consultants without shareholder approval.

(b) Actions resulting in a change in control of the issuer.

(c) The acquisition, direct or indirect, of a business, a company, tangible or intangible assets or property or securities representing any such interests:

(i) From a director, officer or substantial security holder of the company (including its subsidiaries and affiliates) or from any company or party in which one of such persons has a direct or indirect interest; or

(ii) Where the present or potential issuance of common stock or securities convertible into common stock could result in an increase in outstanding common shares of 20% or more.

•••Commentary:

Employee ownership of company stock can be an effective tool to align employee interests with those of other shareholders. Stock option plans or other equity compensation arrangements can also assist in the recruitment and retention of employees, which is especially critical to young, growing companies, or companies with insufficient cash resources to attract and retain highly qualified employees. However, these plans can potentially dilute shareholder interests. As such, Rule 850(a) ensures that shareholders have a voice in these situations, given this potential for dilution.

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Rule 850(a) requires shareholder approval when a plan or other equity compensation arrangement is established or materially amended. For these purposes, a material amendment would include, but not be limited to, the following:

(1) any material increase in the number of shares to be issued under the plan (other than to reflect a reorganization, stock split, merger, spinoff or similar transaction);
(2) any material increase in benefits to participants, including any material change to: (i) permit a repricing (or decrease in exercise price) of outstanding options, (ii) reduce the price at which shares or options to purchase shares may be offered, or (iii) extend the duration of a plan;
(3) any material expansion of the class of participants eligible to participate in the plan; and
(4) any expansion in the types of options or awards provided under the plan.

While general authority to amend a plan would not obviate the need for shareholder approval, if a plan permits a specific action without further shareholder approval, then no such approval would generally be required. However, if a plan contains a formula for automatic increases in the shares available (sometimes called an "evergreen formula"), or for automatic grants pursuant to a dollar-based formula (such as, annual grants based on a certain dollar value, or matching contributions based upon the amount of compensation the participant elects to defer), such plans cannot have a term in excess of ten years unless shareholder approval is obtained every ten years. However, plans that do not contain a formula and do not impose a limit on the number of shares available for grant would require shareholder approval of each grant under the plan. A requirement that grants be made out of treasury shares or repurchased shares will not alleviate these additional shareholder approval requirements.

As a general matter, when preparing plans and presenting them for shareholder approval, issuers should strive to make plan terms easy to understand. In that regard, it is recommended that plans meant to permit repricing use explicit terminology to make this clear.

Rule 850(a) provides an exception to the requirement for shareholder approval for warrants or rights offered generally to all shareholders. In addition, an exception is provided for tax qualified, non-discriminatory employee benefit plans as well as parallel nonqualified plans as these plans are regulated under the Internal Revenue Code and Treasury Department regulations. An equity compensation plan that provides non-U.S. employees with substantially the same benefits as a comparable tax qualified, non-discriminatory employee benefit plan that the issuer provides to its U.S. employees, but for features necessary to comply with applicable foreign tax law, are also exempt from shareholder approval under this section.

Further, there is an exception for inducement grants to new employees because in these cases a company has an arm's length relationship with the new employees. Inducement grants for these purposes include grants of options or stock to new employees in connection with a merger or acquisition. The Rule requires that such issuances must be approved by the issuer's independent compensation committee or a majority of the issuer's independent directors. The Rule further requires that promptly following an issuance of any employment inducement grant in reliance on this exception, a company must disclose in a press release the material terms of the grant, including the recipient(s) of the grant and the number of shares involved.

In addition, plans or arrangements involving a merger or acquisition do not require shareholder approval in two situations. First, shareholder approval will not be required to convert, replace or adjust outstanding options or other equity compensation awards to reflect the transaction. Second, shares available under certain plans acquired in acquisitions and mergers may be used for certain post-transaction grants without further shareholder approval. This exception applies to situations where the party which is not a listed company following the transaction has shares available for grant under pre-existing plans that were previously approved by shareholders and meet the requirements of this Rule 850(a). These shares may be used for post-transaction

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grants of options and other equity awards by the listed company (after appropriate adjustment of the number of shares to reflect the transaction), either under the pre-existing plan or arrangement or another plan or arrangement, without further shareholder approval, provided: (1) the time during which those shares are available for grants is not extended beyond the period when they would have been available under the pre-existing plan, absent the transaction, and (2) such options and other awards are not granted to individuals who were employed by the granting company or its subsidiaries at the time the merger or acquisition was consummated. The Exchange would view a plan or arrangement adopted in contemplation of the merger or acquisition transaction as not pre-existing for purposes of this exception. This exception is appropriate because it will not result in any increase in the aggregate potential dilution of the combined enterprise. In this regard, any additional shares available for issuance under a plan or arrangement acquired in a connection with a merger or acquisition would be counted by the Exchange in determining whether the transaction involved the issuance of 20% or more of the company's outstanding common stock, thus triggering the shareholder approval requirements under Rule 850(c).

Inducement grants, tax qualified non-discriminatory benefit plans, and parallel nonqualified plans are subject to approval by either the issuer's independent compensation committee, or a majority of the issuer's independent directors. It should also be noted that a company would not be permitted to use repurchased shares to fund option plans or grants without prior shareholder approval.

For purposes of Rule 850(a), including this Commentary, the term "parallel nonqualified plan" means a plan that is a "pension plan" within the meaning of the Employee Retirement Income Security Act ("ERISA"), 29 U.S.C. § 1002 (1999), that is designed to work in parallel with a plan intended to be qualified under Internal Revenue Code Section 401(a), to provide benefits that exceed the limits set forth in Internal Revenue Code Section 402(g) (the section that limits an employee's annual pre-tax contributions to a 401(k) plan), Internal Revenue Code Section 401(a)(17) (the section that limits the amount of an employee's compensation that can be taken into account for plan purposes) and/or Internal Revenue Code Section 415 (the section that limits the contributions and benefits under qualified plans) and/or any successor or similar limitations that may thereafter be enacted. However, a plan will not be considered a parallel nonqualified plan unless: (i) it covers all or substantially all employees of an employer who are participants in the related qualified plan whose annual compensation is in excess of the limit of Code Section 401(a)(17) (or any successor or similar limitation that may hereafter be enacted); (ii) its terms are substantially the same as the qualified plan that it parallels except for the elimination of the limitations described in the preceding sentence; and, (iii) no participant receives employer equity contributions under the plan in excess of 25% of the participant's cash compensation.

Rule 850(a) and this Commentary will become effective upon Securities and Exchange Commission approval; however, existing plans will be grandfathered. Any material modification to plans in place or adopted after the effective date will require shareholder approval.

The Exchange will preclude its member organizations from giving a proxy to vote on equity-compensation plans unless the beneficial owner of the shares has given voting instructions. This is codified in Exchange Rule 862. Amended Rule 862 will be effective for any meeting of shareholders that occurs on or after the 90th day following the effective date of the Securities and Exchange Commission order approving the rule change.

Adopted.
June 17, 1994 (93-31).
Amendments.
August 31, 2003 (03-67).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 851. Independent Directors

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Each issuer listed pursuant to Rules 803, 804 or 805 shall maintain a minimum of two independent directors on its board of directors. For purposes of this section, "independent director" shall mean a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship which, in the opinion of the board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Adopted.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 852. Limited Partnerships

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No security issued in a limited partnership rollup transaction (as defined by Section 14(h) of the Exchange Act), shall be eligible for listing unless (a) the rollup transaction was conducted in accordance with procedures designed to protect the rights of limited partners as provided in Section 6(b)(9) of the Exchange Act, as it may from time to time be amended and (b) a broker-dealer which is a member of a national securities association subject to Section 15A(b)(12) of the Exchange Act participates in the rollup transaction. The issuer shall further provide the exchange with an opinion of counsel stating that such broker-dealers' participation in the rollup transaction was conducted in compliance with the rules of a national securities association designed to protect the rights of limited partners, as specified in the Limited Partnership Rollup Reform Act of 1993.

In addition to any other applicable requirements, each limited partnership listed on the Exchange shall have a corporate general partner or co-general partner which must satisfy the audit committee and independent director requirements of Rules 849 and 851.

Commentary:

.01 The only currently existing national securities association subject to Section 15A(b)(12) of the Exchange Act is FINRA. On the date of adoption of this Commentary, its rules designed to protect the rights of limited partners, pursuant to the Limited Partnership Rollup Reform Act of 1993, are specified in Article III, Section 34 of the Rules of Fair Practice of FINRA.

Adopted.
December 16, 1994 (94-68).
Amendment.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 853. Depository Eligibility

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(a) Before any issue of securities of a domestic issuer (not including American Depository Receipts for securities of a foreign issuer) is listed on the Exchange on or after the effective date of the Rule, the Exchange must have received a representation from the issuer that a CUSIP number identifying the securities has been included in the file of eligible issues maintained by a securities depository registered as a Clearing Agency under Section 17A of the Securities Exchange Act of 1934 ("securities depository" or "securities depositories"), except that this paragraph shall not apply to a security if the terms of the security do not and cannot be reasonably modified to meet the criteria for depository eligibility at all securities depositories.

(b) A security depository's inclusion of the CUSIP number identifying a security in its file of eligible issues does not render a security "depository eligible" within the meaning of Rule 279 until:

(1) In the case of any new issue distributed by an underwriting syndicate on or after the date a securities depository system for monitoring repurchases of distributed shares by the underwriting syndicate is available, the commencement of trading in such security on the Exchange; or

(2) In the case of any new issue distributed by an underwriting syndicate prior to the date a securities depository system for monitoring repurchases of distributed shares by the underwriting syndicate available where the managing underwriter elects not to deposit the securities on the distribution date, such date as is the subject of a notification submitted by the managing underwriter to the securities depository but in no event more than three months after the commencement of trading in such security on the Exchange.

Adopted.
June 1, 1995 (95-34).
Amendment.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 860. Restriction

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No member organization shall give a proxy to vote stock registered in its name, except as required or permitted under the provisions of Rule 862, unless the firm is the beneficial owner of such stock.

Amendment.
June 17, 1994 (93-31).
Renumbered.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 861. Voting Instructions

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Whenever a person soliciting proxies shall furnish a member organization:

(1) copies of all soliciting material which such person is sending to registered holders, and

(2) satisfactory assurance that he will reimburse such member organization for all out-of-pocket expenses, including reasonable clerical expenses, if any, incurred by such member organization, in obtaining instructions from the beneficial owners of stock.

Such organization shall transmit to each beneficial owner of stock the material furnished together with a request for voting instructions and also a statement to the effect that, if such instructions are not received by the tenth day before the meeting the proxy may be given at discretion by the owner of record of the stock. However, when the proxy soliciting material is transmitted to the beneficial owner of the stock twenty-five days or more before the meeting, the statement accompanying such material shall be to the effect that the proxy may be given fifteen days before the meeting at the discretion of the owner of record of the stock. This Rule shall not apply to beneficial owners outside the United States.

Amendments.
April 4, 1945.
June 17, 1994 (93-31).
Renumbered.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 862. Proxies at Direction of Owner

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A member organization shall give a proxy for stock registered in its name, at the direction of the beneficial owner. If the stock is not in the control or possession of the member organization, satisfactory proof of the beneficial ownership as of the record date may be required.

Member organization holdings as executor, etc.

A member organization may give a proxy to vote any stock registered in its name if the member organization holds such stock as executor, administrator, guardian, trustee, or in a similar representative or fiduciary capacity with authority to vote.

A member organization which has in its possession or control stock registered in the name of another member organization shall

(1) forward to such other member organization any voting instructions received from the beneficial owner, or

(2) if the proxy-soliciting material has been transmitted to the beneficial owner of the stock in accordance with Rule 861 and no instructions have been received by the date specified in the statement accompanying such material, notify such other member organization of such fact in order that such organization may give the proxy as provided below.

(a) When a member organization may vote without customer instructions—A member organization may give a proxy to vote stock provided that:

(1) it has transmitted proxy-soliciting material to the beneficial owner of stock
(2) it has not received voting instructions from the beneficial owner by the date specified in the statement accompanying such material; and
(3) provided such action is adequately disclosed to stockholders and does not include authorization for a merger, consolidation or any matter which may substantially affect the rights or privileges of such stock.

(b) When a member organization may not vote without customer instructions—A member organization may not give or authorize a proxy to vote without instructions from beneficial owners when the matter to be voted upon:

(1) is submitted to stockholders by means of a proxy statement comparable to that specified in Schedule 14-A of the SEC;
(2) is the subject of a counter-solicitation, or is part of a proposal made by a stockholder which is being opposed by management;
(3) relates to a merger or consolidation (except when the company's proposal is to merge with its own wholly owned subsidiary, provided shareholders dissenting thereto do not have rights of appraisal and there is no change in the state of incorporation);
(4) involves right of appraisal;
(5) authorizes mortgaging of property;
(6) authorizes or creates indebtedness or increases the authorized amount of indebtedness;
(7) authorizes or creates a preferred stock or increases the authorized amount of an existing preferred stock;
(8) alters the terms or conditions of existing stock or indebtedness;
(9) involves a waiver or modification of preemptive rights;
(10) changes existing quorum requirements with respect to stockholder meetings;
(11) alters voting provisions or the proportionate voting power of a stock, or the number of its votes per share (except where cumulative voting provisions govern the number of votes per

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share for election of directors and the company proposal involves a change in the number of its directors by not more than 10% or not more than one);

(12) authorizes the implementation of any equity compensation plan, or any material revision to the terms of any existing equity compensation plan (whether or not shareholder approval of such plan is required by Rule 850);

***Commentary**:

.01 A member organization may not give or authorize a proxy to vote without instructions on a matter relating to executive compensation, even if such matter would otherwise qualify for an exception from the requirements of Item 12, Item 13 or any other Item under this Rule 862. See Item 21.

(13) authorizes:

(i) a new profit-sharing or special remuneration plan, or a new retirement plan, the annual cost of which will amount to more than 10% of average annual income before taxes for the preceding five years, or

(ii) the amendment of an existing plan which would bring its costs above 10% of such average annual income before taxes.

Exception may be made in cases of:

(i) retirement plans based on agreement or negotiations with labor unions (or which have been or are to be approved by such unions) and

(ii) any related retirement plan for benefit of non-union employees having terms substantially equivalent to the terms of such union-negotiated plan which is submitted for action of stockholders concurrently with such union-negotiated plan;

***Commentary**:

.02 A member organization may not give or authorize a proxy to vote without instructions on a matter relating to executive compensation, even if such matter would otherwise qualify for an exception from the requirements of Item 12, Item 13 or any other Item under this Rule 862. See Item 21.

(14) changes the purposes or powers of a company to an extent which would permit it to change to a materially different line of business and it is the company's stated intention to make such a change;

(15) authorizes the acquisition of property, assets or a company, where the consideration to be given has a fair value approximating 20% or more of the market value of the previously outstanding shares;

(16) authorizes the sale or other disposition of assets or earning power approximating 20% or more of those existing prior to the transaction;

(17) authorizes a transaction not in the ordinary course of business in which an officer, director or substantial security holder has a direct or indirect interest;

(18) reduces earned surplus by 51% or more, or reduces earned surplus to an amount less than the aggregate of three years' common stock dividends computed at the current dividend rate.

(19) is the election of directors, provided, however, that this prohibition shall not apply in the case of a company registered under the Investment Company Act of 1940;

(20) materially amends an investment advisory contract with an investment company. A material amendment to an investment advisory contract would include any proposal to obtain shareholder approval of an investment company's investment advisory contract with a new

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investment adviser, which approval is required by the Investment Company Act of 1940, as amended (the "1940 Act"), and the rules thereunder. Such approval will be deemed to be a "matter which may affect substantially the rights or privileges of such stock" for purposes of this Rule so that a member organization may not give or authorize a proxy to vote shares registered in its name absent instruction from the beneficial holder of the shares. As a result, for example, a member organization may not give or authorize a proxy to vote shares registered in its name, absent instruction from the beneficial holder of the shares, on any proposal to obtain shareholder approval required by the 1940 Act of an investment advisory contract between an investment company and a new investment adviser due to an assignment of the investment company's investment advisory contract, including an assignment caused by a change in control of the investment adviser that is party to the assigned contract; or

(21) is in connection with a vote on executive compensation matters, or any other significant matter, as determined by the Commission by rule.

***•••Commentary*:**

.03 A matter relating to executive compensation would include, among other things, the items referred to in Section 14A of the Exchange Act (added by Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act), including (i) an advisory vote to approve the compensation of executives, (ii) a vote on whether to hold such an advisory vote every one, two or three years, and (iii) an advisory vote to approve any type of compensation (whether present, deferred, or contingent) that is based on or otherwise relates to an acquisition, merger, consolidation, sale, or other disposition of all or substantially all of the assets of an issuer and the aggregate total of all such compensation that may (and the conditions upon which it may) be paid or become payable to or on behalf of an executive officer. In addition, a member organization may not give or authorize a proxy to vote without instructions on a matter relating to executive compensation, even if such matter would otherwise qualify for an exception from the requirements of Item 12, Item 13 or any other Item under this Rule 862. Any vote on these or similar executive compensation-related matters is subject to the requirements of Rule 862.

(c) Discretionary and non-discretionary proposals in one proxy form—A proxy form may contain proposals, some of which may be acted upon at the discretion of the member organization in the absence of instruction, and others which may be voted only in accordance with the directions of the beneficial owner. This should be indicated in the letter of transmittal. In such cases, the member organization may vote the proxy in the absence of instructions if it physically crosses out those portions where it does not have discretion.

(d) Cancellation of discretionary proxy where counter-solicitation develops—Where a discretionary proxy has been given in good faith under the rules and counter-solicitation develops at a later date, thereby creating a "contest", the question as to whether or not the discretionary proxy should then be canceled is a matter which each member organization must decide for itself. After a contest has developed, no further proxies should be given except at the direction of beneficial owners.

(e) Subsequent proxy—Where a member organization gives a subsequent proxy, it should clearly indicate whether the proxy is in addition to, in substitution for, or in revocation of, any prior proxy.

(f) Signing and dating proxy—All proxies should be dated and should show the number of shares voted. Since manual signatures are sometimes illegible, a member organization should also either type or rubber-stamp its name on such proxy.

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(g) Proxy records—Records covering the solicitation of proxies shall show the following:

(1) the date of receipt of the proxy material from the issuer or other person soliciting the proxies;
(2) names of customers to whom the material is sent together with date of mailing;
(3) all voting instructions showing whether verbal or written; and
(4) a summary of all proxies voted by the member organization clearly setting forth total shares voted for or against, or not voted, for each proposal to be acted upon at the meeting.

Verbal voting instructions may be accepted provided a record is kept of the instructions of the beneficial owner and the instructions are retained by the member organization. The record shall also indicate the date of the receipt of the instructions and the name of the recipient.

(h) Retention of records—All proxy solicitation records, originals of all communications received and copies of all communications sent relating to such solicitation, shall be retained for a period of not less than three years, the first two years in an easily accessible place.

Amendments.
April 4, 1945.
June 17, 1994 (93-31).
August 31, 2003 (03-67).
August 18, 2010 (10-115).
March 16, 2011 (11-03).
Renumbered.
June 17, 1994 (93-31).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 863. Proxy to Show Number of Shares

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In all cases in which a proxy is given by a member organization the proxy shall state the actual number of shares of stock for which the proxy is given.

Amendment.
June 17, 1994 (93-31).
Renumbered.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 864. Transfer to Facilitate Solicitation

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A member organization, when so requested by the Exchange shall transfer certificates of a listed stock held either for its own account or for the account of others, if registered in the name of a previous holder of record, into its own name, prior to the taking of a record of stockholders, to facilitate the convenient solicitation of proxies.

The Exchange will make such request at the instance of the issuer or of persons owning in the aggregate at least ten per cent of such stock, provided, if the Exchange so requires, the issuer or persons making such request agree to indemnify member organizations against transfer taxes, and the Exchange may make such a request whenever it deems it advisable.

Amendments.
April 4, 1945.
June 17, 1994 (93-31).
September 28, 2006 (06-43).
Renumbered.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 865. Rule Applicable to Individual Members and Nominees

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The provisions of Rules 860 to 864, inclusive, shall apply also to any nominees of member organizations. They shall apply also to voting in person.

Amendment.
June 17, 1994 (93-31).
Renumbered.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule
866. Transmission of Interim Reports and Other Material

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A member organization, when so requested by a company, and upon being furnished with:

(1) copies of interim reports of earnings or other material being sent to stockholders, and
(2) satisfactory assurance that it will be reimbursed by such company for all out-of-pocket expenses, including reasonable clerical expenses, shall transmit such reports or material to each beneficial owner of stock of such company held by such member organization and registered in a name other than the name of the beneficial owner.

This Rule shall not apply to beneficial owners outside the United States.

Adopted.
November 20, 1957.
Amendments.
June 17, 1994 (93-31).
April 25, 2011 (11-13).
Renumbered.
June 17, 1994 (93-31).

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Nasdaq PHLX Rules, Regulation, Rule 867. Corporate Governance

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General Application

Companies listed on the Exchange must comply with certain standards regarding corporate governance as codified in this Rule 867. Certain provisions of Rule 867 are applicable to some listed companies but not to others.

Equity Listings

Section 867 applies in full to all companies listing common equity securities, with the following exceptions:

Controlled Companies

A company of which more than 50% of the voting power is held by an individual, a group or another company need not comply with the requirements of Rules 867.01, .04 or .05. A controlled company that chooses to take advantage of any or all of these exemptions must disclose that choice, that it is a controlled company and the basis for the determination in its annual proxy statement or, if the company does not file an annual proxy statement, in the company's annual report on Form 10-K filed with the SEC. Controlled companies must comply with the remaining provisions of Rule 867.

Limited Partnerships and Companies in Bankruptcy

Due to their unique attributes, limited partnerships and companies in bankruptcy proceedings need not comply with the requirements of Rules 867.01, .04 or .05. However, all limited partnerships (at the general partner level) and companies in bankruptcy proceedings must comply with the remaining provisions of Rule 867.

Closed-End Funds and Open-End Funds

The Exchange considers many of the significantly expanded standards and requirements provided for in Rule 867 to be unnecessary for closed-end and open-end management investment companies that are registered under the Investment Company Act of 1940, given the pervasive federal regulation applicable to them. However, registered closed-end funds must comply with the requirements of Rules 867.06, .07(a) and (c), .12 and .15. Note, however, that in view of the common practice to utilize the same directors for boards in the same fund complex, closed-end funds will not be required to comply with the disclosure requirement in the second paragraph of the Commentary to Rule 867.07(a), which calls for disclosure of a board's determination with respect to simultaneous service on more than three public company audit committees. However, the other provisions of that paragraph will apply.

Business development companies, which are a type of closed-end management investment company defined in Section 2(a)(48) of the Investment Company Act of 1940 that are not registered under that Act, are required to comply with all of the provisions of Rule 867 applicable to domestic issuers other than Rule 867.02 and .07(b). For purposes of Rules 867.01, .03, .04, .05 and .09, a director of a business development company shall be considered to be independent if he or she is not an "interested person" of the company, as defined in Section 2(a)(19) of the Investment Company Act of 1940.

As required by Rule 10A-3 under the Exchange Act, open-end funds (which can be listed as Index Fund Shares) are required to comply with the requirements of Rules 867.06 and .12(b).

Rule 10A-3(b)(ii) under the Exchange Act requires that each audit committee must establish procedures for the confidential, anonymous submission by employees of the listed issuer of concerns regarding questionable accounting or auditing matters. In view of the external management structure often employed by closed-end and open-end funds, the Exchange also requires the audit committees of such companies to establish such procedures for the confidential, anonymous submission by

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employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the management company, as well as employees of the management company. This responsibility must be addressed in the audit committee charter.

Other Entities

Except as otherwise required by Rule10A-3 under the Exchange Act (for example, with respect to open-end funds), Rules 867 does not apply to passive business organizations in the form of trusts (such as royalty trusts) or to derivatives and special purpose securities. To the extent that Rule 10A-3 applies to a passive business organization, listed derivative or special purpose security, such entities are required to comply with Rules 867.06 and .12(b).

Foreign Private Issuers

Listed companies that are foreign private issuers (as such term is defined in Rule 3b-4 under the Exchange Act) are permitted to follow home country practice in lieu of the provisions of this Rule 867, except that such companies are required to comply with the requirements of Rule 867.06, .11 and .12(b).

Preferred and Debt Listings

Rule 867 does not generally apply to companies listing only preferred or debt securities on the Exchange. To the extent required by Rule 10A-3 under the Exchange Act, all companies listing only preferred or debt securities on the Exchange are required to comply with the requirements of Rules 867.06 and .12(b).

Effective Dates/Transition Periods

Listed companies will have until the earlier of their first annual meeting after July 15, 2004, or October 31, 2004, to comply with the new standards contained in Rule 867, although if a company with a classified board would be required (other than by virtue of a requirement under Rule 867.06) to change a director who would not normally stand for election in such annual meeting, the company may continue such director in the office until the second annual meeting after such date, but no later than December 31, 2005. In addition, foreign private issuers and small business issuers will have until July 31, 2005, to comply with Rule 867. As a general matter, the existing requirements provided for in Rule 849 continue to apply to listed companies pending the transition to the new rules.

Companies listing in conjunction with their initial public offering will be permitted to phase in their independent nomination and compensation committees on generally the same schedule as is permitted pursuant to Rule 10A-3 under the Exchange Act for audit committees, that is, one independent member at the time of listing, a majority of independent members within 90 days of listing and fully independent committees within one year. Such companies will be required to meet the majority independent board requirement within 12 months of listing. For purposes of Rule 867 other than sections 867.06 and .12(b), a company will be considered to be listing in conjunction with an initial public offering if, immediately prior to listing, it does not have a class of common stock registered under the Exchange Act. The Exchange will also permit companies that are emerging from bankruptcy or have ceased to be controlled companies within the meaning of Rule 867 to phase in independent nomination and compensation committees and majority independent boards on the same schedule as companies listing in conjunction with an initial public offering. However, for purposes of Rules 867.06 and .12(b), a company will be considered to be listing in conjunction with an initial public offering only if it meets the conditions of Rule 10A-3(b)(1)(iv)(A) under the Exchange Act, namely, that the company was not, immediately prior to the effective date of a registration statement, required to file reports with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act.

Companies listing upon transfer from another market have 12 months from the date of transfer in which to comply with any requirement to the extent the market on which they were listed did not have the same requirement. To the extent the other market has a substantially similar requirement but also had a transition period from the effective date of that market's rule, which period had not yet expired, the company will have the same transition period as would have been available to it on the other market. This transition period for

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companies transferring from another market will not apply to the requirements of Rule 867.06 unless a transition period is available pursuant to Rule 10A-3 under the Exchange Act.

References to Form 10-K

There are provisions in this Rule 867 that call for disclosure in a company's Form 10-K under certain circumstances. If a company subject to such a provision is not a company required to file a Form 10-K, then the provision shall be interpreted to mean the annual periodic disclosure form that the company does file with the SEC. For example, for a closed-end fund, the appropriate form would be the annual Form N-CSR. If a company is not required to file either an annual proxy statement or an annual periodic report with the SEC, the disclosure shall be made in the annual report required under Rule 837, Annual Reports.

1. Listed companies must have a majority of independent directors.

•••Commentary

Effective boards of directors exercise independent judgment in carrying out their responsibilities. Requiring a majority of independent directors will increase the quality of board oversight and lessen the possibility of damaging conflicts of interest.

2. In order to tighten the definition of "independent director" for purposes of these standards:

(a) No director qualifies as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). Companies must disclose these determinations.

•••Commentary

It is not possible to anticipate, or explicitly to provide for, all circumstances that might signal potential conflicts of interest, or that might bear on the materiality of a director's relationship to a listed company (references to "company" would include any parent or subsidiary in a consolidated group with the company). Accordingly, it is best that boards making "independence" determinations broadly consider all relevant facts and circumstances. In particular, when assessing the materiality of a director's relationship with the company, the board should consider the issue not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. However, as the concern is independence from management, the Exchange does not view ownership of even a significant amount of stock, by itself, as a bar to an independence finding.

The basis for a board determination that a relationship is not material must be disclosed in the company's annual proxy statement or, if the company does not file an annual proxy statement, in the company's annual report on Form 10-K filed with the SEC. In this regard, a board may adopt and disclose categorical standards to assist it in making determinations of independence and may make a general disclosure if a director meets these standards. Any determination of independence for a director who does not meet these standards must be specifically explained. A company must disclose any standard it adopts. It may then make the general statement that the independent directors meet the standards set by the board without detailing particular aspects of the immaterial relationships between individual directors and the company. In the event that a director with a business or other relationship that does not fit within the disclosed standards is determined to be independent, a board must disclose the basis for its determination in the manner described above. This approach provides investors with an adequate means of assessing the quality of a board's independence and its independence determinations while avoiding excessive disclosure of immaterial relationships.

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(b) In addition:

(i) A director who is an employee, or whose immediate family member is an executive officer, of the company is not independent until three years after the end of such employment relationship.

•••Commentary—

Employment as an interim chairman or CEO shall not disqualify a director from being considered independent following that employment.

—

(ii) A director who receives, or whose immediate family member receives, more than $100,000 per year in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not considered independent until three years after he or she ceases to receive more than $100,000 per year in such compensation.

•••Commentary—

Compensation received by a director for former service as an interim chairman or CEO need not be considered in determining independence under this test. Compensation received by an immediate family member for service as a non-executive employee of the listed company need not be considered in determining independence under this test.

—

(iii) A director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the company is not "independent" until three years after the end of the affiliation or the employment or auditing relationship.

(iv) A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the listed company's present executives serve on that company's compensation committee is not "independent" until three years after the end of such service or the employment relationship.

(v) A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of company that makes payments to, or receives payments from, the listed company for property or services in an amount which, in any single fiscal year, exceeds the greater of $200,000 ($1 million if the listed company is also listed on the New York Stock Exchange), or 5% of such other company’s consolidated gross revenues, is not "independent" until three years after falling below such threshold.

•••Commentary—

In applying the test in Rule 867.02(b)(v), both the payments and the consolidated gross revenues to be measured shall be those reported in the last completed fiscal year. The look-back provision for this test applies solely to the financial relationship between the listed company and the director or immediate family member’s current employer; a listed company need not consider former employment of the director or immediate family member.

Charitable organizations shall not be considered "companies" for purposes of Rule 867.02(b)(v), provided however that a listed company shall disclose in its annual proxy statement, or if the listed company does not file an annual proxy statement, in the company’s annual report on Form 10-K filed with the SEC, any charitable contributions made by the listed company to any charitable organization in which a director serves as an executive officer if, within the preceding three years, contributions in any single fiscal year exceeded the greater of $200,000 ($1 million if the listed company is also listed on the New York Stock Exchange), or 5% of such charitable organization’s consolidated gross

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revenues. Listed company boards are reminded of their obligations to consider the materiality of any such relationship in accordance with Rule 867.02(a) above.

General Commentary to Rule 867.02(b): An "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home. When applying the look-back provisions in Rule 867.02(b), listed companies need not consider individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated. In addition, references to the "company" would include any parent or subsidiary in a consolidated group with the company.

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Transition Rule. Each of the above standards contains a three-year "look-back" provision. In order to facilitate a smooth transition to the new independence standards, the Exchange will phase in the "look-back" provisions by applying only a one-year look-back for the first year after adoption of these new standards. The three-year look-backs provided for in Rule 867.02(b) will begin to apply only from June 17, 2005 (the "Three-Year Look-Back Date").

As an example, until the Three-Year Look-Back Date, a company need look back only one year when testing compensation under Rule 867.02(b)(ii). Beginning on the Three-Year Look-Back Date, however, the company would need to look back the full three years provided in Rule 867.02(b)(ii).

3. To empower non-management directors to serve as a more effective check on management, the non-management directors of each company must meet at regularly scheduled executive sessions without management.

•••Commentary

To promote open discussion among the non-management directors, companies must schedule regular executive sessions in which those directors meet without management participation. "Non-management" directors are all those who are not company officers (as that term is defined in Rule 16a-1(f) under the Securities Act of 1933), and includes such directors who are not independent by virtue of a material relationship, former status or family membership, or for any other reason.

Regular scheduling of such meetings is important not only to foster better communication among non-management directors, but also to prevent any negative inference from attaching to the calling of executive sessions. There need not be a single presiding director at all executive sessions of the non-management directors. If one director is chosen to preside at these meetings, his or her name must be disclosed in the company's annual proxy statement or, if the company does not file an annual proxy statement, in the company's annual report on Form 10-K filed with the SEC. Alternatively, a company may disclose the procedure by which a presiding director is selected for each executive session. For example, a company may wish to rotate the presiding position among the chairs of board committees.

In order that interested parties may be able to make their concerns known to the non-management directors, a company must disclose a method for such parties to communicate directly with the presiding director or with the non-management directors as a group. Companies may, if they wish, utilize for this purpose the same procedures they have established to comply with the requirements of Rule 10A-3(b)(3) under the Exchange Act, as applied to listed companies through Rule 867.06.

While this Rule 867.03 refers to meetings of non-management directors, if that group includes directors who are not independent under this Rule 867, listed companies should at least once a year schedule an executive session including only independent directors.

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4. (a) Listed companies must have a nominating/corporate governance committee composed entirely of independent directors.

(b) The nominating/corporate governance committee must have a written charter that addresses:

(i) the committee's purpose and responsibilities – which, at minimum, must be to: identify individuals qualified to become board members, consistent with criteria approved by the board, and to select, or to recommend that the board select, the director nominees for the next annual meeting of shareholders; develop and recommend to the board a set of corporate governance principles applicable to the corporation; and oversee the evaluation of the board and management; and

(ii) an annual performance evaluation of the committee.

•••Commentary

A nominating/corporate governance committee is central to the effective functioning of the board. New director and board committee nominations are among a board's most important functions. Placing this responsibility in the hands of an independent nominating/corporate governance committee can enhance the independence and quality of nominees. The committee is also responsible for taking a leadership role in shaping the corporate governance of a corporation.

If a company is legally required by contract or otherwise to provide third parties with the ability to nominate directors (for example, preferred stock rights to elect directors upon a dividend default, shareholder agreements, and management agreements), the selection and nomination of such directors need not be subject to the nominating committee process.

The nominating/corporate governance committee charter should also address the following items: committee member qualifications; committee member appointment and removal; committee structure and operations (including authority to delegate to subcommittees); and committee reporting to the board. In addition, the charter should give the nominating/corporate governance committee sole authority to retain and terminate any search firm to be used to identify director candidates, including sole authority to approve the search firm's fees and other retention terms.

Boards may allocate the responsibilities of the nominating/corporate governance committee to committees of their own denomination, provided that the committees are composed entirely of independent directors. Any such committee must have a published committee charter.

5. The Exchange lists only standardized options, as defined in Rule 9b-1 under the Exchange Act, issued by a clearing agency that is registered pursuant to Section 17A of the Exchange Act, pursuant to the Rule 1000, 1000A and 1000C Series. The Exchange will not list securities pursuant to any other Rule until the Exchange files a proposed rule change under Section 19(b)(2) under the Exchange Act to amend its Rules to make any changes needed to comply with Rule Rule 10C-1 under the Exchange Act, relating to compensation committees, and such proposed rule change is approved by the Commission.

(a) Listed companies must have a compensation committee composed entirely of independent directors.

(b) The compensation committee must have a written charter that addresses:

(i) the committee's purpose and responsibilities -- which, at minimum, must be to have direct responsibility to:

(A) review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and either as a committee

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or together with the other independent directors (as directed by the board), determine and approve the CEO's compensation level based on this evaluation; and

(B) make recommendations to the board with respect to non-CEO compensation, incentive-compensation plans and equity-based plans; and

(C) produce a compensation committee report on executive compensation as required by the SEC to be included in the company's annual proxy statement or annual report on Form 10-K filed with the SEC;

(ii) an annual performance evaluation of the compensation committee.

***Commentary**

In determining the long-term incentive component of CEO compensation, the committee should consider the company's performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the listed company's CEO in past years. To avoid confusion, note that the compensation committee is not precluded from approving awards (with or without ratification of the board) as may be required to comply with applicable tax laws.

The compensation committee charter should also address the following items: committee member qualifications; committee member appointment and removal; committee structure and operations (including authority to delegate to subcommittees); and committee reporting to the board.

Additionally, if a compensation consultant is to assist in the evaluation of director, CEO or senior executive compensation, the compensation committee charter should give that committee sole authority to retain and terminate the consulting firm, including sole authority to approve the firm's fees and other retention terms.

Boards may allocate the responsibilities of the compensation committee to committees of their own denomination, provided that the committees are composed entirely of independent directors. Any such committee must have a published committee charter.

Nothing in this provision should be construed as precluding discussion of CEO compensation with the board generally, as it is not the intent of this standard to impair communication among members of the board.

6. Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act.

***Commentary**

The Exchange will apply the requirements of Rule 10A-3 in a manner consistent with the guidance provided by the Securities and Exchange Commission in SEC Release No. 34-47654 (April 1, 2003). Without limiting the generality of the foregoing, the Exchange will provide companies the opportunity to cure defects provided in Rule 10A-3(a)(3) under the Exchange Act.

7. (a) The audit committee must have a minimum of three members.

***Commentary**

Each member of the audit committee must be financially literate, as such qualification is interpreted by the company's board in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the audit committee. In addition, at least one member of the audit committee must have accounting or related financial management expertise, as the company's board interprets such qualification in its business judgment. While the Exchange does not require that a listed company's audit committee include a person who satisfies the definition of audit

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committee financial expert set out in Item 401(h) of Regulation S-K, a board may presume that such a person has accounting or related financial management expertise.

Because of the audit committee's demanding role and responsibilities, and the time commitment attendant to committee membership, each prospective audit committee member should evaluate carefully the existing demands on his or her time before accepting this important assignment. Additionally, if an audit committee member simultaneously serves on the audit committees of more than three public companies, and the listed company does not limit the number of audit committees on which its audit committee members serve, then in each case, the board must determine that such simultaneous service would not impair the ability of such member to effectively serve on the listed company's audit committee and disclose such determination in the company's annual proxy statement or, if the company does not file an annual proxy statement, in the company's annual report on Form 10-K filed with the SEC.

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(b) In addition to any requirement of Rule 10A-3(b)(1), all audit committee members must satisfy the requirements for independence set out in Rule 867.02.

(c) The audit committee must have a written charter that addresses:

(i) the committee's purpose -- which, at minimum, must be to:

(A) assist board oversight of (1) the integrity of the company's financial statements, (2) the company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the company's internal audit function and independent auditors; and

(B) prepare an audit committee report as required by the SEC to be included in the company's annual proxy statement;

(ii) an annual performance evaluation of the audit committee; and

(iii) the duties and responsibilities of the audit committee – which, at a minimum, must include those set out in Rule 10A-3(b)(2), (3) (4) and (5) of the Exchange Act, as well as to:

(A) at least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the company;

•••Commentary—

After reviewing the foregoing report and the independent auditor's work throughout the year, the audit committee will be in a position to evaluate the auditor's qualifications, performance and independence. This evaluation should include the review and evaluation of the lead partner of the independent auditor. In making its evaluation, the audit committee should take into account the opinions of management and the company's internal auditors (or other personnel responsible for the internal audit function). In addition to assuring the regular rotation of the lead audit partner as required by law, the audit committee should further consider whether, in order to assure continuing auditor independence, there should be regular rotation of the audit firm itself. The audit committee should present its conclusions with respect to the independent auditor to the full board.

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(B) discuss the company’s annual audited financial statements and quarterly financial statements with management and the independent auditor, including the company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations";

(C) discuss the company’s earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;

•••Commentary

The audit committee's responsibility to discuss earnings releases as well as financial information and earnings guidance may be done generally (i.e., discussion of the types of information to be disclosed and the type of presentation to be made). The audit committee need not discuss in advance each earnings release or each instance in which a company may provide earnings guidance.

(D) discuss policies with respect to risk assessment and risk management;

•••Commentary

While it is the job of the CEO and senior management to assess and manage the company's exposure to risk, the audit committee must discuss guidelines and policies to govern the process by which this is handled. The audit committee should discuss the company's major financial risk exposures and the steps management has taken to monitor and control such exposures. The audit committee is not required to be the sole body responsible for risk assessment and management, but, as stated above, the committee must discuss guidelines and policies to govern the process by which risk assessment and management is undertaken. Many companies, particularly financial companies, manage and assess their risk through mechanisms other than the audit committee. The processes these companies have in place should be reviewed in a general manner by the audit committee, but they need not be replaced by the audit committee.

(E) meet separately, periodically, with management, with internal auditors (or other personnel responsible for the internal audit function) and with independent auditors;

••• Commentary

To perform its oversight functions most effectively, the audit committee must have the benefit of separate sessions with management, the independent auditors and those responsible for the internal audit function. As noted herein, all listed companies must have an internal audit function. These separate sessions may be more productive than joint sessions in surfacing issues warranting committee attention.

(F) review with the independent auditor any audit problems or difficulties and management's response;

•••Commentary

The audit committee must regularly review with the independent auditor any difficulties the auditor encountered in the course of the audit work, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management. Among the items the audit committee may want to review with the auditor are: any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise); any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement; and any "management" or "internal control" letter issued, or proposed to be issued, by the audit firm to the company. The review should also include discussion of the responsibilities, budget and staffing of the company's internal audit function.

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(G) set clear hiring policies for employees or former employees of the independent auditors; and

•••***Commentary***—

Employees or former employees of the independent auditor are often valuable additions to corporate management. Such individuals' familiarity with the business, and personal rapport with the employees, may be attractive qualities when filling a key opening. However, the audit committee should set hiring policies taking into account the pressures that may exist for auditors consciously or subconsciously seeking a job with the company they audit.

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(H) report regularly to the board of directors.

•••***Commentary***—

The audit committee should review with the full board any issues that arise with respect to the quality or integrity of the company's financial statements, the company's compliance with legal or regulatory requirements, the performance and independence of the company's independent auditors, or the performance of the internal audit function.

General Commentary to Rule 867.07(c): While the fundamental responsibility for the company's financial statements and disclosures rests with management and the independent auditor, the audit committee must review: (A) major issues regarding accounting principles and financial statement presentations, including any significant changes in the company's selection or application of accounting principles, and major issues as to the adequacy of the company's internal controls and any special audit steps adopted in light of material control deficiencies; (B) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; (C) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the company; and (D) the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information), as well as review any financial information and earnings guidance provided to analysts and rating agencies.

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(d) Each listed company must have an internal audit function.

••• ***Commentary***—

Listed companies must maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and system of internal control. A company may choose to outsource this function to a third party service provider other than its independent auditor.

General Commentary to Rule 867.07: To avoid any confusion, note that the audit committee functions specified in Rule 867.07 are the sole responsibility of the audit committee and may not be allocated to a different committee.

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8. Requirements relating to shareholder approval of equity compensation plans and broker voting are set forth in Rule 850.

9. Listed companies must adopt and disclose corporate governance guidelines.

•••***Commentary***—

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No single set of guidelines would be appropriate for every company, but certain key areas of universal importance include director qualifications and responsibilities, responsibilities of key board committees, and director compensation. Given the importance of corporate governance, each listed company's website must include its corporate governance guidelines and the charters of its most important committees (including at least the audit, and if applicable, compensation and nominating committees). Each company's annual report on Form 10-K filed with the SEC must state that the foregoing information is available on its website, and that the information is available in print to any shareholder who requests it. Making this information publicly available should promote better investor understanding of the company's policies and procedures, as well as more conscientious adherence to them by directors and management.

The following subjects must be addressed in the corporate governance guidelines:

- **Director qualification standards.** These standards should, at minimum, reflect the independence requirements set forth in Rules 867.01 and .02. Companies may also address other substantive qualification requirements, including policies limiting the number of boards, on which a director may sit, and director tenure, retirement and succession.
- **Director responsibilities.** These responsibilities should clearly articulate what is expected from a director, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials.
- **Director access to management and, as necessary and appropriate, independent advisors.**
- **Director compensation.** Director compensation guidelines should include general principles for determining the form and amount of director compensation (and for reviewing those principles, as appropriate). The board should be aware that questions as to directors' independence may be raised when directors' fees and emoluments exceed what is customary. Similar concerns may be raised when the company makes substantial charitable contributions to organizations in which a director is affiliated, or enters into consulting contracts with (or provides other indirect forms of compensation to) a director. The board should critically evaluate each of these matters when determining the form and amount of director compensation, and the independence of a director.
- **Director orientation and continuing education.**
- **Management succession.** Succession planning should include policies and principles for CEO selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the CEO.
- **Annual performance evaluation of the board.** The board should conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively.

10. Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.

•••Commentary

No code of business conduct and ethics can replace the thoughtful behavior of an ethical director, officer or employee. However, such a code can focus the board and management on areas of ethical risk, provide guidance to personnel to help them recognize and deal with ethical issues, provide mechanisms to report unethical conduct, and help to foster a culture of honesty and accountability.

Each code of business conduct and ethics must require that any waiver of the code for executive officers or directors may be made only by the board or a board committee and must be promptly disclosed to shareholders. This disclosure requirement should inhibit casual and perhaps questionable

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waivers, and should help assure that, when warranted, a waiver is accompanied by appropriate controls designed to protect the company. It will also give shareholders the opportunity to evaluate the board's performance in granting waivers.

Each code of business conduct and ethics must also contain compliance standards and procedures that will facilitate the effective operation of the code. These standards should ensure the prompt and consistent action against violations of the code. Each listed company's website must include its code of business conduct and ethics. Each company's annual report on Form 10-K filed with the SEC must state that the foregoing information is available on its website and that the information is available in print to any shareholder who requests it.

Each company may determine its own policies, but all listed companies should address the most important topics, including the following:

- **Conflicts of interest.** A "conflict of interest" occurs when an individual's private interest interferes in any way—or even appears to interfere—with the interests of the corporation as a whole. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her company work objectively and effectively. Conflicts of interest also arise when an employee, officer or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in the company. Loans to, or guarantees of obligations of, such persons are of special concern. The company should have a policy prohibiting such conflicts of interest, and providing a means for employees, officers and directors to communicate potential conflicts to the company.
- **Corporate opportunities.** Employees, officers and directors should be prohibited from (a) taking for themselves personally opportunities that are discovered through the use of corporate property, information or position; (b) using corporate property, information, or position for personal gain; and (c) competing with the company. Employees, officers and directors owe a duty to the company to advance its legitimate interests when the opportunity to do so arises.
- **Confidentiality.** Employees, officers and directors should maintain the confidentiality of information entrusted to them by the company or its customers, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might be of use to competitors, or harmful to the company or its customers, if disclosed.
- **Fair dealing.** Each employee, officer and director should endeavor to deal fairly with the company's customers, suppliers, competitors and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice. Companies may write their codes in a manner that does not alter existing legal rights and obligations of companies and their employees, such as "at will" employment arrangements.
- **Protection and proper use of company assets.** All employees, officers and directors should protect the company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the company's profitability. All company assets should be used for legitimate business purposes.
- **Compliance with laws, rules and regulations (including insider trading laws).** The company should proactively promote compliance with laws, rules and regulations, including insider trading laws. Insider trading is both unethical and illegal, and should be dealt with decisively.
- **Encouraging the reporting of any illegal or unethical behavior.** The company should proactively promote ethical behavior. The company should encourage employees to talk to supervisors, managers or other appropriate personnel when in doubt about the best course of action in a particular situation. Additionally, employees should report violations of laws,

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rules, regulations or the code of business conduct to appropriate personnel. To encourage employees to report such violations, the company must ensure that employees know that the company will not allow retaliation for reports made in good faith.

11. Listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under Exchange listing standards.

•••Commentary

Foreign private issuers must make their U.S. investors aware of the significant ways in which their home-country practices differ from those followed by domestic companies under Exchange listing standards. However, foreign private issuers are not required to present a detailed, item-by-item analysis of these differences. Such a disclosure would be long and unnecessarily complicated. Moreover, this requirement is not intended to suggest that one country's corporate governance practices are better or more effective than another. The Exchange believes that U.S. shareholders should be aware of the significant ways that the governance of a listed foreign private issuer differs from that of a U.S. listed company. The Exchange underscores that what is required is a brief, general summary of the significant differences, not a cumbersome analysis.

Listed foreign private issuers may provide this disclosure either on their web site (provided it is in the English language and accessible from the United States) and/or in their annual report as distributed to shareholders in the United States (again, in the English language). If the disclosure is only made available on the web site, the annual report shall so state and provide the web address at which the information may be obtained.

12. (a) Each listed company CEO must certify to the Exchange each year that he or she is not aware of any violation by the company of Exchange corporate governance listing standards.

•••Commentary

The CEO's annual certification to the Exchange that, as of the date of certification, he or she is unaware of any violation by the company of Exchange's corporate governance listing standards will focus the CEO and senior management on the company's compliance with the listing standards. Both this certification to the Exchange, and any CEO/CFO certifications required to be filed with the SEC regarding the quality of the company's public disclosure, must be disclosed in the company's annual report to shareholders or, if the company does not prepare an annual report to shareholders, in the companies annual report on Form 10-K filed with the SEC.

(b) Each listed company CEO must promptly notify the Exchange after any executive officer of the listed company becomes aware of any material non-compliance with any applicable provisions of this Rule 867.

13. The Exchange may issue a public reprimand letter to any listed company that violates an Exchange listing standard.

•••Commentary

Suspending trading in or delisting a company can be harmful to the very shareholders that the Exchange listing standards seek to protect; the Exchange must therefore use these measures sparingly and judiciously. For this reason it is appropriate for the Exchange to have the ability to apply a lesser sanction to deter companies from violating its corporate governance (or other) listing standards.

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Accordingly, the Exchange may issue a public reprimand letter to any listed company, regardless of type of security listed or country of incorporation, that it determines has violated an Exchange listing standard. For companies that repeatedly or flagrantly violate Exchange listing standards, suspension and delisting remain the ultimate penalties. For clarification, this lesser sanction is not intended for use in the case of companies that fall below the financial and other continued listing standards set forth in Rules 803, 804 and 805, or that fail to comply with the audit committee standards set out in Rule 867.06. The processes and procedures provided for in Rule 811, Delisting Policies and Procedures, govern the treatment of companies falling below those standards.

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14. Related Party Transactions. Each issuer shall conduct an appropriate review of all related party transactions on an ongoing basis and all such transactions must be approved by the company's audit committee or another independent body of the board of directors. For purposes of this Rule, the term "related party transaction" shall refer to transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404.

15. Written Affirmation. As part of the initial listing process, and with respect to any subsequent changes to the composition of the audit committee, and otherwise approximately once each year, each company should provide the Exchange written confirmation regarding:

(i) any determination that the company's board of directors has made regarding the independence of directors pursuant to Section 867.02 above;
(ii) the financial literacy of the audit committee members as required by Section 867.07 above;
(iii) the determination that at least one of the audit committee members has accounting or related financial management expertise as required by Section 867.07 above; and
(iv) the annual review and reassessment of the adequacy of the audit committee charter as required by Section 867.07 above.

Adopted.
June 17, 2004 (04-33).
Amendments.
April 25, 2011 (11-13).
September 25, 2012 (12-115).

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Nasdaq PHLX Rules, Regulation, Rule 868. DIRECT REGISTRATION SYSTEM (DRS) PARTICIPATION

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(a) On or after January 1, 2007, all securities initially listing on the Exchange must be eligible for Direct Registration System operated by a securities depository that is a clearing agency registered under Section 17A(b)(2) of the Securities Exchange Act of 1934 ("Securities Depository"). This provision does not extend to: (i) securities of companies which already have securities listed on the Exchange, (ii) securities of companies which immediately prior to such listing had securities listed on another national securities exchange, (iii) derivative products, or (iv) securities (other than stocks) which are book-entry only.

(b) On or after January 1, 2008, all securities listed on the Exchange must be eligible for Direct Registration System operated by a Securities Depository. This provision does not extend to derivative products or securities (other than stocks) that are book-entry only.

(c) For the purposes of this Rule 868, the term "derivative products" shall mean, in addition to standardized options issued by The Options Clearing Corporation ("OCC"), other securities that are issued by OCC or another limited purpose entity or trust and which are based solely on the performance of an index or portfolio of other publicly traded securities. The term "derivative products" does not include warrants of any type or closed-end management investment companies.

Adopted.
March 14, 2007 (06-69).

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Nasdaq PHLX Rules, Regulation, Rule
900. Administration of Rules by Membership Department

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The Membership Department shall administer Rules 901 to 949, inclusive.

Amendments.
October 14, 1980.
January 16, 2004 (03-73).
May 14, 2009 (09-23).
April 8, 2016 (16-49), operative May 8, 2016.

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Nasdaq PHLX Rules, Regulation, Rule 900.1. General Powers and Duties of Membership Department

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(a) The Membership Department shall have jurisdiction over the issuance of memberships (in respect of members and member organizations) and permits and over applications by non-members for admission as members. The Membership Department shall also have jurisdiction over the revocation of memberships and permits. All applications for a membership or a permit, all applications by non-members for admission as members, all applications for reinstatement of any membership or permit suspended for insolvency of its holder, and any application for readmission of a person who has been expelled from the Exchange shall be referred to the Membership Department for review and action.

(b) Reserved

(c) All applications to qualify and register a corporation or other entity as a member organization and all applications for reinstatement of any qualification or registration of a member organization shall be referred to the Membership Department which shall investigate and act thereon. The Membership Department shall have supervision over member corporation (and similar) arrangements, and copies of the articles of incorporation, by-laws and all amendments thereto shall be filed with the Membership Department for approval.

(d) Reserved

(e) If in a member organization that is a corporation the only officer, who was a member of this Exchange, dies or resigns, the remaining officers may request the Membership Department to permit the corporation to have the status of a member organization for such period, not exceeding sixty (60) days from the date of such death or resignation, as the Membership Department may determine and under such conditions as it may fix. The Membership Department in its discretion may, at any time during such period, withdraw such permission and upon such withdrawal such status shall terminate.

Adopted
May 14, 2009 (09-23).
Amendments.
April 25, 2011 (11-13).
May 25, 2016 (16-38), operative June 24, 2016.

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Nasdaq PHLX Rules, Regulation, Rule 900.2. Membership Applications

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(a) Every applicant for a membership or a permit and every non-member seeking admission as a member upon acquisition of an existing membership shall file an application in writing with the Membership Department of the Exchange in such form as the Membership Department may prescribe from time to time, shall appear before such department if required thereby, and shall submit such information as such department may direct.

(b) All applications will be reviewed preliminarily by the staff of the Exchange. If the staff recommends that the applicant not be issued a membership or a permit the applicant shall be notified in writing of the reasons therefor and may, within fifteen (15) days of the receipt thereof, file a request with the Membership Department for its consideration of the application, together with a written statement setting forth the applicant's opinion as to why the staff recommendation is in error or insufficient to preclude the issuance of a membership or a permit.

(c) The Membership Department shall review and act upon the membership application or permit application.

(d) Absent a showing of good cause, an application filed pursuant to this Rule shall lapse after a 90 calendar day period if an applicant fails to provide the requisite documentation provided for in this Rule or any subsequent written request for information or documents pursuant to this Rule within such time period agreed to by the Membership Department. If such time period elapses, an applicant seeking membership to the Exchange shall be required to file a new application pursuant to this Rule. The applicant will be required to pay an additional application fee at that time. The Exchange will not refund any fees for lapsed applications.

(e) The provisions of this Rule 900.2 shall not apply to a corporation pursuant to Rule 798.

Adopted.
May 14, 2009 (09-23).
Amendments.
January 5, 2011 (10-148).
April 25, 2011 (11-13).
August 14, 2013 (13-84), operative September 13, 2013.

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Nasdaq PHLX Rules, Regulation, Rule
901. Denial of and Conditions to Membership

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(a). The Exchange may deny a permit to, or condition the permit of, any person or may bar and deny from becoming associated, or condition any association of, any person with a registered broker or dealer, or may deny or condition the qualification or registration of any member organization, if any such person, registered broker or dealer or member organization is subject to a statutory disqualification, as that term is defined in the Securities Exchange Act of 1934, as amended.

(b). The Exchange may deny a permit to, or condition the permit of, any person or may bar and deny from becoming associated, or condition any association of, any person with a registered broker or dealer or may deny or condition the qualification or registration of any member organization, if the broker or dealer or member organization (as applicable): (1) is unable satisfactorily to demonstrate its present capacity to adhere to applicable provisions of (i) Sections 15 and 17 of the Securities Exchange Act of 1934, as amended, and all rules and regulations promulgated thereunder or (ii) Exchange Rules relating to the maintenance of books and records; or (2) has previously been found to have violated and there is a reasonable likelihood the broker or dealer or member organization will again engage in acts or practices violative of (A) Sections 15 and 17 of the Securities Exchange Act of 1934, as amended, and all rules and regulations promulgated thereunder, or (B) Rules relating to the maintenance of books and records of the Exchange or other self-regulatory organizations of which the broker or dealer or member organization is or was a member.

(c). The Exchange may deny a permit to, or condition the permit of, any person or may bar and deny from becoming associated, or condition any association of, any person with a registered broker or dealer, or may deny or condition the qualification, if such broker or dealer, person or member organization: (1) does not successfully complete such written proficiency examinations as required by the Exchange to enable it to examine and verify the applicant's qualifications to function in one or more of the capacities applied for; (2) does not meet such other standards of training, experience, and competence as may be established by the Exchange; (3) cannot demonstrate a capacity to adhere to all applicable policies, rules and regulations of the Exchange or any other self-regulatory organization, the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System, the Commodity Futures Trading Commission contract market designated pursuant to Section 5 of the Commodity Exchange Act or futures association registered under Section 17 of such Act; (4) has been the subject of findings of fact rendered by any of the above mentioned entities such that the broker or dealer, person or member organization has engaged in acts or practices inconsistent with just and equitable principles of trade, and there is a reasonable likelihood the person will do so again; or (5) (i) is subject to any unsatisfied liens, judgments or unsubordinated creditor claims of a material nature, which remain outstanding (ii) has been or is the successor to an entity which has been subject to any bankruptcy proceeding, receivership or arrangement for the benefit of creditors within the past three years (iii) has been and/or remains associated as a general partner, principal, officer, director, stockholder, or registered trader for a member organization which has been subject to any unsatisfied liens, judgments or unsubordinated creditor claims of a material nature (iv) has engaged in a pattern of failure to pay just debts (v) would bring the Exchange into disrepute or (vi) for such other cause as the Membership Department reasonably may decide.

(d). The Membership Department may, in exceptional cases and where good cause is shown, waive such proficiency examinations as are required by the Exchange upon written request of the applicant, and accept other standards as evidence of an applicant's qualifications. Advanced age, physical infirmity or experience in fields ancillary to the securities business will not individually of themselves constitute sufficient grounds to waive a proficiency examination.

Adopted.
July 15, 1988 (88-5).
Amendments.
January 16, 2004 (03-73).

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May 14, 2009 (09-23).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 902. Reserved

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Renumbered.
July 15, 1988 (88-5).
Amendments.
December 29, 1995 (95-73).
January 16, 2004 (03-73).
May 14, 2009 (09-23).
March 17, 2016 (16-36), operative April 16, 2016.

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Nasdaq PHLX Rules, Regulation, Rule 903. Reserved

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Renumbered.
July 15, 1988 (88-5).
Amendments.
January 16, 2004 (03-73).
February 10, 2016 (16-20), operative March 11, 2016.

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Nasdaq PHLX Rules, Regulation, Rule 904. Reserved

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Amendments.
January 16, 2004 (03-73).
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Nasdaq PHLX Rules, Regulation, Rule 905. Reserved

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Renumbered.
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Amendments.
January 16, 2004 (03-73).
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Nasdaq PHLX Rules, Regulation, Rule 906. Reserved

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Renumbered.
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January 16, 2004 (03-73).
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Nasdaq PHLX Rules, Regulation, Rule 907. Reserved

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Adopted.
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Amendments.
May 14, 2009 (09-23).
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Nasdaq PHLX Rules, Regulation, Rule 908. Rights and Privileges of A-1 Permits

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(a) Without limiting the authority of the Exchange pursuant to Section 7-6 of the By-Laws to authorize the issuance of additional classes or series of permits pursuant to these Rules, the Exchange is authorized to issue a series of permits, denoted as "Series A-1", and to confer on the holder thereof such rights and privileges, and impose on the holder thereof such obligations, as are provided in this Rule 908.

(b) A Series A-1 permit shall only be issued to an individual who is a natural person of at least twenty-one (21) years of age. A Series A-1 permit shall only be issued to a corporation who meets the eligibility and application requirements set forth in the By-Laws and Rules, and no individual shall hold more than a single Series A-1 permit. Series A-1 permits issued in accordance with this Rule 908 shall be in such limited or unlimited number and may be issued from time to time by the Exchange, in each case as determined by the Board of Directors in its sole discretion.

(c) Any Series A-1 permit holder who is associated with a duly qualified and registered member organization (unless such holder's permit has been terminated or the rights and privileges thereof have been suspended or restricted) shall, subject to the By-Laws (including, without limitation, Section 6-1 thereof) and these Rules, be:

(i) entitled to all the rights, privileges and obligations of a member of the Exchange and may enter into foreign currency options transactions on the Exchange, subject to (A) the general criteria set forth in these Rules or the By-Laws with respect to testing, capital, allocation and other matters, as well as such requirements as are applicable to specific Exchange activities, and further subject to the payment of any generally applicable fees, dues and other charges and (B) any product-specific criteria set forth in these Rules or the By-Laws, and further subject to any applicable fees, dues and charges relating to trading any product of the Exchange;

(ii) required to designate a single existing or applying member organization as such permit holder's "primarily affiliated" member organization for the purpose of exercising (through such member organization's designated Member Organization Representative) such permit holder's right to vote, as set forth in Article II of the By-Laws, provided that, if such holder designates any applying member organization, such holder will then also qualify such applying member organization for the purposes of Rule 921(a); and

(iii) required to maintain a primary affiliation, as described in the foregoing clause (ii), with an eligible member organization at all times that such holder holds a permit.

(d) A Series A-1 permit shall not be effective unless it has been issued by the Exchange in accordance with the By-Laws and these Rules.

(e) The Series A-1 permit holder may terminate such permit at any time upon written notice to the Exchange, such written notice shall be ascribed by the Exchange. The terminating Series A-1 permit holder and each member organization with which such holder is associated shall remain responsible for all obligations of the terminating member, including, without limitation, all applicable dues, fees, charges, fines and other obligations arising from the holding or use of such Series A-1 permit prior to the termination thereof.

(f) The Exchange may terminate any Series A-1 permit in accordance with By-Laws and Exchange Rules and may also terminate the entire series of Series A-1 permits on no less than 60 days' notice to the permit holders; provided, however, that if within six months after any such termination of the entire series of Series A-1 permits the Exchange issues any other class or series of permit with respect to any securities product previously covered by the Series A-1 permit, any permit holder of such terminated series of Series A-1 permit, who meets the applicable eligibility requirements with respect to such new class or series of permit, shall be entitled to receive on terms no less favorable than those applicable to other persons such new class or series of permit so long as such permit holder will trade with such new class or series of permit such product in the same capacity as

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he had done with a Series A-1 permit prior to such termination, but only if he had continuously traded such product in such capacity for at least one year prior to such termination; provided, further, that such holder of the terminated Series A-1 permit shall make application for such new permit within 30 days of the later to occur of (i) the termination of the series of Series A-1 permit or (ii) the initial issuance of the new class or series of permit.

(g) Notwithstanding termination of a permit for any reason, the permit holder and each member organization with which such permit holder had been associated while such permit was held shall remain subject to the continuing regulatory jurisdiction of the Exchange in respect of all matters related to the holding or use of such permit and all activities involving the Exchange and trading on the Exchange or any other use of Exchange facilities, and in respect of fees, dues and other charges, prior to the termination thereof.

(h) A permit may not be transferred by lease, sale, gift, involuntary transfer, or any other means or as collateral to secure any obligation, except that a permit may be transferred within the permit holder's member organization or to an "inactive nominee" who is registered as such with the Exchange, subject to the provisions of the By-Laws and Rules relating to an "inactive nominee".

Adopted.
January 16, 2004 (03-73).
Amendments.
January 5, 2011 (10-148).
April 25, 2011 (11-13).
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Nasdaq PHLX Rules, Regulation, Rule
910. Qualification as Member Organization

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(a) The Board of Directors may permit a member of this Exchange to qualify an entity as a member organization, subject to such terms and conditions as may from time to time be prescribed by Rule or may be imposed by the Board of Directors.

(b) Only an organization whose principal purpose is the transaction of business as a broker or dealer in securities may be qualified as a member organization.

(c) A Member Organization shall be organized under the laws of a jurisdiction approved by the Membership Department.

(d) If it appears to the Membership Department that the business form of a member organization is being used to evade financial responsibility, such organization shall not be registered as a member organization.

(e) No bank and no investment trust may be qualified or registered as a member organization.

(f)(1) To obtain and maintain the status of a member organization, an organization shall: (i) be a broker or dealer duly registered under the Exchange Act; (ii) be duly qualified by a permit holder who is primarily affiliated with such organization for purposes of nominating as provided in the By-Laws; (iii) have submitted to the Membership Department an application for such status in the form approved by the Membership Department and any other information and materials requested by the Membership Department; (iv) have had such application approved by the Membership Department; and (v) meet such other requirements as are set forth in these By-Laws or the Rules of the Exchange.

(2) To obtain and maintain the status of a Market Maker on PSX, a member organization whose market making has not previously been approved by FINRA under the NASD Rule 1000 Series (or such successor FINRA Rules as may be adopted by FINRA), Nasdaq under the Nasdaq Rule 1000 Series, or Nasdaq BX under the BX Rule 1000 Series shall: (i) have submitted to the Membership Department an application for such status in the form approved by the Membership Department and any other information and material requested by the Membership Department; (ii) have had such application approved by the Membership Department; and (iii) meet such other requirements as are set forth in the By-Laws or Rules of the Exchange. The information to be provided shall include a business plan, an organizational chart, written supervisory procedures reflecting the change, and such other information as the Membership Department may request.

(3) An applicant that is an approved member in good standing of The Nasdaq Stock Market, LLC ("Nasdaq") or Nasdaq BX, Inc. ("BX") shall have the option to apply to become a member of the Exchange and to register with the Exchange all associated persons of the firm whose registrations with the firm are approved with Nasdaq or BX in categories recognized by the Rules of the Exchange through an expedited process. The expedited process requires applicants to complete an Organization Membership Application and attest that the application material previously provided and reviewed as part of the Nasdaq or BX application is complete and accurate but does not require the applicant to submit duplicative documentation which was previously produced.

(g) Upon any violation of the terms and conditions of its registration, or if at any time the requirements thereof are not met, the Board of Directors may terminate the registration of a member organization by the affirmative vote of a majority of all Directors.

(h) A member of the Exchange who has qualified a member organization or a member organization may apply to the Membership Department for termination of the registration of the member organization. Such termination shall become effective upon such date as the Membership Department may determine and in no event shall it be effective until and unless the member organization and the member have discharged all commitments

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and liabilities to the Exchange and to its members and member organizations, or have made provision therefor satisfactory to the Membership Department. If the member who has qualified the member organization is prevented by death or incapacity from applying for the termination of such registration, the application may be made under the same terms and conditions as herein provided by his legal representative.

(i) During the unavoidable absence or disability of an officer (or person in a similar position) of a member organization who is a member of the Exchange, any officer or director (or person in a similar position) of such member organization shall have the privilege of effecting transactions on the Exchange in the name of the member organization.

Adopted.
April 25, 2011 (11-13).
Amendments.
August 14, 2013 (13-84), operative September 13, 2013.
January 30, 2014 (14-07), operative March 1, 2014.
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October 18, 2017 (17-82).
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, Rule 911. Member and Member Organization Participation

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(a) Participation in the Exchange as a member or member organization requires current registration as such with the Exchange. Such registration shall be conditioned upon the member or member organization's initial and continuing compliance with the following requirements:

(1) execution of applicable agreements with the Exchange;
(2) membership in, or access arrangement with a member of, a clearing agency registered with the Commission which maintains facilities through which Exchange compared trades may be settled;
(3) compliance with all applicable Rules and operating procedures of the Exchange and the Commission in the use of the system including, but not limited to, PSX, PHLX XL and the Floor Based Management System ("FBMS") (for purposes of this Rule, PSX, PHLX XL and FBMS together shall be defined as ("System"));
(4) maintenance of the physical security of the equipment located on the premises of the member or member organization to prevent the improper use or access to the Exchange's systems, including unauthorized entry of information into the Exchange's System; and
(5) acceptance and settlement of each trade that the Exchange identifies as having been effected by such member or member organization, or if settlement is to be made through another clearing member, guarantee of the acceptance and settlement of such identified Exchange trade by the clearing member on the regularly scheduled settlement date; and
(6) input of accurate information into the System, including, but not limited to, whether the member organization acted in a principal, agent, or riskless principal capacity.

A member's registration shall become effective upon receipt by the member or member organization of notice of an approval of registration by the Exchange. The registration required hereunder will apply solely to the qualification of a member or member organization to participate in the System. Registration will qualify a member or member organization to trade all System Securities.

(b) Each member or member organization shall be under a continuing obligation to inform the Exchange of noncompliance with any of the registration requirements set forth above.

(c) The Exchange may impose upon any member or member organization such temporary restrictions upon the automated entry or updating of orders or quotes/orders as the Exchange may determine to be necessary to protect the integrity of the Exchange's systems. For example, such temporary restrictions may be necessary to address a system problem at a particular member or member organization or at the Exchange, or an unexpected period of extremely high message traffic. The scope of any such restrictions shall be communicated to the affected member or member organization in writing.

Adopted.
July 26, 2011 (11-100), operative August 26, 2011.
Amendment.
July 17, 2018 (18-40).

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Nasdaq PHLX Rules, Regulation, Rule 912. Transfer of Accounts

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A member or member organization who desires to transfer an Exchange account(s) to or from a member organization shall be required to: (1) notify the Exchange's Membership Department in writing of its intent to transfer account(s) in a manner prescribed by the Membership Department; and (2) execute and provide a Letter of Indemnity to the Exchange.

Adopted.
December 21, 2011 (11-136).

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Nasdaq PHLX Rules, Regulation, Rule 921. Qualification; Designation of Executive Representative

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(a) Each member organization, as a condition of initial and continued registration as a member organization, must be a broker or dealer duly registered with the Securities and Exchange Commission qualified by a permit holder who is associated with such organization. A member of the Exchange who proposes to qualify an entity as a member organization shall present to the Membership Department an application therefor, in writing, signed by the member and the entity. Each member may qualify only a single member organization.

(b) Each member organization must, as a condition of initial and continued registration as a member organization, designate and maintain one qualified Executive Representative, who will be the sole person entitled to exercise such member organization's voting and designation rights set forth in Article II of the By-Laws. Each member organization shall designate its Executive Representative in writing in such form or manner as shall be prescribed from time to time by the Exchange.

(c) In the event that the Executive Representative of a member organization or the permit holder who qualified a member organization dies, ceases to be associated with the member organization or otherwise is unable to serve as such, such member organization shall immediately notify the Exchange thereof in writing and replace such Executive Representative or permit holder through which such member organization is qualified promptly, but in no event more than 60 days, after such death, cessation or inability, during which period any other officer or agent of the member organization may temporarily act as the Executive Representative or qualifying permit holder for such organization. If the member organization fails for any reason to so notify the Exchange or replace such Executive Representative or qualifying permit holder within such period, until such replacement is effected, such member organization may not exercise any voting rights with respect to any permits held by persons who are associated with such member organization.

(d) In the event that such Executive Representative or permit holder dies, ceases to be associated with the member organization or otherwise is unable to serve as such, such organization shall replace such Executive Representative or permit holder through which such member organization is qualified promptly, as specified in the Rules of the Exchange, provided that until such replacement is effected the ability of other officers or agents of the member organization to act temporarily for such organization shall be as set forth in the Rules of the Exchange. The penalties and other consequences of a member organization failing to designate or replace a Executive Representative within the time period specified above shall be as provided in the Rules of the Exchange. The Rules of the Exchange may provide for appropriate procedures concerning the designation and replacement of, and any other matters pertaining to Executive Representatives.

Amendments.
January 16, 2004 (03-73).
May 14, 2009 (09-23).
April 25, 2011 (11-13).
May 25, 2016 (16-38), operative June 24, 2016.

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Nasdaq PHLX Rules, Regulation, Rule 922. Certificate of Incorporation

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The certificate of incorporation and by-laws of a proposed member organization that is a corporation and all amendments thereto shall be filed with the Membership Department and shall be subject to its approval. There shall also be filed with the Membership Department evidence satisfactory to it that the officers of the corporation are duly authorized to act for it in entering into contracts which are subject to these Rules of the Exchange.

Amendments to the certificate of incorporation and by-laws of a member organization that is a corporation, proposed subsequent to its registration, shall be subject to review by the Membership Department which shall have power to approve or disapprove the same.

Amendments.
January 16, 2004 (03-73).
May 14, 2009 (09-23).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule
923. Review of Membership Department Decisions

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If the Membership Department takes an adverse action with respect to a membership application, permit application, or other matter for which the Membership Department has responsibility, the department will notify the applicant in writing of the specific grounds for denial and the applicant shall have a right to a hearing.

(a) **Review by the Exchange Review Council**

(i) **Initiation of Review by Applicant**

Within 25 days after service of a decision of an adverse action described above, an applicant may file a written request for review with the Exchange Review Council. A request for review shall state with specificity why the applicant believes that the Department's decision is inconsistent with the bases for denial set forth in Rule 901, or otherwise should be set aside, and state whether a hearing is requested. The applicant simultaneously shall file by first-class mail a copy of the request with the Department.

(ii) **Transmission of Documents**

Within ten days after the filing of a request for review, the Department shall:

(A) transmit to the Exchange Review Council copies of all documents that were considered in connection with the Department's decision and an index to the documents; and

(B) serve on the applicant a copy of such documents (other than those documents originally submitted by applicant) and a copy of the index.

(iii) **Membership Application Docket**

The Department shall promptly record in the Exchange's membership application docket each request for review filed with the Exchange Review Council under this Rule and each material subsequent event, filing, and change in the status of a membership proceeding.

(iv) **Appointment of Subcommittee**

The Exchange Review Council or the Review Subcommittee defined in Rule 9120 shall appoint a Subcommittee to participate in the review. The Subcommittee shall be composed of two or more persons who shall be current or past members of the Exchange Review Council or former Directors.

(v) **Powers of Subcommittee**

If a hearing is requested, the Subcommittee shall conduct the hearing. If a hearing is not requested, the Subcommittee may serve a notice directing that a hearing be held. If a hearing is not requested or directed, the Subcommittee shall conduct its review on the basis of the record developed before the Department and any written submissions made by the applicant or the Department in connection with the request for review.

(vi) **Hearing**

(A) **Notice**

If a hearing is requested or directed, the hearing shall be held within 45 days after the filing of the request with the Exchange Review Council or service of the notice by the Subcommittee.

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The Exchange Review Council shall serve written notice of the date and time of the hearing to the applicant by facsimile or overnight courier not later than 14 days before the hearing.

(B) **Counsel**

The applicant and the Department may be represented by counsel at a hearing conducted pursuant to this Rule.

(C) **Evidence**

Formal rules of evidence shall not apply to a hearing under this Rule. Not later than five days before the hearing, the applicant and the Department shall exchange copies of their proposed hearing exhibits and witness lists and provide copies of the same to the Exchange Review Council. If the applicant or the Department fails to provide copies of its proposed hearing exhibits or witness list within such time, the Subcommittee shall exclude the evidence or witnesses from the proceeding, unless the Subcommittee determines that good cause is shown for failure to comply with the production date set forth in this subparagraph.

(D) **Transcript**

The hearing shall be recorded and a transcript prepared by a court reporter. A transcript of the hearing shall be available for purchase from the court reporter at prescribed rates. The applicant, the Department, or a witness may seek to correct the transcript. A proposed correction of the transcript shall be submitted to the Subcommittee within a reasonable period of time prescribed by the Subcommittee. Upon notice to the applicant and the Department, the Subcommittee may direct the correction to the transcript as requested or sua sponte.

(vii) **Additional Information, Briefs**

At any time during its consideration, the Subcommittee or the Exchange Review Council may direct the applicant or the Department to file additional information or briefs. Any additional information or brief filed shall be provided to all parties before the Exchange Review Council renders its decision.

(viii) **Abandonment of Request for Review**

If an applicant fails to specify the grounds for its request for review under subparagraph (a)(i), appear at a hearing for which it has notice, or file information or briefs as directed, the Exchange Review Council or the Review Subcommittee may dismiss the request for review as abandoned, and the decision of the Department shall become the final action of the Exchange. Upon a showing of good cause, the Exchange Review Council or the Review Subcommittee may withdraw a dismissal entered pursuant to this paragraph.

(ix) **Subcommittee Recommendation**

The Subcommittee shall present a recommended decision in writing to the Exchange Review Council within 60 days after the date of the hearing held pursuant to subparagraph (a)(vi), and not later than seven days before the meeting of the Exchange Review Council at which the membership proceeding shall be considered.

(x) **Decision**

(A) **Proposed Written Decision**

After considering all matters presented in the review and the Subcommittee's recommended written decision, the Exchange Review Council may affirm, modify, or reverse the Department's decision or remand the membership proceeding with instructions. The

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Exchange Review Council shall prepare a proposed written decision pursuant to subparagraph (B).

(B) **Contents**

The decision shall include:

(1) a description of the Department's decision, including its rationale;
(2) a description of the principal issues raised in the review;
(3) a summary of the evidence on each issue; and
(4) a statement whether the Department's decision is affirmed, modified, or reversed, and a rationale therefor that references the bases for denial in Rule 901.

(C) **Issuance of Decision After Expiration of Call for Review Periods**

The Exchange Review Council shall provide its proposed written decision to the Exchange Board. The Exchange Board may call the membership proceeding for review pursuant to paragraph (b) of this rule below. If the Exchange Board does not call the membership proceeding for review, the proposed written decision of the Exchange Review Council shall become final. The Exchange Review Council shall serve the applicant with a written notice specifying the date on which the call for review period expired and stating that the final written decision will be served within 15 days after such date. The Exchange Review Council shall serve its final written decision within 15 days after the date on which the call for review period expired. The decision shall constitute the final action of the Exchange for purposes of SEC Rule 19d-3, unless the Exchange Review Council remands the membership proceeding.

(D) **Failure to Issue Decision**

If the Exchange Review Council fails to serve its final written decision within the time prescribed in subparagraph (C), the applicant may file a written request with the Exchange Board requesting that the Exchange Board direct the Exchange Review Council to serve its decision immediately or to show good cause for an extension of time. Within seven days after the filing of such a request, the Board shall direct the Exchange Review Council to serve its written decision immediately or to show good cause for an extension of time. If the Exchange Review Council shows good cause for an extension of time, the Exchange Board may extend the 15-day time limit by not more than 15 days.

(b) **Discretionary Review by the Exchange Board**

(i) **Call for Review by Director**

A Director may call a membership proceeding for review by the Exchange Board if the call for review is made within the period prescribed in subparagraph (ii).

(ii) **15 Day Period; Waiver**

A Director shall make his or her call for review at the next meeting of the Exchange Board that is at least 15 days after the date on which the Exchange Board receives the proposed written decision of the Exchange Review Council. By unanimous vote of the Exchange Board, the Exchange Board may shorten the period to less than 15 days. By an affirmative vote of the majority of the Exchange Board then in office, the Exchange Board may, during the 15 day period, vote to extend the period to more than 15 days.

(iii) **Review At Next Meeting**

If a Director calls a membership proceeding for review within the time prescribed in subparagraph (ii), the Exchange Board shall review the membership proceeding not later than the next meeting of the Exchange Board. The Exchange Board may order the applicant and the Department to file briefs in connection with review proceedings pursuant to this paragraph.

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(iv) **Decision of the Exchange Board, Including Remand**

After review, the Exchange Board may affirm, modify, or reverse the proposed written decision of the Exchange Review Council. Alternatively, the Exchange Board may remand the membership proceeding with instructions. The Exchange Board shall prepare a written decision that includes all of the elements described in Rule 923(a)(x)(B).

(v) **Issuance of Decision**

The Exchange Board shall serve its written decision on the applicant within 15 days after the meeting at which it conducted its review. The decision shall constitute the final action of the Exchange for purposes of SEC Rule 19d-3, unless the Exchange Board remands the membership proceeding.

Amendments.
May 6, 1953.
January 16, 2004 (03-73).
June 23, 2006 (05-61).
August 14, 2013 (13-84), operative September 13, 2013.
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 924. Obligations of Members and Member Organizations to the Exchange

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Member Obligations. (a) Each member shall be liable for such fees, fines, dues, penalties and other amounts imposed by the Exchange in connection with his permit or any activities conducted in connection therewith by such member, whether or not any such obligation was incurred on behalf or for his account, or on behalf or for the account of his member organization.

Member Organization Obligations. (b) Each member organization shall be liable for all fees, fines, dues, penalties or other amounts imposed by the Exchange upon such member organization, and upon, any member associated with such member organization in connection with a permit or any activities conducted in connection therewith by such member on behalf or for the account of such member organization. Member organizations may allocate responsibilities as among themselves regarding members associated with more than one member organization, provided that such allocation and any amendment thereto is in writing and duly executed by authorized officers or partners of such member organization and submitted to the Exchange in a form prescribed by the Exchange at least 30 days prior to the effectiveness thereof or such shorter period as the Chairman of the Board of Directors or his designee shall specify.

Adopted.
January 16, 2004 (03-73).
Amendment.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 926. The Exchange's Business Continuity and Disaster Recovery Plan Testing Requirements for Member Organizations and PSX Participants Pursuant to Regulation SCI

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With respect to the Exchange's business continuity and disaster recovery plans, including its backup systems, the Exchange shall:

(a) Establish standards for the designation of those Member Organizations and PSX Participants that the Exchange reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event of the activation of such plans. Such standards may include volume-based and/or market share-based criteria, and may be adjusted from time to time by the Exchange. The Exchange will provide public notice of the standards;

(b) Designate Members Organizations and PSX Participants pursuant to the standards established in paragraph (a) of this rule and require participation by such designated Members Organizations and PSX Participants in scheduled functional and performance testing of the operation of such plans, in the manner and frequency specified by the Exchange, provided that such frequency shall not be less than once every 12 months. The Exchange will provide at least six months prior notice to Members Organizations and PSX Participants that are designated for mandatory testing, and participation of such Members Organizations and PSX Participants is a condition of membership.

Adopted.
November 2, 2015 (15-90).

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Amendments.
May 31, 2000 (99-26).
June 4, 2001 (01-45).
January 16, 2004 (03-73).
May 14, 2009 (09-23)
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 931. Reserved

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Reserved

Amendments.
September 4, 1998 (98-22).
January 16, 2004 (03-73).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 932. Reserved

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Amendments.
January 16, 2004 (03-73).
April 25, 2011 (11-13).

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Amendments.
January 16, 2004 (03-73).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 941. Reserved

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Amendment.
April 25, 2011 (11-13).

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Adopted.
October 21, 1982.
Amendments.
December 14, 1982.
March 11, 1983.
May 16, 1983.
July 13, 1983.
January 16, 2004 (03-73).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 949. Reserved

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Reserved.

Adopted.
January 28, 1999 (98-45).
Amendments.
October 31, 2002 (02-46).
January 16, 2004 (03-73).
May 14, 2009 (09-23).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 971. Deleted

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Deleted.

Adopted.
January 16, 2004 (03-73).
Deleted.
April 8, 2016 (16-49), operative May 8, 2016.

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Nasdaq PHLX Rules, Regulation, Rule 972. Deleted

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Adopted.
January 16, 2004 (03-73).
Amendments.
February 3, 2004 (04-06).
February 4, 2004 (04-12).
July 17, 2008 (08-31).
April 25, 2011 (11-13).
Deleted.
April 8, 2016 (16-49), operative May 8, 2016.

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Nasdaq PHLX Rules, Regulation, Rule 980. Regulatory Services Agreements

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The Board may authorize any officer, on behalf of the Exchange, subject to the approval of the Board, to enter into one or more agreements with another self-regulatory organization to provide regulatory services to the Exchange to assist the Exchange in discharging its obligations under Section 6 and Section 19(g) of the Securities Exchange Act of 1934. Any action taken by another self-regulatory organization, or its employees or authorized agents, acting on behalf of the Exchange pursuant to a regulatory services agreement shall be deemed to be an action taken by the Exchange; provided, however, that nothing in this provision shall affect the oversight of such other self-regulatory organization by the Securities and Exchange Commission. Notwithstanding the fact that the Exchange may enter into one or more regulatory services agreements, the Exchange shall retain ultimate legal responsibility for, and control of, its self-regulatory responsibilities, and any such regulatory services agreement shall so provide.

Adopted.
May 18, 2006 (06-26).

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Nasdaq PHLX Rules, Regulation, Rule 985. Affiliation and Ownership Restrictions

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(a) **Nasdaq Ownership Restriction**

(i) No member, member organization, or person associated with a member organization shall be the beneficial owner of greater than twenty percent (20%) of the then-outstanding voting securities of Nasdaq, Inc.

(ii) For purposes of this Rule, any calculation of the number of shares of common stock outstanding at any particular time shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i)(D) under the Securities Exchange Act of 1934, as amended (“Exchange Act”). The term "beneficial owner" shall have the meaning set forth in the Restated Certificate of Incorporation of Nasdaq, Inc.

(b) **Restrictions on Affiliation**

(i) Except as provided in paragraph (ii) below:

(A) the Exchange or any entity with which it is affiliated shall not, directly or indirectly, acquire or maintain an ownership interest in, or engage in a business venture with, an Exchange member, member organization, or an affiliate of an Exchange member or member organization in the absence of an effective filing under Section 19(b) of the Exchange Act; and

(B) an Exchange member or member organization shall not be or become an affiliate of the Exchange, or an affiliate of an entity affiliated with the Exchange, in the absence of an effective filing under Section 19(b) of the Exchange Act.

The term “affiliate” shall have the meaning specified in Rule 12b-2 under the Exchange Act; provided, however, that for purposes of this Rule, one entity shall not be deemed to be an affiliate of another entity solely by reason of having a common director. The term “business venture” means an arrangement under which (A) the Exchange or an entity with which it is affiliated, and (B) an Exchange member or member organization, or an affiliate of an Exchange member or member organization, engage in joint activities with an expectation of shared profit and a risk of shared loss from common entrepreneurial efforts.

(ii) Nothing in this Rule shall prohibit, or require a filing under Section 19(b) of the Exchange Act, for:

(A) an Exchange member or member organization, or an affiliate of an Exchange member or member organization, acquiring or holding an equity interest in Nasdaq, Inc. that is permitted by the ownership limitations contained in Rule 985(a), or

(B) the Exchange or an entity affiliated with the Exchange acquiring or maintaining an ownership interest in, or engaging in a business venture with, an affiliate of an Exchange member or member organization if:

(I) there are information barriers between the member or member organization and the Exchange and its facilities, such that the member or member organization

(aa) will not be provided an informational advantage concerning the operation of the Exchange and its facilities, and will not be provided changes or improvements to the trading system that are not available to the industry generally or other Exchange members or member organizations;

(bb) will not have any knowledge in advance of other Exchange members or member organizations of proposed changes, modifications, or improvements to the operations or trading systems of the Exchange and its facilities, including advance knowledge of Exchange filings pursuant to Section 19(b) of the Exchange Act;

(cc) will be notified of any proposed changes, modifications, or improvements to the operations or trading systems of the Exchange and its facilities in the same manner as other Exchange members or member organizations are notified; and

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(dd) will not share employees, office space, or databases with the Exchange or its facilities, Nasdaq, Inc., or any entity that is controlled by Nasdaq, Inc.; and

(II) the Exchange's Board certifies, on an annual basis, to the Securities and Exchange Commission's Division of Trading and Markets that the Exchange has taken all reasonable steps to implement the requirements of this Rule and is in compliance therewith.

(c) (1) Nasdaq, Inc., which owns Nasdaq Options Services, LLC and the Exchange, shall establish and maintain procedures and internal controls reasonably designed to ensure that Nasdaq Options Services, LLC does not develop or implement changes to its system on the basis of non-public information regarding planned changes to the Exchange's systems, obtained as a result of its affiliation with the Exchange, until such information is available generally to similarly situated Exchange members and member organizations in connection with the provision of inbound routing to the Exchange.

(2) Nasdaq, Inc., which owns Nasdaq Execution Services, LLC and the Exchange, shall establish and maintain procedures and internal controls reasonably designed to ensure that Nasdaq Execution Services, LLC does not develop or implement changes to its system on the basis of non-public information regarding planned changes to the Exchange's systems, obtained as a result of its affiliation with the Exchange, until such information is available generally to similarly situated Exchange members and member organizations in connection with the provision of inbound routing to the Exchange.

Adopted.
July 17, 2008 (08-31).
Amendments.
February 26, 2010 (10-36).
September 9, 2010 (10-79).
April 25, 2011 (11-13).
May 25, 2011 (11-69).
October 18, 2017 (17-82).
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 990. Additional Requirements for Securities Listed on the Exchange Issued by Nasdaq or its Affiliates

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(a) For purposes of this Rule 990, the terms below are defined as follows:

(1) "Nasdaq Affiliate" means Nasdaq, Inc. and any entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Nasdaq, Inc., where "control" means that the one entity possesses, directly or indirectly, voting control of the other entity either through ownership of capital stock or other equity securities or through majority representation on the board of directors or other management body of such entity.

(2) “Affiliate Security” means any security issued by a Nasdaq Affiliate or any Exchange-listed option on any such security, with the exception of Trust Shares as defined in Rule 803(i) and Index Fund Shares as defined in Rule 803(l).

(b) Upon initial and throughout continued listing and trading of the Affiliate Security on the Exchange, the Exchange shall:

(1) provide a quarterly report to the Exchange’s Regulatory Oversight Committee detailing the Exchange’s monitoring of:

(A) the Nasdaq Affiliate's compliance with the listing requirements contained in the Rule 800 Series; and

(B) the trading of the Affiliate Security, which shall include summaries of all related surveillance alerts, complaints, regulatory referrals, trades cancelled or adjusted pursuant to Rule 3312, investigations, examinations, formal and informal disciplinary actions, exception reports and trading data of such security.

(2) engage an independent accounting firm once a year to review and prepare a report on the Affiliate Security to ensure that the Nasdaq Affiliate is in compliance with the listing requirements contained in the Rule 800 Series and promptly provide PHLX’s Regulatory Oversight Committee with a copy of the report prepared by the independent accounting firm.

(c) In the event that the Exchange determines that the Nasdaq Affiliate is not in compliance with any of the listing requirements contained in the Rule 800 Series the Exchange shall file a report with the Commission within five business days of providing notice to the Nasdaq Affiliate of its non-compliance. The report shall identify the date of non-compliance, type of non-compliance and any other material information conveyed to the Nasdaq Affiliate in the notice of non-compliance. Within five business days of receipt of a plan of compliance from the Nasdaq Affiliate, the Exchange shall notify the Commission of such receipt, whether the plan of compliance was accepted by the Exchange or what other action was taken with respect to the plan and the time period provided to regain compliance with the Rule 800 Series, if any.

Adopted.
July 17, 2008 (08-31).
Amendments.
April 25, 2011 (11-13).
October 18, 2017 (17-82).
March 9, 2018 (18-23), operative April 8, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 1000. Applicability, Definitions and References

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(a) **Applicability.** The Rules in this Part shall be applicable to the trading on the Exchange in option contracts issued by the Options Clearing Corporation, the terms and conditions of such contracts, the exercise and settlement thereof, the handling of orders, and the conduct of accounts and other matters relating to options trading. Except to the extent that specific Rules in this Part govern or unless the context otherwise requires, the provisions of the By-Laws and of all other Rules and Policies of the Board of Directors shall be applicable to the trading on the Exchange of option contracts.

(b) **Definitions.** The following terms as used in the Rules shall, unless the context otherwise indicates, have the meanings herein specified:

1. *Options Clearing Corporation*—The term "Options Clearing Corporation" means the Options Clearing Corporation, a subsidiary of the Participating Exchanges.

2. *Rules of the Options Clearing Corporation*—The term "rules of the Options Clearing Corporation" means the by-laws and the rules of the Options Clearing Corporation, and all written interpretations thereof, as the same may be in effect from time to time.

3. *Clearing Member*—The term "clearing member" means a member organization which has been admitted to membership in the Options Clearing Corporation pursuant to the provisions of the rules of the Options Clearing Corporation.

4. *Participating Exchange*—The term "Participating Exchange" means a national securities exchange which has qualified for participation in the Options Clearing Corporation pursuant to the provisions of the rules of the Options Clearing Corporation.

5. *Option Contract* —The term "option contract" means a put or a call issued, or subject to issuance, by the Options Clearing Corporation pursuant to the Rules of the Options Clearing Corporation.

6. *Exchange Options Transaction*—The term "Exchange options transaction" means a transaction effected on the Exchange between members for the purchase or sale of an option contract, or for the closing out of a long or short position in an option contract.

7. *Type of Option*—The term "type of option" means the classification of an option contract as either a put or a call.

8. *Call*—The term "call" means an option contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Options Clearing Corporation the number of shares of the underlying stock (in the case of an option on a stock), the number of Exchange-Traded Fund Shares (in the case of an option on an Exchange-Traded Fund Share) or the number of units of the underlying foreign currency (in the case of an option on a foreign currency) covered by the option contract.

9. *Put*—The term "put" means an option contract under which the holder of the option has the right, in accordance with the terms of the option, to sell to the Options Clearing Corporation the number of shares of the underlying stock (in the case of an option on a stock), the number of Exchange-Traded Fund Shares (in the case of an option on an Exchange-Traded Fund Share) or the number of units of the underlying foreign currency (in the case of an option on a foreign currency) covered by the option contract.

10. *Class of Options*—The term "class of options" means all option contracts of the same type of option covering the same underlying stock or Exchange-Traded Fund Share (in the case of options on a stock or Exchange-Traded Fund Share) or the same underlying foreign currency (in the case of options on a foreign currency).

11. *Series of Options*—The term "series of options" means all option contracts of the same class of options having the same expiration date and exercise price.

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12. *Underlying Stock*—The term "underlying stock" or "underlying Exchange-Traded Fund Share" in respect of an option contract means the security which the Options Clearing Corporation shall be obligated to sell (in the case of a call) or purchase (in the case of a put) upon the valid exercise of such option contract.

13. *Foreign Currency*—The term "foreign currency" means the standard unit of the official medium of exchange of a sovereign government including the United States Government (e.g., the British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, the Swedish krona, or the United States dollar) or the Euro.

14. The term "professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). A professional will be treated in the same manner as an off-floor broker-dealer for purposes of Rules 1014(g) (except with respect to all-or-none orders, which will be treated like customer orders, except that orders submitted pursuant to Rule 1087 for the beneficial account(s) of professionals with an all-or-none designation will be treated in the same manner as off-floor broker-dealer orders), 1033(e), 1064, Commentary .02 (except professional orders will be considered customer orders subject to facilitation), 1087 and 1098, as well as Options Floor Procedure Advices B-6 and F-5. Member organizations must indicate whether orders are for professionals.

(i) Calculation of Professional Orders. With respect to computing the number of orders in listed options per day on average during a calendar month for its own beneficial account(s), the following shall apply:

(a) Each order is counted toward the number of orders, regardless of the options exchange to which the order was routed in determining Professional orders, except FLEX orders.

(b) A cancel and replace order which replaces a prior order shall be counted as a second order, or multiple new orders in the case of Complex Order comprising 9 options legs or more, including “single-strike algorithms.” A cancel message is not an order. A series of cancel and replace orders in an individual strike, which track the NBBO, shall be counted as new orders.

(c) Complex Orders consisting of 8 legs or fewer will be counted as a single order, and respecting Complex Orders of 9 options legs or more, each leg will count as a separate order. Stock orders shall not count toward the number of legs.

(d) An order that converts into multiple subordinate orders to achieve an execution strategy shall be counted as one order per side and series, even if the order is routed away. An order that cancels and replaces the resulting subordinate order and results in multiple sides/ series shall be counted as a new order per side and series. An order that cancels and replaces the subordinate order on the same side and series will count as one order. For purposes of counting Customer orders, if one Customer order on the same side and series is subsequently broken-up by a broker into multiple orders for purposes of execution or routed away, this order will count as one order.

15. *Unit of Underlying Foreign Currency*—The term "unit of underlying foreign currency" means a single unit of the foreign currency (e.g., one British pound, one Swiss franc, one Canadian dollar, one Australian dollar, one Japanese yen, one Mexican peso, one Euro, one Brazilian real, one Chinese yuan, one Danish krone, one New Zealand dollar, one Norwegian krone, one Russian ruble, one South African rand, one South Korean won, or one Swedish krona).

16. *Exchange Spot Price*—The term "Exchange Spot Price" in respect of an option contract on a foreign currency means the cash market spot price, for the sale of one foreign currency for another, quoted by various foreign exchange participants for the sale of a single unit of such foreign currency for immediate delivery that is calculated from the foreign currency price quotation reported by the foreign currency price quotation dissemination system selected by the Exchange, to which an appropriate multiplier is applied. The multiplier(s) will be: 100 for the British pound, the Euro, the Swiss Franc, the Canadian dollar, the Australian dollar, the Brazilian real, and the New Zealand dollar; 1,000 for the Chinese yuan, the Danish krone, the Mexican peso, the

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Norwegian krone, the South African rand, and the Swedish krona; 10,000 for the Japanese yen and the Russian ruble; and 100,000 for the South Korean won.

17. *Forward Sales Prices*—The term "forward sales prices" in respect of an option contract on a foreign currency means the prices, quoted by various interbank foreign exchange participants for the sale of a single unit of the underlying foreign currency for other than immediate delivery (which generally means delivery more than two business days following the date on which the terms of such a sale are agreed upon), as reflected in the foreign currency price quotations reported by the foreign currency price quotation dissemination system selected by the Exchange.

18. *Exercise Strike Price*—The term "exercise strike price" in respect of an option contract means the stated price per share at which the underlying stock or Exchange-Traded Fund Share may be purchased (in the case of a call option on a stock or Exchange-Traded Fund Share) or sold (in the case of a put option on a stock or Exchange-Traded Fund Share) or the stated price per unit at which the underlying foreign currency may be purchased (in the case of a call option on a foreign currency) or sold (in the case of a put option on a foreign currency), or, in the case of U.S. dollar-settled foreign currency option contracts, the stated price per unit which determines the differential received upon the exercise of such option contract.

19. *Aggregate Exercise Price*—The term "aggregate exercise price" means the exercise price of an option contract multiplied by the number of shares of the underlying stock (in the case of an option on a stock), the number of Exchange-Traded Fund Shares (in the case of an option on an Exchange-Traded Fund Share) or the number of units of the underlying foreign currency (in the case of an option on a foreign currency) covered by such option contract.

20. *Expiration Month*—The term "expiration month" in respect of an option contract means the month and year in which such option contract expires.

21. *Expiration Date*—In the case of options on stocks or Exchange-Traded Fund Shares, the expiration date is (i) in the case of such an option expiring prior to February 1, 2015, 11:59 p.m. Eastern Time, the Saturday immediately following the third Friday of the expiration month of such option contract and (ii) in the case of such an option expiring on or after February 1, 2015, 11:59 p.m. Eastern Time, the third Friday of the expiration month of such option contract, or if such Friday is a day on which the Exchange on which such option is listed is not open for business, the preceding day on which such Exchange is open for business. Notwithstanding the foregoing, in the case of certain options expiring on or after February 1, 2015 that the Options Clearing Corporation ("OCC") has designated as grandfathered, the term “expiration date” shall mean the Saturday immediately following the third Friday of the expiration month. In the case of options on foreign currencies listed on or after June 13, 1993, the expiration date is 11:59 p.m. Eastern Time, on the Friday preceding the third Wednesday of the expiration month except in the following instances:

(i) In the case where American style foreign currency options contracts are listed subsequent to the European style options contracts for the June and December 1994 series of foreign currency options;

(ii) In the case of end of the month foreign currency option contracts listed on or after August 1, 1993, the expiration date is 11:59 p.m. Eastern Time on the last Friday of the expiration month; provided, however, that if the last Friday of the expiration month of such option contracts is December 25th, then the term "expiration date" shall be the Friday immediately preceding December 25th, and if the last Friday of the expiration month of such option contracts is December 31st, then the term "expiration date" shall be the Friday immediately preceding December 24th.

(iii) In the case of U.S. dollar-settled foreign currency option contracts, the expiration date is (i) in the case of such an option expiring prior to February 1, 2015,11:59 p.m. Eastern Time, the Saturday immediately following the third Friday of the expiration month of such option contract and (ii) in the case of such option expiring on or after February 1, 2015, 11:59 p.m. Eastern Time, the third Friday of the expiration month of such option contract, or if such Friday is a day on which the Exchange on which such option is listed is not open for business, the preceding day on which the Exchange is open for business.

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22. *Long Position*—The term "long position" means the number of outstanding option contracts of a given series of options held by a person (purchaser).

23. *Short Position*—The term "short position" means the number of outstanding option contracts of a given series of options with respect to which a person is obligated as a writer (seller).

24. *Opening Purchase Transaction*—The term "opening purchase transaction" means an Exchange options transaction in which the purchaser's intention is to create or increase a long position in the series of options involved in such transaction.

25. *Opening Writing Transaction*—The term "opening writing transaction" means an Exchange options transaction in which the seller's (writer's) intention is to create or increase a short position in the series of options involved in such transaction.

26. *Closing Sale Transaction*—The term "closing sale transaction" means an Exchange options transaction in which the seller's intention is to reduce or eliminate a long position in the series of options involved in such transaction.

27. *Closing Purchase Transaction*—The term "closing purchase transaction" means an Exchange options transaction in which the purchaser's intention is to reduce or eliminate a short position in the series of options involved in such transaction.

28. *Covered*—(i) The term "covered" in respect of a short position in a call option contract on a stock means that the writer's obligation is secured by a "specific deposit" or an "escrow deposit" meeting the conditions of rule 610(f) or 610(h), respectively, of the rules of the Options Clearing Corporation, or the writer holds in the same account as the short position, on a share-for-share basis, a long position either in the underlying stock or Exchange-Traded Fund Share, or in an option contract of the same class of options having an exercise price equal to or less than the exercise price of the option contract in such short position. The term "covered" in respect of a short position in a call option contract on a foreign currency means that the writer's obligation is secured in any of the ways set forth in subparagraphs (H)(i), (H)(ii) or (H)(iii) of Rule 722 or the writer holds in the same account as the short position, on a unit-for-unit basis, a long position in an option contract of the same class of options having an exercise price equal to or less than the exercise price of the option contract in such short position.

(ii) The term "covered" in respect of a short position in a put option contract on a stock means that the writer holds in the same account as the short position on a share-for-share basis, a long position in an option contract of the same class of options having an exercise price equal to or greater than the exercise price of the option contract in such short position. The term "covered" in respect of a short position in a put option contract on a foreign currency means that the writer's obligation is secured in the manner set forth in subparagraphs (H)(iv) or (H)(v) of Rule 722 or that the writer holds in the same account as the short position on a unit-for-unit basis, a long position in an option contract of the same class of options having an exercise price equal to or greater than the exercise price of the option contract in such short position.

29. *Uncovered*—The term "uncovered" in respect of a short position in an option contract means that the short position is not covered.

30. *Outstanding*—The term "outstanding" in respect of an option contract means an option contract which has been issued by the Options Clearing Corporation and has neither been the subject of a closing sale transaction on the Exchange or a comparable closing transaction on another Participating Exchange nor been exercised nor reached its expiration date.

31. *Primary Market*—The term "primary market" means, in the case of securities listed on The Nasdaq Stock Market, the market that is identified as the listing market pursuant to Section X(d) of the approved national market system plan governing the trading of Nasdaq-listed securities, and, in the case of securities listed on another national securities exchange, the market that is identified as the listing market pursuant to Section XI of the Consolidated Tape Association Plan.

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32. *Options Trading*—The term "options trading" when not preceded by the word "Exchange," means trading in any option issued by the Options Clearing Corporation, whether or not of a class or series which has been approved for trading on the Exchange.

33. *Approved person*—an individual or corporation, partnership or other entity which controls a member or member organization, or which is engaged in the securities business and either controlled by or under common control with a member or member organization.

34. The term "American Option" or "American Style Option" means an option contract that may be exercised at any time from its commencement until its expiration.

35. The term "European Option" or "European Style Option" means an option contract that can be exercised only on the day it expires.

36. The terms "stock index group", "broad stock index group" and "industry stock index group" in respect of stock index warrants shall have the same meaning as in respect of stock index options.

37. The term "stock index warrant" means a warrant on a stock index group listed pursuant to Exchange Rule 803(e).

38. Reserved.

39. The term "currency index group" means a group of currencies each of whose inclusion and relative representation in the group is determined by its inclusion and relative representation in a currency index.

40. Reserved.

41. The term "foreign broker-dealer" means any person or entity that is registered, authorized or licensed, or required to be by a foreign governmental agency or foreign regulatory organization to perform the function of a broker or a dealer in securities, or both. The terms "broker" or "dealer" mean the same as set out in Sections 3(a)(4) and 3(a)(5) of the Securities Exchange Act of 1934, as amended, provided that a broker or dealer may be a bank. For purposes of Rules 1014, 1033 and 1080, the term broker-dealer includes foreign broker-dealers, which are not public customers.

42. *Exchange-Traded Fund Share*—For purposes of these Rules, the term Exchange-Traded Fund Share shall have the meaning assigned to it in Rule 1009, Commentary .06.

43. *Quarterly Options Series*—The term "Quarterly Options Series" means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and expires at the close of business on the last business day of a calendar quarter.

44. *Short Term Option Series*—Short Term Option Series is a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Monday, Tuesday, Wednesday, Thursday or Friday that is a business day and that expires on the Monday, Wednesday or Friday of the next business week, or, in the case of a series that is listed on a Friday and expires on a Monday, is listed one business week and one business day prior to that expiration. If a Tuesday, Wednesday, Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Tuesday, Wednesday, Thursday or Friday, respectively. For a series listed pursuant to this section for Monday expiration, if a Monday is not a business day, the series shall expire on the first business day immediately following that Monday.

45. The term “System” shall mean the automated system for order execution and trade reporting owned and operated by the Exchange which comprises:

(A) an order execution service that enables members to automatically execute transactions in System Securities; and provides members with sufficient monitoring and updating capability to participate in an automated execution environment;

(B) a trade reporting service that submits “locked-in” trades for clearing to a registered clearing agency for clearance and settlement; transmits last-sale reports of transactions automatically to the Options Price

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Reporting Authority (“OPRA”) for dissemination to the public and industry; and provides participants with monitoring and risk management capabilities to facilitate participation in a “locked-in” trading environment; and

(C) the data feeds described at Rule 1070.

(46) The term “System Securities” shall mean all options that are currently trading on the System. All other options shall be “Non System Securities.”

(47) The term “Order” shall mean a single order submitted to the System by a member that is eligible to submit such orders.

(48) The term “System Book Feed” shall mean a data feed for System securities.

(49) The term “Agency Order” shall mean any order entered on behalf of a public customer (which includes an order entered on behalf of a professional), and does not include any order entered for the account of a broker-dealer, or any account in which a broker-dealer or an associated person of a broker-dealer has any direct or indirect interest.

(50) The term “Off-Floor Broker-Dealer Order” shall mean an order delivered from off the floor of the Exchange by or on behalf of a broker-dealer for the proprietary account(s) of such broker-dealer, including an order for a market maker located on an exchange or trading floor other than the Exchange's trading floor delivered electronically for the proprietary account(s) of such market maker.

(51) An “**account number**” shall mean a number assigned to a member organization. Member organizations may have more than one account number.

(51) The term “**in-the-money**” shall mean the following: for call options, all strike prices at or below the offer in the underlying security on the primary listing market; for put options, all strike prices at or above the bid in the underlying security on the primary listing market. This definition shall only apply for purposes of quoting obligations in Rules 1014 and 1017.

(52) A “**badge**” shall mean an account number, which may contain letters and/or numbers, assigned to Specialists and Registered Options Traders. A Specialist or Registered Options Trader account may be associated with multiple badges.

(52) The term “**out-of-the-money**” shall mean the following: for call options, all strike prices above the offer in the underlying security on the primary listing market; for put options, all strike prices below the bid in the underlying security on the primary listing market. This definition shall only apply for purposes of quoting obligations in Rules 1014 and 1017.

(53) A “**mnemonic**” shall mean an acronym comprised of letters and/or numbers assigned to member organizations. A member organization account may be associated with multiple mnemonics.

(c) **References.** Exchange Contracts as defined in Rule 58 include option contracts purchased or sold in Exchange options transactions.

(d) **Local Time.** All times are stated in these Rules in terms of the local time in effect in New York City.

(e) Reserved.

Amendments.
November 24, 1976.
June 2, 1977.
April 14, 1980.
October 14, 1982.
April 4, 1984.
August 8, 1984.
February 3, 1986.
December 30, 1986.
February 4, 1987.
August 27, 1987.
July 21, 1992.

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September 25, 1992.
July 13, 1993 (93-2).
October 4, 1993 (93-34).
March 8, 1994 (93-10).
November 1, 1994 (94-18).
December 13, 1994 (94-54).
May 24, 1995 (94-49).
August 29, 1995 (94-49).
September 20, 1995 (95-20 and 95-21).
November 8, 1995 (95-52).
March 21, 1996 (95-76).
January 14, 1997 (96-52).
May 27, 1997 (97-07).
October 17, 1997 (97-47).
December 2, 1997 (97-50).
December 17, 1997 (97-22).
January 15, 1999 (99-01).
February 2, 2001 (00-107).
January 16, 2004 (03-73).
December 10, 2004 (04-86).
December 21, 2006 (06-34).
February 13, 2007 (07-08).
March 28, 2008 (08-06).
May 27, 2008 (08-37).
November 7, 2008 (08-68).
June 24, 2009 (09-40).
March 30, 2010 (10-05).
June 14, 2010 (10-84).
October 1, 2010 (10-108).
April 25, 2011 (11-13).
June 20, 2013 (13-67).
August 1, 2013 (13-83).
September 13, 2013 (13-95).
August 21, 2013 (13-89), operative September 20, 2013.
October 2, 2013 (13-100).
April 29, 2013 (13-09), operative March 7, 2014.
June 30, 2015 (15-55), operative July 30, 2015.
October 7, 2015 (15-80).
December 9, 2015 (15-106), operative January 8, 2016.
March 25, 2016 (16-10).
August 25, 2016 (16-89).
January 17, 2017 (16-82).
October 30, 2017 (17-34).
January 8, 2018 (18-06).
January 16, 2018 (18-09).
February 1, 2018 (17-103).
February 22, 2018 (18-19).
July 17, 2018 (18-40).
November 6, 2018 (18-71).
November 16, 2018 (18-59), operative December 3, 2018.
November 28, 2018 (18-77).
April 16, 2019 (19-17).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1001. Position Limits

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(a) Except with the prior written approval of the Exchange in each instance, no member or member organization shall effect, for any account in which such member or member organization has an interest or for the account of any partner, officer, director or employee thereof or for the account of any customer, an opening transaction (whether on the Exchange or on another participating exchange) in an option contract of any class of options dealt in on the Exchange if the member or member organization has reason to believe that, as a result of such transaction, the member or member organization or partner, officer, director or employee thereof or customer would, acting alone or in concert with others, directly or indirectly control an aggregate position: (a) of more than 25,000, 50,000, 75,000, 200,000 or 250,000 option contracts (whether long or short), put or call option contracts on the same side of the market relating to the same underlying security, which limit is determined in accordance with section (g)(1)(a) herein, in the case of options on a stock or Exchange-Traded Fund Share, (except with respect to put or call option contracts overlying the PowerShares QQQ Trust ("QQQQ")® for which the position limit shall be 1,800,000 contracts on the same side of the market; options contracts overlying SPDR® S&P 500® exchange-traded fund (“SPY ETF” or “SPY”) for which the position limit shall be 1,800,000 contracts on the same side of the market; options overlying the iShares® Russell 2000® ETF ("IWM"), for which the position limit shall be 1,000,000 contracts; options overlying the Diamonds Trust ("DIA"), for which the position limit shall be 300,000 contracts on the same side of the market; options overlying the iShares MSCI Emerging Markets ETF ("EEM"), for which the position limit shall be 1,000,000 contracts on the same side of the market; iShares China Large-Cap ETF ("FXI"), iShares MSCI EAFE ETF ("EFA"), iShares MSCI Brazil Capped ETF ("EWZ"), iShares 20+ Year Treasury Bond Fund ETF ("TLT"), and iShares MSCI Japan ETF ("EWJ"), for each of which the position limit shall be 500,000 on the same side of the market; and options overlying the position limit shall be 500,000 on the same side of the market; and options overlying the Standard and Poor's Depositary Receipts ("SPDRs"), which shall have no position limits) or (b) with respect to a stock or Exchange-Traded Fund Share option not dealt in on the Exchange, exceeding the applicable position limit established by the exchange on which the option contract is transacted, when the member or member organization is not a member of that other exchange, or such other number of option contracts as may be fixed from time to time by the Exchange as the position limit for one or more classes or series. Position limits for foreign currency options shall be determined in accordance with section (j) herein.

(b) Reserved.

(c) It shall be the responsibility of each member and member organization accepting orders for opening transactions (purchase or writing) in options contracts of any class of options dealt in on the Exchange to inform their customers of the applicable position limits and not to accept any such orders from any customer in any instance in which such member or member organization has reason to believe that such customer, acting alone or in concert with others, has exceeded or is attempting to exceed such position limits.

(d) For the purpose of computing the aggregate position limits established by this Rule, long positions in call option contracts are aggregated with short positions in put option contracts and short positions in call option contracts are aggregated with long positions in put option contracts.

(i) Positions in option contracts overlying 10 shares of stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security ("Mini Options"), shall be aggregated with positions in regular size stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security option contracts, for purposes of this rule, provided that ten (10) Mini Option contracts shall count as one (1) regular size option contract.

(e) The Exchange will not approve any opening purchase or writing transaction or the carrying of any position that would exceed the limits established by this Rule except in highly unusual circumstances. An exemption will be granted to a member or member organization only under the following circumstances:

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(i) the exemption request must be submitted in writing to an Options Exchange Official and set forth the facts justifying the exemption;
(ii) if the exemption is sought by a registered options trader, the registered options trader must hold an assignment in the option;
(iii) the applicant's position must be near the current position limit (generally within 10% of the current limit); and
(iv) the character of trading in the option has been such as to support an exemption request; the applicant's participation in the market in the period prior to the exemption request has been significant in terms of daily volume.

A position limit exemption requires the approval of an Options Exchange Official. The exemption is effective at the time a decision is communicated; retroactive exemptions will not be granted. The size and duration of an exemption will be determined on a case-by-case basis. An exemption usually will be granted only until the nearest expiration.

(f) Specialists. The Exchange may establish higher position limits for specialists' transactions than those applicable with respect to other accounts. Whenever a specialist reasonably anticipates that he may exceed such position limits in the performance of his function of assisting in the maintenance of a fair and orderly market, he must seek an exemption in writing in accordance with this Rule.

A position limit exemption requires the approval of an Options Exchange Official. The exemption is effective at the time a decision is communicated; retroactive exemptions will not be granted. The size and duration of an exemption will be determined on a case-by-case basis. An exemption usually will be granted only until the nearest expiration.

(g) Equity Option Position Limits.

(i) The position limit shall be 250,000 contracts for options:

(a) on an underlying stock or Exchange-Traded Fund Share which had trading volume of at least 100,000,000 shares during the most recent six-month trading period; or
(b) on an underlying stock or Exchange-Traded Fund Share which had trading volume of at least 75,000,000 shares during the most recent six-month trading period and has at least 300,000,000 shares currently outstanding;

(ii) The position limit shall be 200,000 contracts for options:

(a) on an underlying stock or Exchange-Traded Fund Share which had trading volume of at least 80,000,000 shares during the most recent six-month trading period; or
(b) on an underlying stock or Exchange-Traded Fund Share which had trading volume of at least 60,000,000 shares during the most recent six-month trading period and has at least 240,000,000 shares currently outstanding;

(iii) The position limit shall be 75,000 contracts for options:

(a) on an underlying stock or Exchange-Traded Fund Share which had trading volume of at least 40,000,000 shares during the most recent six-month trading period; or
(b) on an underlying stock or Exchange-Traded Fund Share which had trading volume of at least 30,000,000 shares during the most recent six-month trading period and has at least 120,000,000 shares currently outstanding.

(iv) The position limit shall be 50,000 contracts for options:

(a) on an underlying stock or Exchange-Traded Fund Share which had trading volume of at least 20,000,000 shares during the most recent six-month trading period; or
(b) on an underlying stock or Exchange-Traded Fund Share which had trading volume of at least 15,000,000 shares during the most recent six-month trading period and has at least 40,000,000 shares currently outstanding.

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(v) The position limit shall be 25,000 contracts for all other options.

(h) The Exchange will review the volume and outstanding share information of all underlying stocks and Exchange-Traded Fund Shares every six months to determine which limit shall apply. A higher limit will be effective on the date set by the Exchange, while any change to a lower limit will take effect after the last expiration then trading, unless the requirement for the same or a higher limit is met at the time of an intervening six-month review. However, if, subsequent to a six-month review, an increase in volume and/or outstanding shares would make a stock or Exchange-Traded Fund Share eligible for a higher position limit prior to the next review, the Exchange in its discretion may immediately increase such position limit.

(i) Except with the prior written approval of the Exchange in each instance, no member or member organization shall effect for any account in which such member or member organization has an interest or for the account of any partner, officer, director or employee thereof or for the account of any customer, a purchase or sale transaction (whether on the Exchange or on or through the facilities of, or otherwise subject to the rules of, another national securities exchange or national securities association) in a stock index warrant if the member or member organization has reason to believe that as a result of such transaction the member or member organization or partner, officer, director or employee thereof or customer would, acting alone or in concert with others, directly or indirectly, control an aggregate position in a stock index warrant issue, or in all warrants issued on the same stock index, on the same side of the market, in excess of the position limits specified in sections (c) and (d).

(j) *Foreign Currency Option Position Limits*

(i) The position limit shall be 300,000 contracts for options on the following foreign currency: the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, the Swedish krona,

(ii) The position limit shall be 600,000 contracts for options on the following foreign currency: the British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, and the New Zealand dollar

(iii) The position limit shall be 1,200,000 contracts for options on the following foreign currency: the Euro.

(iv) However, if a foreign currency option (FCO or WCO) and a PHLX FOREX Option™ are listed on the same underlying currency (e.g. a Euro foreign currency option and a Euro PHLX FOREX Option), then the position for each such option on the same underlying currency will be aggregated for purposes of determining compliance with the position limit established in this rule.

(k) Control exists, under Rules 1001 and 1002, when it is determined that an individual or entity (1) makes investment decisions for an account or accounts, or (2) materially influences directly or indirectly the actions of any person who makes investment decisions.

(a) In addition, control will be presumed in the following circumstances:

(1) among all parties to a joint account who have authority to act on behalf of the account;
(2) among all general partners to a partnership account;
(3) when an individual or entity (1) holds an ownership interest of 10 percent or more in an entity (ownership interest of less than 10 percent will not preclude aggregation), or (2) shares in 10 percent or more of profits and/or losses of an account;
(4) when accounts have common directors or management;
(5) where a person or entity has the authority to execute transactions in an account;

(b) Control, presumed by one or more of the above findings or circumstances, can be rebutted by proving the factor does not exist or by showing other factors which negate the presumption of control. The rebuttal proof must be submitted by affidavit and/or such other documentary evidence as may be

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appropriate in the circumstances. The Exchange will also consider the following factors in determining if aggregation of accounts is required:

(1) similar patterns of trading activity among separate entities;
(2) the sharing of kindred business purposes and interests;
(3) whether there is common supervision of the entities which extends beyond assuring adherence to each entity's investment objectives and/or restrictions;
(4) the degree of contact and communication between directors and/or managers of separate accounts.

(c) Initial determinations under this Interpretation shall be made by Regulatory staff of the Exchange. A member or customer directly affected by such a determination may ask the Exchange to reconsider but may not request any other review or appeal, except in the context of a disciplinary proceeding.

(I) Equity Option Hedge Exemptions. The following qualified hedge transactions and positions described in paragraphs 1-5 below shall be exempt from established position limits as prescribed under sections (g) and (d)(i) above. Hedge transactions and positions established pursuant to paragraphs (6) and (7) below are subject to a position limit equal to five (5) times the standard limit established under sections (g) and (d)(i).

(1) Where each option contract is "hedged" or "covered" by 100 shares (10 shares in the case of a Mini Option) of the underlying security or securities convertible into such underlying security, or, in the case of an adjusted option contract the same number of shares represented by the adjusted contract; (i) long call and short stock; (ii) short call and long stock; (iii) long put and long stock; (iv) short put and short stock.
(2) A long call position accompanied by a short put position, where the long call expires with the short put, and the strike price of the long call and short put is equal, and where each long call and short put position is hedged with 100 shares (10 shares in the case of a Mini Option) (or other adjusted number of shares) of the underlying security or securities convertible into such stock ("reverse conversion").
(3) A short call position accompanied by a long put position where the short call expires with the long put, and the strike price of the short call and long put is equal and where each short call and long put position is hedged with 100 shares (10 shares in the case of a Mini Option) (or other adjusted number of shares) of the underlying security or securities convertible into such stock ("conversion").
(4) A short call position accompanied by a long put position, where the short call expires with the long put, and the strike price of the short call equals or exceeds the long put, and where each short call and long put position is hedged with 100 shares (10 shares in the case of a Mini Option) of the underlying security (or other adjusted number of shares). Neither side of the short call, long put position can be in-the-money at the time of the position is established ("collar").
(5) A long call position accompanied by a short put position where the long call expires with the short put and the strike price of the long call equals or exceeds the short put and where each long call and short put position is hedged with 100 shares (10 shares in the case of a Mini Option) of the underlying security (or other adjusted number of shares). Neither side of the long call, short put position can be in-the- money at the time the position is established ("reverse collar").
(6) A long call position accompanied by a short put position with the same strike price and a short call position accompanied by a long put position with a different strike price ("box spread").
(7) A listed option position hedged on a one-for-one basis with an over-the-counter ("OTC") option position on the same underlying security. The strike price of the listed option position and corresponding OTC option position must be within one strike of each other and no more than one expiration month apart.
(8) For those strategies described under (2), (3), and (4) above, one component of the option strategy may be an OTC option contract guaranteed or endorsed by the firm maintaining the proprietary position or carrying the customer account.
(9) An OTC option contract is defined as an option contract that is not listed on a National Securities Exchange or cleared at The Options Clearing Corporation.

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(m) Firm Facilitation Exemption. A member organization may be exempt from established position limits for equity option positions (including Exchange- Traded Fund Share option positions) held in its proprietary account where such position will facilitate an order for a customer of that member organization, provided that such position satisfies the following:

(i) *Maximum limit*: the facilitating position may exceed the applicable position limit by two times that limit, in addition to the allowable amount. For example, where the position limit is 25,000 contracts, a firm facilitation exemption is available for an additional 50,000 contracts. This exemption is in addition to any other exemptions available under Exchange Rules.

(ii) *Approval Procedure*: prior approval from an Options Exchange Official and the submission of a complete Firm Facilitation Form, which must be kept current, are required. Approval may be granted on the basis of verbal representations, in which case the member organization shall submit to the Regulatory staff of the Exchange a completed form respecting such approval within two business days or the time specified when approval is granted. A member organization may request an exemption based on interest expressed by its customer, prior to obtaining an order. This exemption is not available where either the customer or facilitation order are all or none or fill or kill orders.

(a) The facilitation firm shall promptly provide the Exchange with information or documents requested concerning the exempted and hedging positions. A copy of all applicable order tickets must be provided to the Regulatory staff of the Exchange on the day of execution.

(b) The facilitation firm shall establish and liquidate its own as well as its customer's option, stock and Exchange-Traded Fund Share positions in an orderly fashion, and not in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes nor with a view toward taking advantage of any differential in price between a group of securities and an overlying stock index option. The facilitation firm shall notify the Exchange of any material change in the exempted option position or hedge. The facilitation firm shall not increase the exempt option position once it is liquidated, unless prior approval is again received pursuant to this Rule.

(iii) *Facilitation Procedure*: compliance with the facilitation procedures of Options 8, Section 30(b) is required, such that the terms of the order are disclosed and the market quoted, with bidding/offering by the facilitation firm providing an opportunity for the trading crowd to participate. is required, such that the terms of the order are disclosed and the market quoted, with bidding/offering by the facilitation firm providing an opportunity for the trading crowd to participate.

(iv) *Hedge*: to remain qualified, the facilitation firm must hedge all exempt option positions within five business days after the execution of the order and furnish the Exchange's Regulatory staff with documentation reflecting the resulting hedged positions.

(v) Violations of these requirements, absent reasonable justification or excuse, shall result, in addition to any disciplinary action, in withdrawal of the exemption and may form the basis for subsequent denial of an application for an exemption hereunder.

(n) Delta-Based Equity Hedge Exemption. The Delta-Based Equity Hedge Exemption is in addition to the standard limit and other exemptions available under Exchange Rules, interpretations and policies.

(i) An equity option position of a member or non-member affiliate of a member that is delta neutral shall be exempt from established position limits as prescribed in this Rule 1001, subject to the following:

(a) The term "delta neutral" refers to an equity option position that is hedged, in accordance with a permitted pricing model, by a position in the underlying security or one or more instruments relating to the underlying security, for the purpose of offsetting the risk that the value of the

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option position will change with incremental changes in the price of the security underlying the option position.

(1) In the case of an equity option position for which the underlying security is an ETF that is based on the same index as an index option, the equity option position and any position in the underlying ETF may be combined with such an index option position and/or correlated instruments as defined in Exchange Rule 1001(A) Commentary .04(A), in accordance with Rule 1001A – Delta-Based Index Hedge Exemption, for calculation of the delta-based equity hedge exemption.

(b) An equity option position that is not delta neutral shall be subject to position limits in accordance with this Rule 1001 (subject to the availability of other position limit exemptions). Only the option contract equivalent of the net delta of such position shall be subject to the appropriate position limit.

(1) The term "options contract equivalent of the net delta" means the net delta divided by the number of shares that equate to one option contract on a delta basis.

(2) The term "net delta" means, at any time, the number of shares and/or units of trade (either long or short) required to offset the risk that the value of an equity option position will change with incremental changes in the price of the security underlying the option position, as determined in accordance with a permitted pricing model.

(c) A "permitted pricing model" means -

(1) A pricing model maintained and operated by The Options Clearing Corporation ("OCC Model");

(2) A pricing model maintained and used by a member subject to consolidated supervision by the Commission pursuant to Appendix E of Commission rule 15c3-1, or by an affiliate that is part of such member's consolidated supervised holding company group, in accordance with its internal risk management control system and consistent with the requirements of Appendices E or G, as applicable, to SEC rule 15c3-1 and SEC rule 15c3-4 under the Act, as amended from time to time, in connection with the calculation of risk-based deductions from capital or capital allowances for market risk thereunder, provided that the member or affiliate of a member relying on this exemption in connection with the use of such model is an entity that is part of such member's consolidated supervised holding company group;

(3) A pricing model maintained and used by a financial holding company or a company treated as a financial holding company under the Bank Holding Company Act of 1956, or by an affiliate that is part of either such company’s consolidated supervised holding company group, in accordance with its internal risk management control system and consistent with:

(i) the requirements of the Board of Governors of the Federal Reserve System, as amended from time to time, in connection with the calculation of risk-based adjustments to capital for market risk under capital requirements of the Board of Governors of the Federal Reserve System, provided that the member or affiliate of a member relying on this exemption in connection with the use of such model is an entity that is part of such company’s consolidated supervised holding company group; or

(ii) the standards published by the Basel Committee on Banking Supervision, as amended from time to time and as implemented by such company’s principal regulator, in connection with the calculation of risk based deductions or adjustments to or allowances for the market risk capital

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requirements of such principal regulator applicable to such company – where "principal regulator" means a member of the Basel Committee on Banking Supervision that is the home country consolidated supervisor of such company – provided that the member or affiliate of a member relying on this exemption in connection with the use of such model is an entity that is part of such company's consolidated supervised holding company group;

(4) A pricing model maintained and used by an OTC derivatives dealer registered with the SEC pursuant to SEC rule 15c3-1(a)(5) in accordance with its internal risk management control system and consistent with the requirements of Appendix F to SEC rule 15c3-1 and SEC rule 15c3-4 under the Act, as amended from time to time, in connection with the calculation of risk-based deductions from capital for market risk thereunder, provided that only such OTC derivatives dealer and no other affiliated entity (including a member) may rely on this subparagraph (c)(4); or

(5) A pricing model used by a national bank under the National Bank Act maintained and used in accordance with its internal risk management control system and consistent with the requirements of the Office of the Comptroller of the Currency, as amended from time to time, in connection with the calculation of risk-based adjustments to capital for market risk under capital requirements of the Office of the Comptroller of the Currency, provided that only such national bank and no other affiliated entity (including a member) may rely on this subparagraph (c)(5).

(d) Effect on Aggregation of Accounts

(1) Members and non-member affiliates who rely on this exemption must ensure that the permitted pricing model is applied to all positions in or relating to the security underlying the relevant option position that are owned or controlled by such member or non-member affiliate.

(2) Notwithstanding subparagraph (d)(1), the net delta of an option position held by an entity entitled to rely on this exemption, or by a separate and distinct trading unit of such entity, may be calculated without regard to positions in or relating to the security underlying the option position held by an affiliated entity or by another trading unit within the same entity, provided that:

(i) the entity demonstrates to the Exchange's satisfaction that no control relationship, as defined in section (k) to this Rule 1001; and

(ii) the entity has provided the Exchange written notice in advance that it intends to be considered separate and distinct from any affiliate or, as applicable, which trading units within the entity are to be considered separate and distinct from each other for purposes of this exemption.

(3) Notwithstanding subparagraph (d)(1) or (d)(2), a member or non-member affiliate who relies on this exemption shall designate, by prior written notice to the Exchange, each trading unit or entity whose option positions are required under Exchange Rules to be aggregated with the option positions of such member or non-member affiliate that is relying on this exemption for purposes of compliance with Exchange position limits or exercise limits. In any such case:

(i) the permitted pricing model shall be applied, for purposes of calculating such member's or affiliate's net delta, only to the positions in or relating to

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the security underlying any relevant option position owned and controlled by those entities and trading units who are relying on this exemption; and

(ii) the net delta of the positions owned or controlled by the entities and trading units who are relying on this exemption shall be aggregated with the non-exempt option positions of all other entities and trading units whose options positions are required under Exchange Rules to be aggregated with the option positions of such member or affiliate.

(e) Obligations of Members and Affiliates

(1) A member that relies on this exemption for a proprietary equity options position:

(i) must provide a written certification to the Exchange that it is using a permitted pricing model pursuant to subparagraph (c) in this Rule 1001; and

(ii) by such reliance authorizes any other person carrying for such member an account including, or with whom such member has entered into, a position in or relating to a security underlying the relevant option position to provide to the Exchange or the Clearing Corporation such information regarding such account or position as the Exchange or Clearing Corporation may request as part of the Exchange's confirmation or verification of the accuracy of any net delta calculation under this exemption.

(2) The equity option positions of a non-member relying on this exemption must be carried by a member with which it is affiliated.

(3) A member carrying an account that includes an equity option position for a non-member affiliate that intends to rely on this exemption must obtain from such non-member:

(i) a written certification to the Exchange that it is using a permitted pricing model pursuant to subparagraph (c) in this Rule 1001; and

(ii) a written statement confirming that such non-member affiliate:

(a) is relying on this exemption;

(b) will use only a permitted pricing model for purposes of calculating the net delta of its option positions for purposes of this exemption;

(c) will promptly notify the member if it ceases to rely on this exemption;

(d) authorizes the member to provide to the Exchange or the Clearing Corporation such information regarding positions of the non-member affiliate as the Exchange or Clearing Corporation may request as part of the Exchange's confirmation or verification of the accuracy of any net delta calculation under this exemption; and

(e) if the non-member affiliate is using the OCC Model, has duly executed and delivered to the Exchange such documents as the Exchange may require to be executed and delivered to the Exchange as a condition to reliance on this exemption.

(f) Reporting.

Each member (other than an Exchange market-maker using the OCC model) that holds or carries an account that relies on this exemption shall report, in accordance with Rule 1003, all

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equity option positions (including those that are delta neutral) that are reportable thereunder. Each such member on its own behalf or on behalf of a designated aggregation unit pursuant to section (n)(1)(d) herein shall also report, in accordance with Rule 1003, for each such account that holds an equity option position subject to this exemption in excess of the levels specified in this Rule 1001, the net delta and the options contract equivalent of the net delta of such position.

(g) Records.

Each member relying on this exemption shall:

(i) retain, and undertake reasonable efforts to ensure that any non-member affiliate of the member relying on this exemption retains, a list of the options, securities and other instruments underlying each option position net delta calculation reported to the Exchange hereunder, and

(ii) produce such information to the Exchange upon request.

(o) Exemptions Granted by Other Options Exchanges. A member may rely upon any available exemptions from applicable position limits granted from time to time by another options exchange for any options contract traded on the Exchange provided that such member:

(1) provides the Exchange with a copy of any written exemption issued by another options exchange or a written description of any exemption issued by another options exchange other than in writing containing sufficient detail for Exchange Regulatory staff to verify the validity of that exemption with the issuing options exchange, and

(2) fulfills all conditions precedent for such exemption and complies at all times with the requirements of such exemption with respect to the member's trading on the Exchange.

Amendments.
October 1, 1976; November 24, 1976; June 2, 1977; October 22, 1980; October 14, 1982; July 18, 1983; January 18, 1985; March 29, 1985; September 27, 1985; December 9, 1985; October 15, 1986; May 21, 1987; May 24, 1988; October 31, 1988; July 9, 1992; April 20, 1993 (92-22); November 17, 1993 (93-46); December 3, 1993; effective December 20, 1993; (93-7); March 8, 1994 (93-10); September 22, 1994 (93-13); November 1, 1994 (94-18); November 18, 1994 (94-53); May 18, 1995 (95-10); August 29, 1995 (94-49); September 20, 1995 (95-31); October 23, 1995 (95-71); January 19, 1996 (95-13); March 21, 1996 (95-76); September 4, 1996 (96-19); December 17, 1997 (97-22); December 31, 1998 (98-36); February 2, 2001 (00-107); January 18, 2002 (02-06); May 9, 2002 (02-33); January 16, 2004 (03-73); January 21, 2005 (05-05); March 4, 2005 (05-17); August 15, 2005 (05-51); February 27, 2006 (06-13); August 30, 2006 (06-48); December 21, 2006 (06-34); February 13, 2007 (07-10); June 7, 2007 (06-87); July 10, 2007 (07-34); August 15, 2007 (07-58); February 20, 2008 (08-07); February 28, 2008 (08-14); April 1, 2008 (08-24); April 29, 2008; May 14, 2009 (09-23); June 24, 2009 (09-40); September 15, 2009 (09-79); June 30, 2010 (10-93); April 25, 2011 (11-13); June 17, 2011 (11-58); March 16, 2012 (12-11); October 4, 2012 (12-122); October 19, 2012 (12-126); November 13, 2012 (12-132); November 5, 2013 (13-108); January 13, 2015 (15-07); March 18, 2015 (15-28), operative April 17, 2015; July 8, 2015 (15-60); June 10, 2016 (16-68); amended June 29, 2017 (17-52); amended Mar. 9, 2018 (18-24); amended June 4, 2018 (18-44), operative July 5, 2018; amended April 16, 2019 (19-17).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1002. Exercise Limits

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(a) Except as set forth in subparagraph (c) herein, no member or member organization shall exercise, for any account in which such member or member organization has an interest or for the account of any partner, officer, director or employee thereof or for the account of any customer, a long position in any option contract of a class of options dealt in on the Exchange (or, respecting an option not dealt in on the Exchange, another exchange if the member or member organization is not a member of that exchange) if as a result thereof such member or member organization, or partner, officer, director or employee thereof or customer, acting alone or in concert with others, directly or indirectly, has or will have exercised within any five (5) consecutive business days aggregate long positions in that class (put or call) as set forth as the position limit in Rule 1001, in the case of options on a stock or on an Exchange-Traded Fund Share, on a foreign currency, or stock index warrants; without regard to the exchange on which the options were purchased. Whether option or warrant positions should be aggregated under this Rule shall be determined in the manner described in the Commentary to Exchange Rule 1001. Index option position and exercise limits are governed by Rules 1001A and 1002A.

(b) It shall be the responsibility of each member and member organization accepting orders for the purchase (in opening transactions) of option contracts of a class of options dealt in on the Exchange to inform their customers of the applicable exercise limits and not to accept any exercise of an option contract from any customer in any instance in which such member or member organization has reason to believe that such customer, acting alone or in concert with others, has exceeded or is attempting to exceed such exercise limits.

(c) For a member or a member organization that has been granted an exemption to position limits pursuant to Rule 1001(l)(Equity Option Hedge Exemptions) or Rule 1001(n)(Delta-Based Equity Hedge Exemption), the number of contracts which can be exercised over a five (5) business day period shall equal the member's or member organization’s exempted position.

(d) The Exchange may establish different limits from time to time either across the board for all underlying securities or underlying foreign currencies covered by options traded in the Exchange or in respect to particular classes.

Amendments.
November 24, 1976.
June 2, 1977.
October 22, 1980.
October 14, 1982.
July 18, 1983.
January 18, 1985.
September 27, 1985.
December 9, 1985.
October 15, 1986.
May 21, 1987.
July 9, 1992.
December 3, 1993; effective December 20, 1993 (93-7).
March 8, 1994 (93-10).
September 22, 1994 (93-13).
November 1, 1994 (94-18).
August 29, 1995 (94-49).
September 20, 1995 (95-31).
February 2, 2001 (00-107).
June 7, 2007 (06-87).
June 24, 2009 (09-40).
April 25, 2011 (11-13).
March 18, 2015 (15-28), operative April 17, 2015.
April 11, 2017 (17-32).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1003. Reporting Of Options Positions

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(a) Each member and member organization shall file with the Exchange a report with respect to each account in which the member or member organization has an interest, each account of a partner, officer, director, or employee of such member organization, and each customer account, acting alone, or in concert with others, which has established an aggregate position of 200 or more option contracts (whether long or short) of a put class and call class on the same side of the market covering the same underlying security, in the case of options on a stock or Exchange-Traded Fund Share, or an aggregate position of 2,500 or more option contracts (whether long or short) of a put class and call class on the same side of the market covering the same underlying foreign currency in the case of options on a foreign currency, or an aggregate position of 100,000 or more warrants (whether long or short) covering the same underlying security in the case of warrants on stock indexes, currency, or currency indexes, combining for purposes of this Rule (i) long positions in put options with short positions in call options, and (ii) short positions in put options with long positions in call options. The report shall be in such form as may be prescribed by the Exchange and shall be filed no later than the close of business on the next business day following the day on which the transaction or transactions requiring the filing of such report occurred. Whenever a report shall be required to be filed with respect to an account pursuant to this paragraph, the member or member organization filing the same shall file with the Exchange such additional periodic reports with respect to such account as the Exchange may from time to time prescribe.

(b) In addition to the reporting requirement described in paragraph (a) of this Rule, each member (other than an Exchange market maker) that maintains a position in excess of 10,000 non-FLEX equity option contracts on the same side of the market on behalf of its own account or for the account of a customer, shall report information as to whether such positions are hedged, and provide documentation as to how such contracts are hedged, in a manner and form prescribed by the Exchange. For the purposes of this Rule, the term market maker is a Registered Option Trader or specialist. For the Nasdaq-100 Index Tracking Stock ("QQQ")® options, once the 10,000 contract reporting threshold of this paragraph is met, the Exchange will require members (other than an Exchange market maker) to report each increase of 2,500 contracts on the same side of the market for the account of a customer and each increase of 5,000 contracts on the same side of the market for proprietary accounts. In addition, whenever the Exchange determines, based on a report to the Regulatory staff or otherwise, that a higher margin requirement is necessary in light of the risks associated with an under-hedged Non-FLEX equity option position in excess of 10,000 contracts on the same of the market, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Exchange Rule 722d. Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under SEC rule 15c3-1 to the extent of any margin deficiency resulting from the higher margin requirements.

(c) In addition to the reports required by paragraph (a) of this Rule, each member and member organization shall report promptly to the Exchange any instance in which such member or member organization has reason to believe that a person, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits prescribed pursuant to Rule 1001 or the exercise limits prescribed pursuant to Rule 1002.

(d) Upon the request of the Exchange, a member and member organization shall file with the Exchange a report reflecting the aggregate uncovered short positions in each series of options dealt in on the Exchange in (i) each account in which the member or member organization has an interest, (ii) all accounts of partners, principal executive officers and directors of such member organization and (iii) all accounts of customers. Such report shall be made by the second business day following the date the request is made.

• • • ***Commentary:***

.01 A clearing member organization which clears Exchange options transactions for another member organization in a single omnibus account, need not file the reports specified in this Rule with respect

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to positions in such account provided the member organization whose Exchange options transactions are cleared through such omnibus account files the reports required by this Rule. However, a clearing member organization which clears Exchange option transactions for a non-member in a single omnibus account must file the reports required by this Rule.

.02 A member organization shall not be required to file the reports specified in this Rule with respect to positions in the accounts of specialists or specialist units and registered options traders cleared by such member organization provided such positions are reported pursuant to Rule 1022.

.03 All reports required by this Rule shall be filed with the Exchange, on forms prescribed by the Exchange.

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Amendments.
November 24, 1976.
June 2, 1977.
June 24, 1980.
September 3, 1981.
October 14, 1982.
January 18, 1985.
May 24, 1995 (94-49).
August 29, 1995 (94-49).
December 31, 1998 (98-36).
February 2, 2001 (00-107).
January 18, 2002 (02-06).
April 25, 2011 (11-13).
March 18, 2015 (15-28), operative April 17, 2015.
Renumbered.
June 2, 1977.
May 14, 2009 (09-23).

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Nasdaq PHLX Rules, Regulation, Rule 1004. Liquidation Of Positions

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Whenever the Exchange shall determine that a person or group of persons acting in concert holds or controls, or is obligated in respect of, an aggregate position (whether long or short) in all option contracts of one or more classes or series dealt in on the Exchange in excess of the applicable position limit established pursuant to Rule 1001, it may direct all members and member organizations carrying a position in option contracts of such classes or series for such person or persons to liquidate such position as expeditiously as possible consistent with the maintenance of an orderly market. Whenever such a direction is issued by the Exchange, no member organization receiving notice thereof shall accept any order to purchase, sell or exercise any option contract for the account of the person or persons named in such directive, unless in each instance express approval therefore is given by the Exchange, or until such directive is rescinded.

Amendment.
November 24, 1976.
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1005. Limit On Uncovered Short Positions

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Whenever the Exchange shall determine in light of current conditions in the Exchange options market or in the markets for underlying stocks, Exchange-Traded Fund Shares or foreign currencies, as the case may be, that there are outstanding an excessive number of uncovered short positions in option contracts of a given class dealt in on the Exchange or that an excessively high percentage of outstanding short positions in option contracts of a given class dealt in on the Exchange are uncovered, the Exchange may prohibit any further opening writing transactions (whether on the Exchange or on another Participating Exchange) in option contracts of that class unless the resulting short position will be covered, and it may prohibit the uncovering of any existing covered short position in option contracts of one or more series of options of that class, as it deems appropriate in the interests of maintaining a fair and orderly market in such option contracts or in the underlying stocks or Exchange-Traded Fund Shares (in the case of options on stocks or Exchange-Traded Fund Shares), or otherwise deems advisable in the public interest or for the protection of investors. The Exchange may exempt transactions of specialists from restrictions imposed under this Rule and it shall rescind such restrictions upon its determination that they are no longer appropriate.

Amendments.
October 14, 1982.
February 2, 2001 (00-107).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1006. Other Restrictions on Exchange Options Transactions and Exercises

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(a) Phlx may impose such restrictions on transactions or exercises in one or more series of options of any class traded on Phlx as the Exchange's Regulation Department in its judgment deems advisable in the interests of maintaining a fair and orderly market in options contracts or in underlying securities, or otherwise deems advisable in the public interest or for the protection of investors.

i. During the effectiveness of such restrictions, no member or member organization shall, for any account in which it has an interest or for the account of any customer, engage in any transaction or exercise in contravention of such restrictions.

ii. Notwithstanding the foregoing, during the ten (10) business days prior to the expiration date of a given series of options, other than index options, which shall include such expiration date for an option contract that expires on a business day, no restriction on exercise under this Section may be in effect with respect to that series of options. With respect to index options, restrictions on exercise may be in effect until the opening of business on the business day of their expiration or, in the case of an option contract expiring on a day that is not a business day, on the last business day before the expiration date.

iii. Exercises of American-style, cash-settled index options shall be prohibited during any time when trading in such options is delayed, halted, or suspended, subject to the following exceptions:

1) The exercise of an American-style, cash-settled index option may be processed and given effect in accordance with and subject to the Rules of The Options Clearing Corporation while trading in the option is delayed, halted, or suspended if it can be documented, in a form prescribed by Phlx Regulation, that the decision to exercise the option was made during allowable time frames prior to the delay, halt, or suspension;

2) Exercises of expiring American-style, cash-settled index options shall not be prohibited on the business day of expiration, or in the case of an option contract expiring on a day that is not a business day, the last business day prior to their expiration;

3) Exercises of American-style, cash-settled index options shall not be prohibited during a trading halt that occurs at or after 4:00 p.m. Eastern time. In the event of such a trading halt, exercises may occur through 4:20 p.m. Eastern time. In addition, if trading resumes following such a trading halt pursuant to the procedures described in Rules 1047 and 1047A, exercises may occur during the resumption of trading and for five (5) minutes after the close of the resumption of trading. The provisions of this subparagraph (a)(iii)(3) are subject to the authority of the Board to impose restrictions on transactions and exercises pursuant to paragraph (a) of this Rule; and

4) Phlx may determine to permit the exercise of American-style, cash-settled index options while trading in such options is delayed, halted, or suspended.

(b) Whenever the issuer of a security underlying a call option traded on Phlx is engaged or proposes to engage in a public underwritten distribution ("public distribution") of such underlying security or securities exchangeable for or convertible into such underlying security, the underwriters may request that Phlx impose restrictions upon all opening writing transactions in such options at a "discount" where the resulting short position will be uncovered ("uncovered opening writing transactions").

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i. In addition to a request, the following conditions are necessary for the imposition of restrictions:

1) less than a majority of the securities to be publicly distributed in such distribution are being sold by existing security holders;
2) the underwriters agree to notify Phlx Regulation upon the termination of their stabilization activities; and
3) the underwriters initiate stabilization activities in such underlying security on a national securities exchange when the price of such security is either at a “minus” or “zero minus” tick.

ii. Upon receipt of such a request and determination that the conditions listed above are met, Phlx Regulation shall impose the requested restrictions as promptly as possible but no earlier than fifteen (15) minutes after members or member organizations shall have been notified and shall terminate such restrictions upon request of the underwriters or when Phlx Regulation otherwise discovers that stabilizing transactions by the underwriters has been terminated.

iii. For purposes of paragraph (b) of this Rule, an uncovered opening writing transaction in a call option will be deemed to be effected at a “discount” when the premium in such transaction is either:

1) in the case of a distribution of the underlying security not involving the issuance of rights and in the case of a distribution of securities exchangeable for or convertible into the underlying security, less than the amount by which the underwriters' stabilization bid for the underlying security exceeds the exercise price of such option; or
2) in the case of a distribution being offered pursuant to rights, less than the amount by which the underwriters' stabilization bid in the underlying security at the subscription price exceeds the exercise price of such option.

Amendments.
November 24, 1976.
October 14, 1982.
August 27, 1987.
February 2, 2001 (00-107).
October 11, 2013 (13-104), operative November 10, 2013.
March 18, 2015 (15-28), operative April 17, 2015.
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June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1007. Designation Of Securities

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Stock or Exchange-Traded Fund Share option contracts purchased and sold on the Exchange are designated by reference to the issuer of the underlying security, expiration month, exercised price and type (put or call). Foreign currency option contracts purchased and sold on the Exchange are designated by reference to the underlying foreign currency (e.g., the British pound), expiration month, exercise price and type (put or call).

Amendments.
October 14, 1982.
February 2, 2001 (00-107).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1008. Rights And Obligations Of Holders And Writers

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(a) Subject to the provisions of Rules 1001, 1002, 1004 and 1006, the rights and obligations of holders and writers of option contracts of any class of options dealt in on the Exchange shall be as set forth in the rules of the Options Clearing Corporation.

Amendment.
April 25, 2011 (11-13).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1009. Criteria for Underlying Securities

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(a) Underlying securities in respect of which put or call option contracts are approved for listing and trading on the Exchange must meet the following criteria:

(1) The security must be duly registered and be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934;
(2) the security shall be characterized by a substantial number of outstanding shares which are widely held and actively traded.

(b) In addition, the Board of Directors shall from time to time establish guidelines to be considered by the Exchange in evaluating potential underlying securities for Exchange option transactions. There are, however, many relevant factors which must be considered in arriving at such a determination. The fact that a particular security may meet the guidelines established by the Board does not necessarily mean that it will be approved as an underlying security. Further, in exceptional circumstances an underlying security may be approved by the Exchange even though it does not meet all of the guidelines. The Exchange may also give consideration to maintaining diversity among various industries and issuers in selecting underlying securities.

(c) The British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, the U.S. dollar, the Mexican peso, the Euro, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona may be approved as underlying foreign currencies for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. In the event that any of the sovereign governments or the European Economic Community's European Monetary System issuing any of the above-mentioned currencies should issue a new currency intended to replace one of the above-mentioned currencies as the standard unit of the official medium of exchange of such government, such new currency also may be approved as an underlying foreign currency for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. Options trading in such new currency may occur simultaneously with options trading in any of the above-mentioned currencies; provided, however, that the Exchange shall withdraw its approval of options transactions in the currency which is intended to be replaced by such new currency as expeditiously as it deems consistent with the maintenance of a fair and orderly market or the protection of investors.

• • • ***Commentary:***

.01 The Board of Directors has established guidelines to be considered by the Exchange in evaluating potential underlying securities for Exchange option transactions. Absent exceptional circumstances with respect to items 1, 2, 3, or 4 listed below, at the time the Exchange selects an underlying security for Exchange options transactions, the following guidelines with respect to the issuer shall be met:

(1) There are a minimum of 7,000,000 shares of the underlying security which are owned by persons other than those required to report their stock holdings under Section 16(a) of the Securities Exchange Act of 1934.
(2) There are a minimum of 2,000 holders of the underlying security.
(3) Trading volume (in all markets in which the underlying security is traded) has been at least 2,400,000 shares in the preceding twelve months.
(4) (i) If the underlying security is a "covered security" as defined in Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least $3.00 for the previous three (3) consecutive business days preceding the date on which the Exchange submits a certificate to the Options Clearing

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Corporation for listing and trading. For purposes of this Rule, the market price of such underlying security is measured by the closing price reported in the primary market in which the underlying security is traded.

(ii) If the underlying security is not a "covered security," the market price per share of the underlying security has been at least $7.50 for the majority of business days during the three calendar months preceding the date of selection, as measured by the lowest closing price reported in any market in which the underlying security traded on each of the subject days.

(5) The issuer is in compliance with any applicable requirements of the Securities Exchange Act of 1934.

(6) Notwithstanding the requirements set forth in Paragraphs 1 through 4 above, the Exchange may list and trade an options contract if:

(i) the underlying security meets the guidelines for continued listing in Rule 1010; and

(ii) options on such underlying security are listed and traded on at least one other national securities exchange.

.02 (a) Members, member organizations or any person proposing to list any option not currently listed on the Exchange shall submit a form of request (a "Request to List an Option"), available from the Exchange's "designated staff" or "designated department" (together "the designated department").

(b) As soon as practicable, but not later than three (3) business days following receipt of the Request to List an Option, the designated department shall review the proposed option's eligibility for listing, using the objective listing criteria set forth in Commentary .01 of this Rule. If the designated department determines that the proposed option does not meet the objective listing criteria set forth in Commentary .01 of this Rule, the designated department shall prepare a responsive form (a "Notification Memorandum") stating the reason(s) why the proposed option is not eligible for listing. The designated department shall forward the Notification Memorandum to the member or member organization that submitted the Request to List an Option within three (3) business days of its determination that the proposed option does not meet objective listing criteria. The designated department shall maintain all Requests to List an Option and Notification Memoranda in a central file for a period of not less than five (5) years.

(c) If the designated department determines that the proposed option meets the objective listing criteria set forth in Commentary .01 of this Rule, the designated department shall present the initial Request to List an Option and the subsequent review to the Chairman of the Board of Directors or his designee, who shall, within ten (10) business days of receipt of the Request to List an Option, instruct the designated department to:If the designated department determines that the proposed option meets the objective listing criteria set forth in Commentary .01 of this Rule, the designated department shall present the initial Request to List an Option and the subsequent review to the Chairman of the Board of Directors or his designee, who shall, within ten (10) business days of receipt of the Request to List an Option, instruct the designated department to:

(i) solicit options specialists to submit applications for specialist privileges in the option; or

(ii) within three (3) business days, prepare and forward a letter to the member or member organization that submitted the Request to List an Option, setting forth in reasonable detail the basis on which the decision not to list, **or to place limitations or conditions upon,** the proposed option was made.

(d) In considering underlying securities, the Exchange shall ordinarily rely on information made publicly available by the issuer and/or the markets in which the security is traded.

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(e) In determining whether to list an option that otherwise meets objective listing criteria, the Chairman of the Board of Directors or his designee may consider such factors as the Exchange's current and projected computer capacity, and the current and projected demands for that capacity, including telecommunications and Option Price Reporting Authority ("OPRA") inbound and outbound message capacity or message volume restrictions placed on the Exchange by OPRA; the projected likely number of series and open interest in the option; the projected likely volatility of the option; the projected likely liquidity of the option; name recognition of the option or underlying security; the projected volume of trading in the option that is likely to occur on the Exchange; the projected share of total trading in the option that is likely to occur at the Exchange; whether any intellectual property right or license thereof exists with respect to the option; whether the proposal is consistent with Exchange Rules and/or the Securities Exchange Act of 1934 and the rules, regulations, and orders thereunder; whether unusual or unfavorable market conditions exist with respect to the option; and whether it is in the *bona fide* business interest of the Exchange to list the option. **If, in denying a request or approving a request subject to conditions or limitations, the Exchange relies upon a factor of other bona fide business interests, the Exchange shall, in addition to providing the member with a written response specifying that the Exchange has relied upon other bona fide business interests, maintain a record of the bona fide business interests supporting its decision.**

.03 As used both in Rules 1009 and 1010, the word "security" may be broadly interpreted to mean any equity security as defined in Rule 3a11-1 promulgated under the Securities Exchange Act of 1934, which is appropriate for options trading. The word "shares" shall mean the unit of trading of such security. The Exchange deems that American Depository Receipts ("ADRs") and non-convertible preferred stock which meet the criteria set forth in this Rule are appropriate for options trading and in the case of options on an ADR, (i) the Exchange has in place, an effective surveillance agreement with the primary exchange in the home country where the security underlying the ADR is traded or (ii) the combined trading volume of the ADR and other related ADRs and securities (as defined below) occurring in the U.S. ADR market or in markets with which the Exchange has in place an effective surveillance sharing agreement represents (on a share equivalent basis) at least 50% of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock (together, "other related ADRs and securities") over the three month period preceding the date of selection of the ADR for options trading; or (iii) (a) the combined trading volume of the ADR and other related ADRs and securities occurring in the U.S. ADR market and in markets where the Exchange has in place an effective surveillance agreement, represents (on a share equivalent basis) at least 20% of the combined worldwide trading volume in the ADR and in other related ADRs and securities over the three month period preceding the date of selection of the ADR for options trading, (b) the average daily trading volume for the security in U.S. markets over the three months preceding the selection of the ADR for options trading is 100,000 or more shares, and (c) the trading volume is at least 60,000 shares per day in U.S. markets on a majority of the trading days for the three months preceding the date of selection of the ADR for options trading ("Daily Trading Volume Standard"), or (iv) the Securities and Exchange Commission has otherwise authorized the listing.

.04 Securities deemed appropriate for options trading shall include shares issued by registered closed-end management investment companies that invest in the securities of issuers based in one or more foreign countries ("International Funds") if they meet the criteria and guidelines set forth above and either (i) the Exchange has a market information sharing agreement with the primary exchange for each of the securities held by the fund; or (ii) the International Fund is classified as a diversified fund as that term is defined by Section 5(b) of the Investment Company Act of 1940 and the securities held by the fund are issued by issuers based in five or more countries. A "market information sharing agreement" for purposes of this Commentary is an agreement that would permit the Exchange to

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obtain trading information relating to the securities held by the fund including the identity of the member of a foreign exchange executing the trade. International Funds not meeting either (i) or (ii) above shall be deemed appropriate for options trading if the Commission specifically authorizes the listing.

.05 (a) In determining whether an equity security (the "restructure security") issued or anticipated to be issued in a spin-off, reorganization, recapitalization, restructuring, or similar corporate transaction (a "restructuring transaction") satisfies the guidelines set forth in paragraphs (3) and (4) of Commentary .01 above, the Exchange may rely on the trading volume and market price history of the related equity security in respect of which the restructure security was or is to be issued (the "original security") determined prior to the ex-date for the restructuring transaction, but only if (i) both the trading volume and the market price history of the original security are used for this purpose for any trading days when either is so used, (ii) once the Exchange commences to rely on the trading volume and market price history of the restructure security for any trading day, the Exchange may not rely on the trading volume and market price history of the original security for any trading day thereafter, and (iii) at least one of the following conditions is met:

(1) At least one of (i) the aggregate market value of the restructure security, (ii) the aggregate book value of the assets attributed to the business represented by the restructure security, or (iii) revenues attributed to the business represented by the restructure security is no less than the relevant percentage of the same measure determined with respect to the original security or the business represented by the original security, as applicable, calculated in a comparable manner, provided that in the case of the qualification of a restructure security under clause (ii), the aggregate book value of the assets attributed to the business represented by the restructure security is not less than $50 million, and in the case of the qualification of a restructure security under clause (iii), the revenues attributed to the business represented by the restructure security are not less than $50 million. For purposes of the foregoing sentence, the relevant percentage is 25% when the applicable measure determined with respect to the original security or the business it represents reflects the *inclusion* of the business represented by the restructure security, and the relevant percentage is 33 1/3% when the applicable measure determined with respect to the original security or the business it represents reflects the *exclusion* of the business represented by the restructure security.

(2) The aggregate market value represented by the shares of the restructure security is at least five hundred million dollars ($500,000,000).

For purposes of the foregoing, (i) aggregate market value of the shares of the restructure security may be determined from "when issued" prices, if available; (ii) comparative aggregate market value calculations shall be based upon share prices that are all either (a) closing prices in the primary market on the last business day preceding the selection date of the restructure security or (b) opening prices in the primary market on the selection date of the restructure security; and (iii) comparative asset values and revenues shall be derived from either the latest annual or most recently available interim (not less than three months) financial statements of the issuer, which may be audited or unaudited or *pro forma*.

(b) Option contracts may not be initially listed for trading on a restructure security until such time as shares of the restructure security are issued and outstanding and are the subject of trading that is not on a "when issued" basis or in some similar fashion that is not contingent on the shares being issued, distributed, redesignated or created.

(c) In certifying a restructure security for options trading, the Exchange may determine that the requirements of paragraphs (1) and (2) of Commentary .01 above are satisfied based on the facts and circumstances that will exist on the intended date for listing the option rather than at the time the restructure security is so selected. In the case of a transaction within the scope of this Commentary .05 in which shares of a restructure security are issued or distributed to the holders of shares of an original security, this determination may either be based on

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the public ownership and number of shareholders of the original security, or the Exchange may assume that one or both of these requirements will be satisfied if either of the following conditions is met on the date the restructure security is selected for options trading: (i) the restructure security will be listed on an exchange or automatic quotation system subject to initial listing requirements in respect of public ownership of shares of number of shareholders or both that are no less stringent than the requirements assumed to be satisfied, or (ii) at least 40,000,000 shares of the restructure security will be issued and outstanding on the intended date for listing the option, unless in the case of (i) or (ii) above, the Exchange, after reasonable investigation, has determined that such requirements will in fact not be satisfied on that date. Any determination by the Exchange that such requirements will be satisfied based on an assumption made pursuant to this paragraph is subject to the right of any objecting exchange to demonstrate that such requirements will in fact not be satisfied.

(d) In the case of a Restructured Transaction that satisfies either or both of the conditions of subparagraphs (a)(1) or (2) above in which shares of the restructure security are sold in a public offering or pursuant to a rights distribution: (i) the Exchange may assume the satisfaction of one or both of the requirements of paragraph (1) and (2) of Commentary .01 above on the date the restructure security is selected for options trading only if (A) the applicable conditions set forth in paragraph (c)(i) above are met with respect to whichever of these requirements is assumed to be satisfied, or (B) the condition set forth in paragraph (c)(ii) above is met, in either case subject to the limitations stated in said paragraph (c); (ii) the Exchange may certify that the market price of the restructure security satisfies the requirement of paragraph (4) of Commentary .01 above by relying on the market price history of the original security prior to the ex-date for the Restructure Transaction in the manner described in paragraph (a) above, but only if the restructure security has traded "regular way" on an exchange or automatic quotation system for at least five trading days immediately preceding the date of selection, and at the close of trading on each trading day preceding the date of selection, as well as at the opening of trading on the date of selection the market price of the restructure security was at least $7.50 or, if the restructure security is a "covered security" as defined in paragraph (4) of Commentary .01 above, the market price of the restructure security was at least $3.00; and (iii) the Exchange may certify that the trading volume of the restructure security satisfies the requirement of paragraph (3) of Commentary .01 above only if the trading volume in the restructure security has been at least 2,400,000 shares during a period of 12 months or less ending on the date the restructure security is selected for options trading.

.06 Securities deemed appropriate for options trading shall include share or other securities ("Exchange-Traded Fund Shares"), including but not limited to Partnership Units as defined in Commentary .08 to Rule 1009, that are principally traded on a national securities exchange and are defined as an "NMS stock" under Rule 600 of Regulation NMS, and that (i) represent an interest in a registered investment company organized as an open-end management investment company, a unit investment trust or a similar entity which holds securities and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements (the "Financial Instruments"), and money market instruments, including, but not limited to, U.S. government securities and repurchase agreements (the "Money Market Instruments") constituting or otherwise based on or representing an investment in an index or portfolio of securities and/or Financial Instruments and Money Market Instruments, or (ii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and /or non-U.S. currency ("Commodity Pool ETFs") or (iii) represent interests in a trust or similar entity that holds a specified non-U.S. currency

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or currencies deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust ("Currency Trust Shares"), or (iv) represent interests in SPDR Gold Trust, iShares COMEX Gold Trust, iShares Silver Trust, or ETFS Gold Trust (“SGOL”) provided:

(a) (i) the Exchange-Traded Fund Shares meet the criteria and guidelines for underlying securities set forth in Commentary .01 to this Rule 1009; or (ii) The Exchange-Traded Fund Shares must be available for creation or redemption each business day in cash or in kind from the investment company, commodity pool or other entity at a price related to the net asset value. In addition, the investment company, commodity pool or other entity shall provide that fund shares may be created even though some or all of the securities and/or cash needed to be deposited have not been received by the unit investment trust or the management investment company, provided the authorized creation participant has undertaken to deliver the shares and/or cash as soon as possible and such undertaking has been secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the fund which underlies the option as described in the fund or unit trust prospectus; and

(b) The Exchange-Traded Fund Shares meet the following criteria:

(i) The Fund Shares are listed pursuant to generic listing standards for series of portfolio depositary receipts and index fund shares based on international or global indexes, in which case a comprehensive surveillance agreement is not required; or

(ii) (A) any non-U.S. component stocks in the index or portfolio on which the Fund Shares are based that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 50% of the weight of the index or portfolio;

(B) stocks for which the primary market is in any one country that is not subject to a comprehensive surveillance agreement do not represent 20% or more of the weight of the index; and

(C) stocks for which the primary market is in any two countries that are not subject to comprehensive surveillance agreements do not represent 33% or more of the weight of the index.

(iii) For Commodity Pool ETFs that engage in holding and/or managing portfolios or baskets commodity futures contracts, options on commodity futures contracts, swaps, forward contracts, options on physical commodities, options on non-U.S. currency and/or securities, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in such commodity futures contracts and/or options on commodity futures contracts on the specified commodities or non-U.S. currency, which are utilized by the national securities exchange where the underlying Commodity Pool ETFs are listed and traded.

(iv) For Currency Trust Shares, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in derivatives (options or futures) on the specified non-U.S. currency, which are utilized by the national securities exchange where the underlying Currency Trust Shares are listed and traded.

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.07 Securities deemed appropriate for options trading shall include shares or other securities ("Trust Issued Receipts") that are principally traded on a national securities exchange or through the facilities of a national securities association and reported as a national market security, and that represent ownership of the specific deposited securities held by a trust, provided:

(a) (i) the Trust Issued Receipts meet the criteria and guidelines for underlying securities set forth in Commentary .01 to this Rule 1009; or

(ii) the Trust Issued Receipts must be available for issuance or cancellation each business day from the Trust in exchange for the underlying deposited securities; and

(b) not more than 20% of the weight of the Trust Issued Receipt is represented by ADRs on securities for which the primary market is not subject to a comprehensive surveillance agreement.

.08 The term "Partnership Units" means a security (a) that is issued by a partnership that invests in any combination of futures contracts, options on futures contracts, forward contracts, commodities (as defined inSection 1(a)(4) of the Commodity Exchange Act) and/or securities; and (b) that is issued and redeemed daily in specified aggregate amounts at net asset value.

.09 Index-Linked Securities

(a) Securities deemed appropriate for options trading shall include shares or other securities ("Equity Index-Linked Securities," "Commodity-Linked Securities," "Currency-Linked Securities," "Fixed Income Index-Linked Securities," "Futures-Linked Securities," and "Multifactor Index-Linked Securities," collectively known as "Index-Linked Securities") that are principally traded on a national securities exchange and an "NMS Stock " (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934), and represent ownership of a security that provides for the payment at maturity, as described below:

(i) Equity Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of an underlying index or indexes of equity securities ("Equity Reference Asset");

(ii) Commodity-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more physical commodities or commodity futures, options on commodities, or other commodity derivatives or Commodity-Based Trust Shares or a basket or index of any of the foregoing ("Commodity Reference Asset");

(iii) Currency-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more currencies, or options on currencies or currency futures or other currency derivatives or Currency Trust Shares (as defined in Commentary .06 to this Rule 1009), or a basket or index of any of the foregoing ("Currency Reference Asset")

(iv) Fixed Income Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities ("Treasury Securities"), government-sponsored entity securities ("GSE Securities"), municipal securities, trust preferred securities, supranational debt and

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debt of a foreign country or a subdivision thereof or a basket or index of any of the foregoing ("Fixed Income Reference Asset");

(v) Futures-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of an index or indexes of futures contracts or options or derivatives on futures contracts ("Futures Reference Asset"); and

(vi) Multifactor Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of any combination of two or more Equity Reference Assets, Commodity Reference Assets, Currency Reference Assets, Fixed Income Reference Assets, or Futures Reference Assets ("Multifactor Reference Asset)";

(b) For purposes of Commentary .09 to this Rule 1009, Equity Reference Assets, Commodity Reference Asset, Currency Reference Assets, Fixed Income Reference Assets, Futures Reference Assets together with Multifactor Reference Assets, collectively will be referred to as "Reference Assets."

(c) (i) The Index-Linked Securities must meet the criteria and guidelines for underlying securities set forth in Commentary .01 to this Rule 1009; or

(ii) the Index-Linked Securities must be redeemable at the option of the holder at least on a weekly basis through the issuer at a price related to the applicable underlying Reference Asset. In addition, the issuing company is obligated to issue or repurchase the securities in aggregation units for cash, or cash equivalents, satisfactory to the issuer of Index-Linked Securities which underlie the option as described in the Index-Linked Securities prospectus.

(d) The Exchange will implement surveillance procedures for options on Index-Linked Securities, including adequate comprehensive surveillance sharing agreements with markets trading in non-U.S. components, as applicable.

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Amendments.
January 21, 1977.
November 24, 1981.
October 14, 1982.
April 4, 1984.
June 6, 1985.
February 3, 1986.
April 17, 1986.
December 30, 1986.
October 18, 1991.
October 21, 1991.
November 7, 1991.
December 1, 1992.
October 19, 1993 (93-44).
January 31, 1994 (93-54).
May 13, 1994 (91-40)
November 1, 1994 (94-18).
July 24, 1995 (95-12).
September 20, 1995 (95-20).
October 30, 1995 (95-65).
March 22, 1996 (95-90).
June 24, 1997 (97-26).
December 17, 1997 (97-22).
April 30, 1998 (98-17).
January 15, 1999 (99-01).
February 2, 2001 (00-107).
June 27, 2001 (01-02).

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August 16, 2001 (01-71).
November 7, 2002 (02-71).
May 5, 2003 (03-27).
December 7, 2005 (05-74).
January 12, 2006 (05-84).
December 21, 2006 (06-34).
June 25, 2007 (07-35).
October 29, 2007 (07-73).
April 25, 2008 (08-30).
May 30, 2008 (08-17).
September 17, 2008 (08-60).
December 4, 2008 (08–58).
June 24, 2009 (09-40).
November 15, 2010 (10-159).
April 25, 2011 (11-13).
August 2, 2011 (11-102).
February 1, 2012 (11-175).
March 16, 2015 (15-27).
January 1, 2018 (17-75).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1010. Withdrawal of Approval of Underlying Securities or Options

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(a) Whenever the Exchange determines that an underlying security previously approved for Exchange option transactions does not meet the then current requirements for continuance of such approval or for any other reason should no longer be approved, the Exchange shall not open for trading any additional series of options of the class covering that underlying security and may therefore prohibit any opening purchase transactions in series of options of that class previously opened (except that (i) opening transactions by Market Makers executed to accommodate closing transactions of other market participants and (ii) opening transactions by member organizations to facilitate the closing transactions of public customers executed as crosses pursuant to and in accordance with Options 8, Section 30(b) may be permitted), to the extent it shall deem such action necessary or appropriate; provided, however, that where exceptional circumstances have caused an underlying security not to comply with the Exchange's current approval maintenance requirements, regarding number of publicly held shares of publicly held principal amount, number of shareholders, trading volume or market price the Exchange may, in the interest of maintaining a fair and orderly market or for the protection of investors, determine to continue to open additional series of option contracts of the class covering that underlying security. When all option contracts in respect of any underlying security that is no longer approved have expired, the Exchange may make application to the Securities and Exchange Commission to strike from trading and listing all such option contracts.

• • • ***Commentary:***

.01 The Board of Directors has established guidelines to be considered by the Exchange in determining whether an underlying security previously approved for Exchange option transactions no longer meets its requirements for the continuance of such approval. Absent exceptional circumstances, with respect to items 1, 2, or 3 listed below, an underlying security will not be deemed to meet the Exchange's requirements for continued approval whenever any of the following occur:

1. There are fewer than 6,300,000 shares of the underlying security held by persons other than those who are required to report their security holdings under Section 16(a) of the Securities Exchange Act of 1934.
2. There are fewer than 1,600 holders of the underlying security.
3. The trading volume (in all markets in which the underlying security is traded) was less than 1,800,000 shares in the preceding twelve months.
4. Reserved.
5. The underlying security ceases to be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934.
6. If an underlying security is approved for options listing and trading under the provisions of Commentary .05 of Rule 1009, the trading volume of the original security (as therein defined) prior to but not after the commencement of trading in the restructure security (as therein defined), including "when issued" trading, may be taken into account in determining whether the trading volume requirement of paragraph (3) of this Commentary .01 is satisfied provided, however, that in the case of a Restructure Security approved for options listing and trading under paragraph (d) of Commentary .05 under Rule 1009, such trading volume requirements must be satisfied based on the trading volume history of the Restructure Security.

.02 Reserved.

.03 In considering whether any of the events specified in Commentary .01 have occurred with respect to an underlying security, the Exchange shall ordinarily rely on information made publicly available by the issuer and/or the markets in which such security is traded.

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.04 If prior to the delisting of a class of option contracts covering an underlying security which has been found not to meet the Exchange's requirements for continued approval, the Exchange shall determine that the underlying security again meets the Exchange's requirements for approval of such underlying security, the Exchange may open for trading additional series of options of that class and may lift any restriction on opening purchase transactions imposed under this Rule.

.05 Reserved.

.06 The Exchange may determine to withdraw approval of an underlying foreign currency whenever it deems such withdrawal advisable in the public interest or for the protection of investors. In the event that the Exchange effects such a withdrawal, the Exchange shall not open for trading any additional series of options of the class covering that underlying foreign currency.

.07 If an ADR is initially deemed appropriate for options trading, pursuant to the criteria in Exchange Rule 1009, Commentary .03(ii) or (iii), the Exchange may not open for trading any additional series of options on that ADR unless (A) the percentage of worldwide trading volume in the ADR and other related ADRs and securities that takes place in the U.S. and in markets with which the Exchange has in place surveillance sharing agreements for any consecutive three month period is either (i) at least 30% without regard to the average daily trading volume in the ADR, or (ii) at least 15% when the average U.S. daily trading volume in the ADR for the previous three months is at least 70,000 shares, or (B) the Exchange then has in place, a comprehensive surveillance agreement with the primary exchange in the home country where the security underlying the ADR is traded or (C) the Securities and Exchange Commission has otherwise authorized the listing.

.08 Absent exceptional circumstances, securities initially approved for options trading pursuant to Commentary .06 under Rule 1009 (such securities are defined and referred to in that Commentary as "Exchange-Traded Fund Shares") shall not be deemed to meet the Exchange's requirements for continued approval, and the exchange shall not open for trading any additional series of option contracts of the class covering such Exchange-Traded Fund Shares, whenever the Exchange-Traded Fund Shares are delisted and trading in the Shares is suspended on a national securities exchange, or the Exchange-Traded Fund Shares cease to be an "NMS stock". In addition, the exchange shall consider the suspension of opening transactions in any series of options of the class covering Exchange-Traded Fund Shares in any of the following circumstances:

(1) In accordance with the terms of paragraphs 1, through 7, of Commentary .01 of this Rule 1010 in the case of options covering Exchange-Traded Fund Shares when such options were approved pursuant to paragraph (a)(i) of Commentary .06 of Rule 1009.

(2) Following the initial twelve-month period beginning upon the commencement of trading of the Exchange-Traded Fund Shares on a national securities exchange and are defined as an "NMS stock" under Rule 600 of Regulation NMS, there are fewer than 50 record and/or beneficial holders of Exchange-Traded Fund Shares for 30 or more consecutive trading day;

(3) The value of the index, non-U.S. currency, portfolio of commodities including commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or Financial Instruments or Money Market Instruments, or portfolio of securities on which the Exchange-Traded Fund Shares are based is no longer calculated or available; or

(4) Such other event shall occur or condition exist that in the opinion of the Exchange makes further dealing in such options on the Exchange inadvisable.

.09 Absent exceptional circumstances, securities initially approved for options trading pursuant to Commentary .07 to Rule 1009 (such securities are defined and referred to in that Commentary as "Trust Issued Receipts") shall not be deemed to meet the Exchange's requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering such Trust Issued Receipts, whenever the Trust Issued Receipts are delisted

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and trading in the Receipts is suspended on a national securities exchange, or the Trust Issued Receipts are no longer traded as national market securities through the facilities of a national securities association. In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Trust Issued Receipts in any of the following circumstances:

(1) In accordance with the terms of Commentary .01 of this Rule in the case of options covering Trust Issued Receipts when such options were approved pursuant to paragraph (a)(i) of Commentary .07 under Rule 1009;
(2) The Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Trust Issued Receipts for 30 or more consecutive trading days;
(3) The Trust has fewer than 50,000 receipts issued and outstanding;
(4) The market value of all receipts issued and outstanding is less than $1,000,000; or
(5) Such other event shall occur or condition exist that in the opinion of the Exchange makes further dealing in such options on the Exchange inadvisable.

.10 For Holding Company Depositary Receipts (HOLDRs), the Exchange will not open additional series of options overlying HOLDRs (without prior Commission approval) if: (1) the proportion of securities underlying standardized equity options to all securities held in a HOLDRs trust is less than 80% (as measured by their relative weightings in the HOLDRs trust); or (2) less than 80% of the total number of securities held in a HOLDRs trust underlie standardized equity options.

.11 Inadequate volume delisting.

(1) Absent exceptional circumstances, a security initially approved for options trading may be deemed by the Exchange not to meet the requirements for continued approval, in which case the Exchange will not open for trading any additional series of equity option contracts of the class of options and may determine to delist the class of options if it meets the following criteria:

    a. The option has been trading on the Exchange not less than six (6) months; and
    b. The Exchange average daily volume ("ADV") of the entire class of options over the last six (6) month period was less than twenty (20) contracts.

    If the option is singly listed only on the Exchange, the Exchange will cease to add new series and may delist the class of options when there is no remaining open interest;
(2) Should the Exchange determine to delist an equity option pursuant to this Commentary .11, it will notify the specialist to whom the affected option is allocated of the determination to delist such option not less than ten (10) days prior to the scheduled delisting date (the "options delisting letter").

    (a) Within two (2) days of receiving an options delisting letter the affected specialist may in writing submit to the person designated by the Exchange in the options delisting letter the specialist's justification for and/or explanation of the low ADV in such option and reasons why the Exchange should continue to list the option (the "justification letter");
    (b) The Exchange may, but is not required to, take into account the information provided in the justification letter in its determination to delist the option, and will indicate its determination to delist in writing to the affected specialist that provided the justification letter to the Exchange. The Exchange's decision to delist the option is exclusively its own and is not appealable.

.12 Index Linked Securities

Absent exceptional circumstances, Index-Linked Securities ("Securities") initially approved for options trading pursuant to Commentary .09 to Rule 1009 shall not be deemed to meet the Exchange's

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requirements for continued approval, and the Exchange shall not open for trading any additional series or option contracts of the class covering such Securities whenever the underlying Securities are delisted and trading in the Securities is suspended on a national securities exchange, or the Securities are no longer an "NMS Stock" (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934). In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Index-Linked Securities in any of the following circumstances:

(a) The underlying Index-Linked Security fails to comply with the terms of Commentary .09 to Rule 1009;

(b) In accordance with the terms of Commentary .01 to this Rule 1010, in the case of options covering Index-Linked Securities when such options were approved pursuant to Commentary .09 to Rule 1009, except that, in the case of options covering Index-Linked Securities approved pursuant to Commentary .09(c)(ii) to Rule 1009 that are redeemable at the option of the holder at least on a weekly basis, then option contracts of the class covering such Securities may only continue to be open for trading as long as the Securities are listed on a national securities exchange and are "NMS" stock as defined in Rule 600 of Regulation NMS;

(c) In the case of any Index-Linked Security trading pursuant to Commentary .09 to Rule 1009, the value of the Reference Asset is no longer calculated; or

(d) Such other event shall occur or condition exist that in the opinion of the Exchange make further dealing in such options on the Exchange inadvisable.

.13 If an option series is listed but restricted to closing transactions on another national securities exchange, the Exchange may list such series (even if such series would not otherwise be eligible for listing under the Exchange's Rules), which shall also be restricted to closing transactions on the Exchange.

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Amendments.
January 21, 1977.
September 30, 1977.
November 24, 1981.
October 14, 1982.
October 21, 1991.
November 30, 1993 (91-24).
January 31, 1994 (93-54).
July 24, 1995 (95-12).
October 30, 1995 (95-65).
March 22, 1996 (95-90).
February 2, 2001 (00-107).
August 16, 2001 (01-71).
November 19, 2001 (01-96).
November 7, 2002 (02-71).
December 7, 2005 (05-74).
June 25, 2007 (07-35).
December 3, 2007 (07-72).
April 25, 2008 (08-30).
September 17, 2008 (08-60).
February 3, 2009 (09–07).
October 26, 2009 (09–90).
April 25, 2011 (11-13).
April 16, 2019 (19-17).
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June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1011. Option Contracts To Be Traded

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The Exchange may from time to time approve for listing and trading on the Exchange put option contracts and call option contracts in respect of underlying stocks, Exchange-Traded Fund Shares and foreign currencies which have been selected in accordance with Rule 1009. All such option contracts shall be designated as to the type of option, the underlying stock or Exchange-Traded Fund Share (in the case of options on a stock or Exchange-Traded Fund Share) or the underlying foreign currency (in the case of options on a foreign currency), the expiration month and the exercise price. Only option contracts of a series of options approved by the Exchange and currently open for trading on the Exchange may be purchased or sold (written) on the Exchange.

Amendments.
October 14, 1982.
February 2, 2001 (00-107).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1012. Series of Options Open for Trading

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(a) After a particular class of options (call option contracts or put option contracts relating to a specific underlying stock or Exchange-Traded Fund Share or to a specific underlying foreign currency) has been approved for listing and trading on the Exchange, the Exchange shall from time to time open for trading series of options therein. Prior to the opening of trading in any series of options, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series as follows:

(i) **Stock or Exchange-Traded Fund Share Options.**

(A) At the commencement of trading on the Exchange of a particular class of stock or Exchange-Traded Fund Share options, the Exchange shall open a minimum of one expiration month and series for each class of options open for trading on the Exchange.

(B) Additional series of stock or Exchange-Traded Fund Share options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. The opening of a new series of options shall not affect the series of options of the same class previously opened. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on an individual stock until the close of trading on the business day prior to the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the second business day prior to expiration.

(C) The exercise price of each series of stock or Exchange-Traded Fund Share options opened for trading on the Exchange shall be fixed at a price per share which is reasonably close to the price per share at which the underlying stock or Exchange-Traded Fund Share is traded in the primary market at or about the time such series of options is first opened for trading on the Exchange.

(D) Long Term Options. The Exchange may list, with respect to any class of stock or Exchange-Traded Fund Share options series, options having from twelve up to thirty-nine months from the time they are listed until expiration. There may be up to ten expiration months for options on the SPDR® S&P 500® exchange-traded fund (the "SPY ETF") and up to six expiration months for options on all other stocks or Exchange Traded Fund Shares. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine months.

(ii) Reserved.

(iii) **U.S. Dollar-Settled Foreign Currency Options.** Within each class of approved U.S. dollar-settled foreign currency options, the Exchange may open for trading series of options expiring in consecutive calendar months ("consecutive month series"), as provided in subparagraph (A) of this paragraph (iii), and series of options expiring at three-month intervals ("cycle month series"), as provided in subparagraph (B) of this paragraph. Prior to the opening of trading in any series of U.S. dollar-settled FCO, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series.

(A) Consecutive Month Series

With respect to each class of U.S. dollar-settled FCO, series of options having up to four consecutive expiration months may be opened for trading simultaneously, with the shortest-

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term series initially having no more than two months to expiration. Additional consecutive month series of the same class may be opened for trading on the Exchange at or about the time a prior consecutive month series expires, and the expiration month of each such new series shall normally be the month immediately succeeding the expiration month of the then outstanding consecutive month series of the same class of options having the longest remaining time to expiration.

(B) Cycle Month Series

The Exchange may designate one expiration cycle for each class of U.S. dollar-settled FCO. An expiration cycle shall consist of four calendar months ("cycle months") occurring at three-month intervals.

With respect to any particular class of U.S. dollar-settled FCO, series of options expiring in the four cycle months designated by the Exchange for that class may be opened for trading simultaneously, with the shortest-term series initially having approximately three months to expiration. Additional cycle month series of the same class may be opened for trading on the Exchange at or about the time a prior cycle month series expires, and the expiration month of each such new series shall normally be approximately three months after the expiration month of the then outstanding cycle month series of the same class of options having the longest remaining time to expiration.

(C) Long-Term Series.

The Exchange may list, with respect to any U.S. dollar-settled foreign currencies, options having up to three years from the time they are listed until expiration. There may be up to ten options series, options having up to thirty-six months from the time they are listed until expiration. There may be up to six additional expiration months. Strike price interval, bid/ask differential and continuity Rules shall not apply to such options series until the time to expiration is less than nine months.

(D) For each expiration month opened for trading of U.S. dollar-settled foreign currency options, in addition to the strike prices listed by the Exchange pursuant to subsection (a)(iii)(U.S. Dollar-Settled Foreign Currency Options) of this Rule 1012, the Exchange shall also list a single strike price of $0.01.

(E) Additional series of options of the same class may be opened for trading on the Exchange as the market price of the underlying foreign currency moves substantially from the initial exercise price or prices. The opening of a new series of options on the Exchange shall not affect any other series of options of the same class previously opened.

(iv) New series of equity options, options on Exchange Traded Fund Shares, and options on Trust Issued Receipts opened for trading shall be subject to the range limitations set forth in Commentary .10 to this Rule.

(b) **Rotation.** On the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day prior to the expiration date of a particular series of options, a closing rotation (as defined in Commentary .01 to Rule 1047) for such series shall commence at 4:00 p.m. in the case of options on stocks or 4:15 p.m. in the case of options on designated Exchange-Traded Fund Shares.

(c) **Adjustments.** The unit of trading and the exercise price initially established for option contracts of a particular series are subject to adjustment in accordance with the rules of the Options Clearing Corporation. When such adjustment or adjustments have been determined, announcement thereof shall be made by the Exchange and, effective as of the time specified in such announcement, the adjusted unit of trading and the adjusted exercise price shall be applicable with respect to all subsequent transactions in such series of options.

(d) Option contracts shall be subject to adjustments in accordance with the rules of the Options Clearing Corporation.

• • • ***Commentary:***

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.01 When put option contracts or put and call option contracts are first opened for trading on an underlying security or underlying foreign currency, the Exchange may open a series of put option contracts corresponding to each series of call option contracts open or to be opened for trading on the same underlying security or on the same underlying foreign currency.

.02 FCO Series. In fixing the exercise price of one or more series of options on any underlying foreign currency, the Exchange may take into account the forward sales prices quoted for that underlying foreign currency in the interbank foreign exchange market.

.03 Reserved.

.04 Reserved.

.05 (a) The interval of strike prices of series of options on individual stocks may be:

(i) $1 Strike Price Interval Program.

(A) $1 or greater strike price intervals where the strike price is $50 or less, but not less than $1. Except as provided in subparagraph (C) below, the listing of $1 strike price intervals shall be limited to options classes overlying no more than 150 individual stocks (the "$1 Strike Program") as specifically designated by the Exchange. The Exchange may list $1 strike price intervals on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar $1 Strike Program under their respective rules. If a class participates in the $1 Strike Program, $2.50 strike price intervals are not permitted between $1 and $50 for non-LEAPS and LEAPS.

(B) Initial and Additional Series. To be eligible for inclusion into the $1 Strike Program, an underlying stock must close below $50 in its primary market on the previous trading day.

After a stock is added to the $1 Strike Program, the Exchange may list $1 strike price intervals from $1 to $50 according to the following parameters:

(1) If the price of the underlying stock is equal to or less than $20, the Exchange may list series with an exercise price up to 100% above and 100% below the price of the underlying stock. However, the foregoing restriction shall not prohibit the listing of at least five (5) strike prices above and below the price of the underlying stock per expiration month in an option class. For example, if the price of the underlying stock is $2, the Exchange would be permitted to list the following series: $1, $2, $3, $4, $5, $6 and $7.

(2) If the price of the underlying stock is greater than $20, the Exchange may list series with an exercise price up to 50% above and 50% below the price of the underlying security up to $50.

(3) For the purpose of adding strikes under the $1 Strike Program, the “price of the underlying stock” shall be measured in the same way as “the price of the underlying security” is as set forth in Rule Commentary .01(a) to Rule 1012.

(4) No additional series in $1 strike price intervals may be listed if the underlying stock closes at or above $50 in its primary market. Additional series in $1 strike price intervals may not be added until the underlying stock closes again below $50.

(5) LEAPS. For stocks in the $1 Strike Program, the Exchange may list one $1 strike price interval between each standard $5 strike interval, with the $1 strike price interval being $2 above the standard strike for each interval above the price of the underlying stock, and $2 below the standard strike for each interval below the price of the underlying stock ("$2 wings"). For example, if the price of the underlying stock is $24.50, the Exchange may list the following standard strikes in $5 intervals: $15, $20, $25, $30 and $35. Between these standard $5 strikes, the Exchange may list the following $2 wings: $18, $27 and $32.

In addition, the Exchange may list the $1 strike price interval which is $2 above the standard strike just below the underlying price at the time of listing. In the above example, since the standard strike

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just below the underlying price ($24.50) is $20, the Exchange may list a $22 strike. The Exchange may add additional long-term options series strikes as the price of the underlying stock moves, consistent with the OLPP.

Additional long-term option strikes may not be listed within $1 of an existing strike until less than nine months to expiration.

A stock shall remain in the $1 Strike Program until otherwise designated by the Exchange.

(C) The Exchange may list $1 strike prices up to $5 in LEAPS(R) in up to 200 option classes on individual stocks. The Exchange may not list $1 strike price intervals within $0.50 on an existing $2.50 strike in the same expiration, except that strike prices of $2 and $3 shall be permitted within $0.50 of a $2.50 strike price for classes also selected to participate in the $0.50 Strike Program.

(D) Delisting Policy. For options classes selected to participate in the $1 Strike Program, the Exchange will, on a monthly basis, review series that were originally listed under the $1 Strike Program with strike prices that are more than $5 from the current value of an options class and delist those series with no open interest in both the put and the call series having a: (1) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (2) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month. If the Exchange identifies series for delisting pursuant to this policy, the Exchange shall notify other options exchanges with similar delisting policies regarding the eligible series for delisting, and shall work jointly with such other exchanges to develop a uniform list of series to be delisted so as to ensure uniform series delisting of multiply listed options classes.

Notwithstanding the above delisting policy, the Exchange may grant member requests to add strikes and/or maintain strikes in series of options classes traded pursuant to the $1 Strike Program that are eligible for delisting.

(ii) $0.50 or greater beginning at $.50 where the strike price is $5.50 or less, but only for options classes whose underlying security closed at or below $5.00 in its primary market on the previous trading day and which have national average daily volume that equals or exceeds 1000 contracts per day as determined by The Options Clearing Corporation during the preceding three calendar months. The listing of $0.50 strike prices shall be limited to options classes overlying no more than 20 individual stocks (the "$0.50 Strike Program") as specifically designated by the Exchange. The Exchange may list $0.50 strike prices on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar $0.50 Strike Program under their respective rules. A stock shall remain in the $0.50 Strike Program until otherwise designated by the Exchange.

(iii) (A) $2.50 or greater where the strike price is $25 or less: provided, however, that the Exchange may not list $2.50 intervals below $50 (e.g., $12.50, $17.50) for any class included within the $1 Strike Program;

(B) $5 or greater where the strike price is greater than $25 but less than $200; and

(C) $10 or greater where the strike price is $200 or more, except as provided in paragraphs (b) and (c) below.

(iv) (A) The interval of strike prices of series of options on Exchange-Traded Fund Shares will be $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is more than $200.

(B) The interval of strike prices of series of options on SLV and USO Exchange-Traded Fund Shares will be $.50 or greater where the strike price is less than $75.

(C) Notwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in this rule, the interval of strike prices on SPDR® S&P 500® ETF (“SPY"), iShares Core S&P 500 ETF (“IVV”), and the SPDR® Dow Jones® Industrial Average ETF (“DIA”) options will be $1 or greater.

(v) The interval of strike prices of series of options on Index Linked Securities will be $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is more than $200.

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(vi) The interval between strike prices of series of options of series of options on Trust issued Receipts, including HOLding Company Depository ReceiptS (HOLDRS), will be $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is more than $200.

(vii) Notwithstanding any other provision regarding strike prices in this rule, non- Short Term Options that are on a class that has been selected to participate in the Short Term Option Series Program (referred to as a "Related non-Short Term Option series") shall be opened during the month prior to expiration of such Related non-Short Term Option series in the same manner as permitted in Commentary .11 to this Rule 1012 and in the same strike price intervals that are permitted in Commentary .11 to this Rule 1012.

(b) The Exchange may select up to 60 options classes on individual stocks for which the interval of strike prices will be $2.50 where the strike price is greater than $25 but less than $50 (the "$2.50 Strike Price Program"). In addition to those options selected by the Exchange, the strike price interval may be $2.50 in any multiply-traded option once another exchange trading that option selects such option, as part of this program.

(i) In addition, on any option class that has been selected as part of the $2.50 Strike Price Program pursuant to paragraph (b) above, the Exchange may list $2.50 strike prices between $50 and $100, provided the $2.50 strike prices between $50 and $100 are no more than $10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an option class has been selected as part of the $2.50 Strike Price Program, and the underlying stock closes at $48.50 in its primary market, the Exchange may list the $52.50 strike price and the $57.50 strike price on the next business day. If an underlying security closes at $54, the Exchange may list the $52.50 strike price, the $ 57.50 strike price and the $62.50 strike price on the next business day.

(ii) An option class shall remain in the $2.50 Strike Price Program until otherwise designated by the Exchange and a decertification notice is sent to the Options Clearing Corporation.

(c) The Exchange may list series in intervals of $5 or greater where the strike price is more than $200 in up to five (5) option classes on individual stocks or on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar $5 Strike Price Program under their respective rules.

.06 The Exchange may initially list exercise strike prices for each expiration of U.S. dollar-settled options on currencies within a 40 percent band around the current Exchange Spot Price at fifty cent ($.50) intervals. Thus, if the Exchange Spot Price of the Euro were at $100.00, the Exchange would list strikes in $.50 intervals up to $120.00 and down to $80.00, for a total of eighty-one strike prices available for trading. As the Exchange Spot Price for U.S. dollar-settled FCOs moves, the Exchange may list new strike prices that, at the time of listing, do not exceed the Exchange Spot Price by more than 20 percent and are not less than the Exchange Spot Price by more than 20 percent. For example, if at the time of initial listing, the Exchange Spot Price of the Euro is at $100.00, the strike prices the Exchange will list will be $80.00 to $120.00. If the Exchange Spot Price then moves to $105.00, the Exchange may list additional strikes at the following prices: $105.50 to $126.00.

.07 The exercise price of each series of foreign currency options opened for trading on the Exchange normally shall be fixed at a price per unit which is reasonably close to the current Exchange Spot Price per unit of the underlying foreign currency in the foreign exchange market at or before the time such series of options is first opened for trading on the Exchange, as determined by finding the arithmetic mean of Exchange Spot Prices as defined in Rule 1000(b)(16) at or about such time.

.08 Quarterly Options Series Program. The Exchange may list and trade P.M. settled options series that expire at the close of business on the last business day of a calendar quarter ("Quarterly Options Series").The Exchange may list Quarterly Options Series for up to five (5) currently listed options classes that are either Index Options or options on Exchange Traded Funds ("ETFs"). In addition, the Exchange may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.

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(a) The Exchange may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year.

(b) Reserved.

(c) Initial Series. The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two strike prices above and two strike prices below the value of the underlying security at about the time that a Quarterly Options Series is opened for trading on the Exchange. The Exchange shall list strike prices for a Quarterly Options Series that are within $5 from the closing price of the underlying on the preceding day.

(d) Additional Series. Additional Quarterly Options Series of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing price of the underlying ETF (or "Exchange-Traded Fund Shares") as defined in Rule 1000(b)42 on the preceding day. The Exchange may also open additional strike prices of Quarterly Options Series in ETF options that are more than 30% above or below the current price of the underlying ETF provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of new Quarterly Options Series shall not affect the series of options of the same class previously opened.

(e) The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

(f) Reserved.

(g) Delisting Policy. (i) With respect to Quarterly Options Series in ETF options added pursuant to the above paragraphs, the Exchange will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current price of the underlying ETF, and delist series with no open interest in both the put and the call series having: (a) a strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; or (b) a strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(ii) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Quarterly Options Series in ETF options in series eligible for delisting shall be granted.

(iii) In connection with the above-referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other options exchanges with similar delisting policies regarding eligible series for delisting and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed Quarterly Options Series in ETF options.

(h) Reserved.

.09 Notwithstanding Commentary .05 to this Rule 1012, the intervals between strike prices for options on the Reduced Value Russell 2000® Index and the Reduced Value Nasdaq 100® Options shall be determined in accordance with Commentary .02 and Commentary .03 to Rule 1101A.

.10 Range Limitations for New Options Series. Range Limitations applicable to equity options, options on Exchange Traded Funds, and options on Trust Issued Receipts opened for trading are adopted by the Exchange to codify a quote mitigation strategy in the Options Listing Procedures Plan ("OLPP").

(a) Except as provided in subparagraphs (b) through (d) below, if the price of the underlying security is less than or equal to $20, the Exchange shall not list new option series with an exercise price more than 100% above or below the price of the underlying security. However, the foregoing restriction shall not prohibit

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the listing of at least three exercise prices per expiration month in an option class. Except as provided in Commentary .11(d) to Rule 1012, if the price of the underlying security is greater than $20, the Exchange shall not list new option series with an exercise price more than 50% above or below the price of the underlying security.

The price of the underlying security is measured by:

(i) for intra-day add-on series and next-day series additions, the daily high and low of all prices reported by all national securities exchanges;
(ii) for new expiration months, the daily high and low of all prices reported by all national securities exchanges on the day the Exchange determines to list a new series; and
(iii) for option series to be added as a result of pre-market trading, the most recent share price reported by all national securities exchanges between 8:45 a.m. and 9:30 a.m. Eastern Time

(b) The series exercise price range limitations contained in subparagraph (a) above do not apply with regard to:

(i) the listing of $1 strike prices in option classes participating in the $1 Strike Program or
(ii) the listing of series of FLEX options.

(c) The Exchange may designate up to five option classes to which the series exercise price range may be up to 100% above and below the price of the underlying security (which underlying security price shall be determined in accordance with subparagraph (i) above). Such designations shall be made on an annual basis and shall not be removed during the calendar year unless the option class is delisted by the Exchange, in which case the Exchange may designate another option class to replace the delisted class. If a designated option class is delisted by the Exchange but continues to trade on at least one options exchange, the option class shall be subject to the limitations on listing new series set forth in this Commentary .10 unless designated by another exchange.

(d) If the Exchange has designated five option classes pursuant to subparagraph (c) above, and requests that one or more additional option classes be excepted from the limitations on listing new series set forth in subparagraph (a) above, the additional option class(es) may so be designated upon the unanimous consent of all exchanges that trade such option class(es). Additionally, the Exchange may increase the percentage range for the listing of new series to more than 100% above and below the price of the underlying security for an option class, upon the unanimous consent of all exchanges that trade such option class(es).

Exceptions for an additional class or for an increase of the exercise price range shall apply to all standard expiration months existing at the time of the unanimous consent, plus the next standard expiration month to be added, and also to any nonstandard expirations that occur prior to the next standard monthly expiration.

(e) The Exchange can list an options series that is listed by another options exchange, provided that at the time such series was listed it was not prohibited under the provisions of the OLPP or the rules of the exchange that initially listed the series.

.11 Short Term Option Series Program. After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire at the close of business on each of the next five consecutive Fridays that are business days ("Short Term Option Expiration Date"). If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. With respect to Wednesday SPY Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 ETF Trust (SPY) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire ("Wednesday SPY Expirations"). With respect to Monday SPY Expirations, the Exchange may open for trading on any Friday or Monday that is a

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business day series of options on the SPY to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire ("Monday SPY Expirations"), provided that Monday SPY Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and five consecutive Monday SPY Expirations at one time; the Exchange may have no more than a total of five Wednesday SPY Expirations and a total of five Monday SPY Expirations. Monday and Wednesday SPY Expirations will be subject to the provisions of this Rule. Regarding Short Term Option Series:

(a) The Exchange may select up to fifty (50) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the fifty-option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to thirty (30) Short Term Option Series for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(b) With the exception of Monday and Wednesday SPY Expirations, no Short Term Option Series may expire in the same week in which monthly option series on the same class expire. In the case of Quarterly Options Series, no Short Term Option Series may expire on the same day as an expiration of Quarterly Option Series on the same class.

(c) The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the value of the underlying security at about the time that the Short Term Option Series are initially opened for trading on the Exchange (e.g., if seven (7) series are initially opened, there will be at least three (3) strike prices above and three (3) strike prices below the value of the underlying security). Any strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to $20, strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

(d) If the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.

Any additional strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to $20, additional strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, additional strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

The Exchange may also open additional strike prices of Short Term Option Series that are more than 50% above or below the current price of the underlying security (if the price is greater than $20); provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision.

In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security, the Exchange will delist any series with no open interest in both the call and the put series having a: (i) strike higher than the highest price with open interest in the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened.

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(e) The interval between strike prices on Short Term Option Series may be (i) $0.50 or greater where the strike price is less than $100, and $1 or greater where the strike price is between $100 and $150 for all classes that participate in the Short Term Options Series Program; (ii) $0.50 for classes that trade in one dollar increments in Related non-Short Term Options and that participate in the Short Term Option Series Program; or (iii) $2.50 or greater where the strike price is above $150. Related non-Short Term Option series shall be opened during the month prior to expiration of such Related non-Short Term Option series in the same manner as permitted in Commentary .11 to this Rule 1012 and in the same strike price intervals that are permitted in Commentary .11 to this Rule 1012.

.12 $0.50 and $1 Intervals for Options Used to Calculate Volatility Indexes. Notwithstanding the provisions of this Rule 1012, the Exchange may open for trading series at $0.50 or greater strike price intervals where the strike price is less than $75 and $1.00 or greater strike price intervals where the strike price is between $75 and $150 for options that are used to calculate a volatility index.

.13 Mini Options Contracts

(a) After an option class on a stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security with a 100 share deliverable has been approved for listing and trading on the Exchange, series of option contracts with a 10 share deliverable on that stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security may be listed for all expirations opened for trading on the Exchange. Mini Option contracts may currently be listed on SPDR S&P 500 ("SPY"), Apple Inc. ("AAPL"), SPDR Gold Trust ("GLD"), Alphabet Inc. ("GOOGL") and Amazon.com Inc. ("AMZN").

(b) Strike prices for Mini Options shall be set at the same level as for regular options. For example, a call series strike price to deliver 10 shares of stock at $125 per share has a total deliverable value of $1250, and the strike price will be set at 125.

(c) No additional series of Mini Options may be added if the underlying security is trading at $90 or less. The underlying security must trade above $90 for five consecutive days prior to listing Mini Options contracts in an additional expiration month.

(d) The minimum price variation for bids and offers for Mini Options shall be the same as permitted for standard options on the same security. For example, if a security participates in the Penny Pilot Program, Mini Options on the same underlying security may be quoted in the same minimum increments, e.g., $0.01 for all quotations in series that are quoted at less than $3 per contract and $0.05 for all quotations in series that are quoted at $3 per contract or greater, $0.01 for all SPY option series, and Mini Options do not separately need to qualify for the Penny Pilot Program.

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Renumbered.
June 2, 1977.
Amendments.
January 28, 1980; May 8, 1980; October 14, 1982; April 19, 1984; November 21, 1984; March 7, 1986; August 14, 1986; February 22, 1991; April 18, 1991; May 6, 1992; October 19, 1993 (92-23); March 8, 1994 (93-10); May 24, 1995 (95-02); July 19, 1995 (95-08); December 26, 1995 (95-62); July 15, 1996 (96-22); October 29, 1996 (96-39); July 31, 1997; November 12, 1998 (98-26); February 2, 2001 (00-107); March 8, 2001 (01-32); June 11, 2003 (02-55); June 3, 2004 (04-38); May 31, 2005 (05-35); December 15, 2005 (05-77); February 7, 2006 (06-01); June 5, 2006 (06-36); December 21, 2006 (06-34); February 13, 2007 (07-08); April 25, 2007 (07-29); June 7, 2007 (06-87); July 9, 2007 (07-42); July 10, 2007 (07-34); October 16, 2007 (07-74); December 21, 2007 (07-93); January 8, 2008 (08-01); March 28, 2008 (08-06); March 31, 2008 (08-23); June 26, 2008 (08-44); November 13, 2008 (08-78); March 17, 2009 (09-21); May 14, 2009 (09-23); June 22, 2009 (09-46); June 24, 2009 (09-40); July 6, 2009 (09-50); September 18, 2009 (09-65); October 20, 2009 (09-77); December 18, 2009 (09-103); January 4, 2010 (09-108); February 19, 2010 (10-26); April 20, 2010 (10-40); April 29, 2010 (10-68), operative June 1, 2010; June 10, 2010 (10-81); June 14, 2010 (10-84); June 30, 2010 (10-72); October 19, 2010 (10-118); October 19, 2010 (10-149); January 6, 2011 (2010-158); January 3, 2011 (2011-02); January 4, 2011 (2011-04); January 31, 2011 (2011-14); February 9, 2011 (2010-183); March 31, 2011 (2011-15); April 25, 2011 (11-13); May 25, 2011 (11-74); September 27, 2011 (11-128); November 17, 2011 (11-131); February 1, 2012 (11-175); August 29, 2012, (12-78); October 19, 2012 (12-126); March 14, 2013 (13-30); amended May 15, 2013 (13-55); amended July 1, 2013 (13-73); amended July 25, 2013 (13-79); amended October 11, 2013 (13-104), operative November 10, 2013; amended December 6, 2013 (13-101); amended April 24, 2014 (14-26); amended April 25, 2014 (14-30); amended June 27, 2014 (14-41); amended Aug. 1, 2014 (14-53); amended Aug. 29, 2014

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(14-46); amended Jan. 20, 2015 (15-09); amended Oct. 8, 2015 (15-82); amended Aug. 25, 2016 (16-89); amended May 22, 2017 (17-41), operative June 21, 2017; amended July 21, 2017 (17-57); amended Nov. 17, 2017 (17-96), operative Dec. 17, 2017; amended Feb. 1, 2018 (17-103); amended Oct. 17, 2018 (18-64), operative Nov. 19, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 1013. Units of Trading

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The unit of trading in each series of options dealt in on the Exchange shall be the unit of trading established for that series by the Options Clearing Corporation pursuant to the rules of the Options Clearing Corporation.

Amendment.
April 25, 2011 (11-13).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1014. Obligations and Restrictions Applicable to Specialists and Registered Options Traders

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(a) *General.* Transactions of a Specialist and a Registered Options Trader (ROT) should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and those members should not enter into transactions or make bids or offers that are inconsistent with such a course of dealings.

(b) *ROT.* (i) An ROT is a regular member or a foreign currency options participant of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. For purposes of this Rule 1014, the term "ROT" shall include a Streaming Quote Trader, and a Remote Streaming Quote Trader, as defined below.

Each ROT electing to engage in Exchange options transactions shall be assigned by the Exchange one or more classes of options, and Exchange options transactions initiated by such ROT on the Floor for any account in which he had an interest shall to the extent prescribed by the Exchange be in such assigned classes.

(ii) (A) *Streaming Quote Trader ("SQT").* An SQT is an ROT who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned. An SQT may only submit such quotations while such SQT is physically present on the floor of the Exchange. An SQT may only trade in a market making capacity in classes of options in which the SQT is assigned.

(B) *Remote Streaming Quote Trader ("RSQT").* An RSQT is an ROT that is a member affiliated with and RSQTO with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. A qualified RSQT may function as a Remote Specialist upon Exchange approval.

Notwithstanding the provisions of sub-paragraph (b)(i) above, an RSQT may only submit such quotations electronically from off the floor of the Exchange. An RSQT shall not submit option quotations in eligible options to which such RSQT is assigned to the extent that the RSQT is also approved as a Remote Specialist in the same options. An RSQT may only trade in a market making capacity in classes of options in which he is assigned or approved as a Remote Specialist.

(c) *In Classes of Option Contracts to Which Assigned—Affirmative Obligations.* Without limiting the foregoing, a Specialist and an ROT is expected to perform the following activities in the course of maintaining a fair and orderly market:

(1) Options on equities (including Exchange-Traded Fund Shares), and on index options may be quoted electronically with a difference not to exceed $5 between the bid and offer regardless of the price of the bid. The $5 bid/ask differentials only apply to electronic quotations and only following the opening rotation in each security (i.e., the bid/ask differentials specified in sub-paragraph (c)(i)(A)(1) above shall apply during opening rotation).

(2) Options on U.S. dollar-settled FCO may be quoted electronically with a difference not to exceed $5.00 between the bid and offer regardless of the price of the bid. The bid/ask differentials set forth in this subparagraph (c)(i)(A)(2) (b) only apply to electronic quotations and only following the opening rotation in each security (i.e., the bid/ask differentials specified in sub-paragraph (c)(i)(A)(1) above shall apply during opening rotation).

(d) *In Classes of Option Contracts Other Than Those Which Appointed.* Furthermore, an ROT should not:

(i) Individually or as a group, intentionally or unintentionally, dominate the market in option contracts of a particular class; or

(ii) Be conspicuous in the general market or in the market in a particular option.

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(f) The provisions of the foregoing paragraphs (d) and (e) of this Rule shall not apply to:

(i) any transaction by a registered specialist in an option in which he is so registered; or
(ii) any transaction, other than a transaction for an account in which an ROT has an interest, made with the prior approval of an Options Exchange Official to permit a member to contribute to the maintenance of a fair and orderly market in an option, or any purchase or sale to reverse any such transaction; or
(iii) any transaction to offset a transaction made in error.

(g) *Equity Option, Index Option and U.S. dollar-settled Foreign Currency Option Priority and Parity*

(i) —(vi) Reserved.

(vii) *Allocation of Automatically Executed Trades.* After public customer market and marketable limit orders have been executed, trades automatically executed in such options shall be allocated automatically in the following manner:

(A) If the specialist, an SQT, RSQT or a non-SQT ROT that has placed a limit order on the limit order book ("Phlx XL Participant") is quoting alone at the disseminated price and their quote is not matched by another Phlx XL participant prior to execution, such Phlx XL Participant shall be entitled to receive a number of contracts up to the size associated with his/her quotation.

(B) *Parity.* Quotations entered electronically by the specialist, an RSQT or an SQT that do not cause an order resting on the limit order book to become due for execution may be matched at any time by quotations entered electronically by the specialist and/or other SQTs and RSQTs, and by ROT limit orders and shall be deemed to be on parity, subject to the requirement that orders of controlled accounts must yield priority to customer orders as set forth in Rule 1014(g)(i)(A).

(1) (a) orders for 5 contracts or fewer shall be allocated first to the specialist, provided, however, that on a quarterly basis, the Exchange will evaluate what percentage of the volume executed on the Exchange is comprised of orders for 5 contracts or fewer allocated to specialists, and will reduce the size of the orders included in this provision if such percentage is over 25%. In order to be entitled to receive the 5 contract or fewer order preference set forth in this sub-paragraph (B)(1)(a), the specialist must be quoting at the Exchange's disseminated price, and shall not be entitled to receive a number of contracts that is greater than the size that is associated with its quote. If the specialist is not quoting at the Exchange's disseminated price at the time of execution, orders for 5 contracts or fewer shall be allocated to Phlx XL Participants on parity as set forth in paragraph (b) below.

(b) Respecting orders for greater than 5 contracts (regardless of whether the specialist is quoting at the Exchange's disseminated price), or orders for 5 contracts or fewer when the specialist is not quoting at the Exchange's disseminated price, inbound electronic orders shall be allocated pursuant to the following allocation algorithm:

$$\frac{\text{Equal percentage based on the number of Phlx XL Participants quoting or with limit orders at BBO (Component A)} + \text{Pro rata percentage based on size of Phlx XL participant quotes/limit orders (Component B)}}{} \times \text{Incoming Order Size}$$

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Where:

Component A: The percentage to be used for Component A shall be an equal percentage, derived by dividing 100 by the number of Phlx XL participants quoting at the BBO.

Component B: Size Pro Rata Allocation. The percentage to be used for Component B of the allocation algorithm formula is that percentage that the size of each Phlx XL Participant's quote at the best price represents relative to the total number of contracts in the disseminated quote.

Final Weighting: The final weighting formula for equity options, which shall be determined by a three-member special committee of the Board of Directors, chaired by the President of the Exchange, and two Directors (the "Special Committee"), and apply uniformly across all equity options, shall be a weighted average of the percentages derived for Components A and B multiplied by the size of the incoming order. Initially, the weighting of components A and B shall be equal, represented mathematically by the formula: (Component A Percentage + Component B Percentage)/2) * incoming order size.

The final weighting formula for index options and options on Exchange Traded Fund Shares (as defined in Rule 1000(b)(42.) shall be established by the Special Committee. The final weighting formula for options on U.S. dollar-settled foreign currency options shall be established by a three- member special committee of the Board of Directors, chaired by the President of the Exchange, and two Governors. The final weighting formula may vary by product. Changes made to the percentage weightings of Components A and B shall be announced to the membership on the Exchange’s website at least one day before implementation of the change.

(c) Enhanced Specialist Participation: For options subject to the Enhanced Specialist Participation as set forth in Rule 1014(g)(ii), the specialist shall be entitled to receive a number of contracts (not to exceed the size of the specialist's quote) that is the greater of the amount he would be entitled to receive pursuant to Rule 1014(g)(ii), or the amount he would otherwise receive pursuant to the operation of the algorithm described above.

(d) Broker-dealer Orders: If any contracts remain to be allocated after the Phlx XL Participants have received their respective allocations, off-floor broker-dealers (as defined in Rule 1080(b)(i)(C)) that have placed limit orders on the limit order book which represent the Exchange's disseminated price shall be entitled to receive a number of contracts that is the proportion of the aggregate size associated with off-floor broker-dealer limit orders on the limit order book at the disseminated price represented by the size of the limit order they have placed on the limit order book. Such off-floor broker-dealers shall not be entitled to receive a number of contracts that is greater than the size that is associated with each such limit order.

(e) No Phlx XL Participant shall be entitled to receive a number of contracts that is greater than the size that is associated with their quotation or limit order.

(2) *No Split-Price Executions.* If the size associated with a market order or an electronic quotation to be executed is received for a greater number of contracts than the Exchange's disseminated size, the portion of such an order or quotation executed automatically at the Exchange's disseminated size shall be allocated automatically in accordance with Rule

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1014(g)(vii). Contracts remaining in such an order shall be represented by the specialist and handled in accordance with Exchange Rules.

(3) Notwithstanding the first sentence of Rule 1014(g)(i), neither Rule 119(a)-(d) and (f), nor Rule 120 (insofar as it incorporates those provisions by reference) shall apply to the allocation of automatically executed trades.

(viii) Directed Orders (as defined in Rule 1068(a)(i)(A)) that are executed electronically, except for Directed Complex Orders, shall be automatically allocated as follows:

(A) First, to customer limit orders resting on the limit order book at the execution price.

(B) Thereafter, contracts remaining in the Directed Order, if any, shall be allocated automatically as follows:

(1) The Directed Specialist (where applicable), shall be allocated a number of contracts that is the greater of:

(a) the proportion of the aggregate size at the NBBO associated with such Directed Specialist's quote, SQT and RSQT quotes, and non-SQT ROT limit orders entered on the book at the disseminated price represented by the size of the Directed Specialist's quote;

(b) the Enhanced Specialist Participation as described in Rule 1014(g)(ii); or

(c) 40% of the remaining contracts.

(d) Thereafter, SQTs and RSQTs quoting at the disseminated price, and non-SQT ROTs that have placed limit orders on the limit order book via electronic interface at the Exchange's disseminated price shall be allocated contracts according to the following formula:

Equal percentage based on the Number of SQTs, RSQTs and Non-SQT ROTs quoting or with limit orders at BBO (Component A)	+	Pro rata percentage based on size of SQT, RSQT and Non-SQT quotes and limit orders (Component B)	×	Remaining Order Size

Where:

Component A: The percentage to be used for Component A shall be an equal percentage, derived by dividing 100 by the number of SQTs, RSQTs and non-SQTs quoting or with limit orders at the BBO.

Component B: Size Pro Rata Allocation. The percentage to be used for Component B of the allocation algorithm formula is that percentage that the size of each SQT, RSQT or non-SQT ROT's quote or limit order at the best price represents relative to the total number of contracts in the disseminated quote.

Final Weighting: The final weighting formula shall be determined by a three-member special committee of the Board of Directors, chaired by the President of the Exchange, and two Directors (the "Special Committee"), and shall be a weighted average of the percentages derived for Components A and B multiplied by the size of the incoming order

(2) (a) A Directed RSQT or SQT (where applicable) shall be allocated a number of contracts that is the greater of the proportion of the aggregate size at the NBBO associated with such Directed SQT or RSQT's quote, the specialist's quote, other SQT and RSQT quotes, and non- SQT ROT limit orders entered on the book via electronic interface at the disseminated

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price represented by the size of the Directed RSQT or SQT's quote at the NBBO, or

(b) 40% of the remaining contracts.

(c) Thereafter, the specialist, SQTs and RSQTs (excluding the Directed SQT or RSQT) quoting at the disseminated price, and non-SQT ROTs that have placed limit orders on the limit order book via electronic interface at the Exchange's disseminated price, shall be allocated a number of contracts according to the following formula:

Equal percentage based on the Number of SQTs, RSQTs, specialist and Non-SQT ROTs quoting or with limit orders at BBO (Component A)	+	Pro rata percentage based on size of SQT, RSQT, specialist and Non-SQT quotes and limit orders (Component B)	×	Remaining Order Size

Where:

Component A: The percentage to be used for Component A shall be an equal percentage, derived by dividing 100 by the number of SQTs, RSQTs (other than the Directed SQT or RSQT) specialist and non-SQTs quoting or with limit orders at the BBO.

Component B: Size Pro Rata Allocation. The percentage to be used for Component B of the allocation algorithm formula is that percentage that the size of each SQT, RSQT RSQTs (other than the Directed SQT or RSQT), specialist or non-SQT ROT's quote or limit order at the best price represents relative to the total number of contracts in the disseminated quote.

Final Weighting: The final weighting formula shall be determined by a three-member special committee of the Board of Directors, chaired by the President of the Exchange, and two Directors (the "Special Committee"), and shall be a weighted average of the percentages derived for Components A and B multiplied by the size of the incoming order.

(3) If any contracts remain to be allocated after the specialist, SQTs, RSQTs and non-SQT ROTs with limit orders on the limit order book have received their respective allocations, off-floor broker-dealers (as defined in Rule 1080(b)(i)(C)) that have placed limit orders on the limit order book which represent the Exchange's disseminated price shall be entitled to receive a number of contracts that is the proportion of the aggregate size associated with off-floor broker-dealer limit orders on the limit order book at the disseminated price represented by the size of the limit order they have placed on the limit order book.

(C) If the Directed Order is for a size that is greater than the Exchange's disseminated size, remaining contracts shall be allocated manually in accordance with Exchange Rule 1014(g)(v).

(D) A Directed Specialist, RSQT, or SQT shall not be entitled to receive a number of contracts that is greater than the size associated with their quotation. Non-SQT ROTs and off-floor broker- dealers shall not be entitled to receive a number of contracts that is greater than the size associated with their limit order.

• • • ***Commentary:*** ___

.01 Similarly, an RSQT electing to engage in Exchange options transactions is designated as a specialist on the Exchange for all purposes under the Securities Exchange Act of 1934 and the rules and regulations thereunder with respect to options transactions initiated and effected by him in his capacity as an ROT.

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The off-floor orders for which an ROT receives specialist margin treatment shall be subject to the obligations of Rule 1014(a) and, in general, be effected for the purpose of hedging, reducing risk of, or rebalancing positions of the ROT. An ROT is responsible for evidencing compliance with these provisions. The Exchange may exempt one or more classes of options from this calculation.

.02 The Exchange has determined that the limitations of paragraph (c)(i)(B) of this Rule should not be carried over from one day to the next and, therefore, are not applicable to the opening of stock or Exchange-Traded Fund Share option contracts on the Exchange.

.03 The Exchange has determined for purposes of paragraph (c) of this Rule that, except for unusual circumstances, at least 50% of the trading activity in any quarter (measured in terms of contract volume) of an ROT (other than an RSQT) shall ordinarily be in classes of options to which he is assigned. Temporarily undertaking the obligations of paragraph (c) at the request of a member of the Exchange in non assigned classes of options shall not be deemed trading in non assigned option contracts.

The Exchange may, in computing the percentage specified herein, assign a weighting factor based upon relative inactivity to one or more classes or series of option contracts.

.04 The obligations of an ROT with respect to those classes of options to which he is assigned shall take precedence over his other ROT activities.

.05 The Exchange shall assign SQTs and RSQTs in accordance with Rule 507 and allocate one or more options to Remote Specialists in accordance with Rule 501. An SQT or RSQT may be assigned to and a Remote Specialist may be allocated (and thus submit quotes electronically in) any option for which they are approved by the Exchange.

.06 An RSQT shall be required to maintain information barriers that are reasonably designed to prevent the misuse of material, non-public information with any affiliates that may conduct a brokerage business in options assigned to the RSQT or act as a specialist or market maker in any security underlying options assigned to the RSQT, and otherwise comply with the requirements of Rule 1020 regarding restrictions on the flow of privileged information between the affiliate and the specialist organization.

.07 A specialist acting in the course of his specializing function, as agent or principal, on the Exchange is prohibited from charging a commission or fee for the execution of an order. A specialist shall also not charge a commission or fee for the handling, execution or processing of an order delivered through the Exchange's automated trading system, Phlx XL II, whether the specialist is acting as principal or agent for the order.

.08 The price of an opening transaction in an option series must be within an acceptable range (as determined by the Exchange and announced to Exchange members and member organizations on the Exchange's website) compared to the highest offer and the lowest bid (e.g., the upper boundary of the acceptable range may be 125% of the highest quote offer and the lower boundary may be 75% of the lowest quote bid).

.09 The trading hours for foreign currency options are constituted by various trading sessions as defined by the Board of Directors. Each trading session is considered separate and distinct from each other for the purposes of the prohibition contained in Rule 1014 paragraph (e).

.10 An ROT who wishes to place a limit order on the limit order book must submit such a limit order electronically.

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Amendments.
January 23, 1976; November 24, 1976; June 2, 1977; November 28, 1977; June 27, 1978; August 31, 1978; November 3, 1978; June 18, 1979; November 9, 1979; May 6, 1980; September 10, 1981; February 10, 1982; August 18, 1982; October 14, 1982; April 4,

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1984; April 13, 1984; August 8, 1984; February 14, 1985; April 19, 1985; August 21, 1985; January 6, 1986; February 3, 1986; April 30, 1986; September 2, 1986; November 13, 1986; May 18, 1987; March 10, 1988; January 16, 1990; March 4, 1991; April 10, 1991; November 7, 1991; February 10, 1992; September 10, 1992; January 11, 1993; Nov. 24, 1993; effective Dec. 6, 1993 (93-42); March 8, 1994 (93-10); May 25, 1994 (93-29); July 12, 1994 (94-05); August 26, 1994 (94-12); November 1, 1994 (94-18); November 30, 1994 (94-57); December 29, 1994 (94-42); March 1, 1995 (94-59); May 24, 1995 (95-02); August 18, 1995 (95-54); August 23, 1995 (95-14); September 20, 1995 (95-21); November 30, 1995 (95-47); August 5, 1996 (96-29); June 20, 1997 (97-16); August 11, 1997 (97-36); December 4, 1997 (97-48); December 17, 1997 (97-22); October 15, 1998 (97-55); January 15, 1999 (99-01); July 1, 1999 (98-56); August 12, 1999 (99-25); April 18, 2000 (99-39); October 6, 2000 (00-05); February 2, 2001 (00-107); November 18, 2001 (01-38); July 29, 2002 (02-05); November 1, 2002 (02-04); April 29, 2003 (01-28); July 31, 2003 (03-56); January 16, 2004 (03-73); July 27, 2004 (03-59); November 23, 2004 (04-74); December 3, 2004 (04-57); February 2, 2005 (04-90); January 28, 2005 (04-73); May 27, 2005 (04-91); June 10, 2005 (05-28); October 25, 2005 (05-25); December 23, 2005 (05-86); January 23, 2006 (06-05); February 7, 2006 (06-11); May 25, 2006 (06-27); May 25, 2006 (06-18); June 27, 2006 (06-37); August 3, 2006 (06-42); August 14, 2006 (06-28); October 24, 2006 (06-52); December 21, 2006 (06-34); May 1, 2007 (07-36); May 10, 2007 (07-37); June 7, 2007 (06-87); June 29, 2007 (07-44); July 10, 2007 (07-34); September 20, 2007 (07-27); February 4, 2008 (07-91); May 21, 2008 (08-39); May 27, 2008 (08-27); May 14, 2009 (09-23); May 28, 2009 (09-32); June 10, 2009 (09-37); June 24, 2009 (09-40); October 2, 2009 (09-69); December 2, 2009 (09-99); September 27, 2010 (10-131), operative October 27, 2010; January 14, 2011 (10-145); April 25, 2011 (11-13); April 27, 2011 (11-55), operative May 27, 2011; October 27, 2011 (11-123); April 4, 2012 (12-49), operative May 4, 2012; June 8, 2012 (12-40); July 6, 2012 (12-92), operative August 5, 2012; amended Aug. 13, 2012 (12-108), operative Sep. 12, 2012; amended Apr. 19, 2013 (13-03); amended June 20, 2013 (13-67); amended Aug. 1, 2013 (13-83); amended October 2, 2013 (13-100); October 2, 2013, operative November 1, 2013 (13-99); amended Apr. 29, 2013 (13-09), operative Mar. 7, 2014; amended Apr. 11, 2014 (14-22), operative May 11, 2014; amended Oct. 2, 2014 (14-23); amended Oct. 7, 2015 (15-80); amended Nov. 2, 2015 (15-91), operative Dec. 2, 2015; amended Jan. 14, 2016 (16-06), operative Feb. 13, 2016; amended Nov. 16, 2016 (16-116); amended Feb. 14, 2017 (17-16), operative Mar. 16, 2017; amended Oct. 5, 2017 (17-67); amended Jan. 16, 2018 (18-09); amended May 10, 2018 (18-22); July 17, 2018 (18-40); amended Nov. 28, 2018 (18-77); amended April 16, 2019 (19-17).

Renumbered.

June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1015. Accommodations

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Notwithstanding the limitations of liability set forth in Exchange Rules 652, 1102A, 1011B, and 3226, the Exchange, subject to the express limits set forth below, may compensate users of Nasdaq PHLX for losses directly resulting from the actual failure of Phlx XL II, or any other Exchange quotation, transaction reporting, execution, order routing or other systems or facility to correctly process an order, Quote/Order, message, or other data, provided that Nasdaq PHLX has acknowledged receipt of the order, Quote/Order, message, or data.

(1) For the aggregate of all claims made by all market participants related to the use of Nasdaq PHLX during a single calendar month, the Exchange's liability shall not exceed the larger of $500,000, or the amount of the recovery obtained by the Exchange under any applicable insurance policy.

(2) In the event all of the claims arising out of the use of Nasdaq PHLX cannot be fully satisfied because in the aggregate they exceed the maximum amount of liability provided for in this Rule, then the maximum amount will be proportionally allocated among all such claims arising during a single calendar month.

(3) All claims for compensation pursuant to this Rule shall be in writing and must be submitted no later than 12:00 P.M. ET on the next business day following the day on which the use of Nasdaq PHLX gave rise to such claims. Nothing in this rule shall obligate the Exchange to seek recovery under any applicable insurance policy.

Adopted.
July 26, 2013 (13-81).
Amendments.
July 22, 1994 (94-30).
October 7, 1994 (94-45).
October 6, 2000 (00-05).
April 2, 2001 (01-37).
July 29, 2002 (02-05).
July 31, 2003 (03-56).
September 30, 2010 (10-136), operative November 1, 2010.
October 18, 2017 (17-82).

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Nasdaq PHLX Rules, Regulation, Rule 1016. Exchange Sharing of Phlx XL Participant-Designated Risk Settings

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The Exchange may share any Phlx XL participant-designated risk settings in the trading system with the clearing member that clears transactions on behalf of the Phlx XL participant. For purposes of this rule a Phlx XL participant is any specialist, streaming quote trader or remote streaming quote trader.

Adopted.
November 3, 1993 (91-08).
Amendments.
December 21, 2006 (06-34).
June 24, 2009 (09-40).
January 28, 2015 (15-11), operative February 27, 2015.

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Nasdaq PHLX Rules, Regulation, Rule 1017. Openings In Options

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(a) Definitions. The Exchange conducts an electronic opening for all option series traded on Phlx using its System.

(i) The ABBO is the Away Best Bid or Offer.
(ii) The “market for the underlying security” is either the primary listing market or the primary volume market (defined as the market with the most liquidity in that underlying security for the previous two calendar months), as determined by the Exchange by underlying and announced to the membership on the Exchange's web site.
(iii) The Opening Price is described herein in sections (i) and (k).
(iv) The Opening Process is described herein in section (d).
(v) A Phlx Electronic Market Maker is a Specialist, Streaming Quote Trader ("SQT") or Remote SQT ("RSQT") who is required to submit two sided electronic quotations pursuant to Rule 1014(b)(ii)(D).
(vi) Potential Opening Price is described herein in section (h).
(vii) The Pre-Market BBO is the highest bid and the lowest offer among Valid Width Quotes.
(viii) A Quality Opening Market is a bid/ask differential applicable to the best bid and offer from all Valid Width Quotes defined in a table to be determined by the Exchange and published on the Exchange's web site. The calculation of Quality Opening Market is based on the best bid and offer of Valid Width Quotes. The differential between the best bid and offer are compared to reach this determination. The allowable differential, as determined by the Exchange, takes into account the type of security (for example, Penny Pilot versus non-Penny Pilot issue), volatility, option premium, and liquidity. The Quality Opening Market differential is intended to ensure the price at which the Exchange opens reflects current market conditions.
(ix) A Valid Width Quote is a two-sided electronic quotation submitted by a Phlx Electronic Market Maker that meets the following requirements: options on equities and index options bidding and/or offering so as to create differences of no more than $.25 between the bid and the offer for each option contract for which the prevailing bid is less than $2; no more than $.40 where the prevailing bid is $2 or more but less than $5; no more than $.50 where the prevailing bid is $5 or more but less than $10; no more than $.80 where the prevailing bid is $10 or more but less than $20; and no more than $1 where the prevailing bid is $20 or more, provided that, in the case of equity options, the bid/ask differentials stated above shall not apply to in-the-money series where the market for the underlying security is wider than the differentials set forth above. For such series, the bid/ask differentials may be as wide as the quotation for the underlying security on the primary market, or its decimal equivalent rounded down to the nearest minimum increment. The Exchange may establish differences other than the above for one or more series or classes of options.
(x) A Zero Bid Market is where the best bid for an options series is zero.

(b) Eligible interest during the Opening Process includes Valid Width Quotes, Opening Sweeps and orders. Quotes other than Valid Width Quotes will not be included in the Opening Process. Non-SQT Registered Options Traders ("ROTs") may submit orders. All-or-none interest that can be satisfied is considered for execution and in determining the Opening Price throughout the Opening Process.

(i) Opening Sweep. An Opening Sweep is a one-sided electronic quotation submitted for execution against eligible interest in the system during the Opening Process.

(A) A Phlx Electronic Market Maker assigned in a particular option may only submit an Opening Sweep if, at the time of entry of the Opening Sweep, that Phlx Electronic Market Maker has already submitted and maintained a Valid Width Quote. All Opening Sweeps in the affected series entered by a Phlx Electronic Market Maker will be cancelled immediately if that Phlx

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Electronic Market Maker fails to maintain a continuous quote with a Valid Width Quote in the affected series.

(B) Opening Sweeps may be entered at any price with a minimum price variation applicable to the affected series, on either side of the market, at single or multiple price level(s), and may be cancelled and re-entered. A single Phlx Electronic Market Maker may enter multiple Opening Sweeps, with each Opening Sweep at a different price level. If a Phlx Electronic Market Maker submits multiple Opening Sweeps, the system will consider only the most recent Opening Sweep at each price level submitted by such Phlx Electronic Market Maker in determining the Opening Price. Unexecuted Opening Sweeps will be cancelled once the affected series is open.

(ii) The system will aggregate the size of all eligible interest for a particular participant category at a particular price level for trade allocation purposes pursuant to Rule 1014.

(c) Orders Represented by Floor Brokers. To be considered in the Opening Process, orders represented by Floor Brokers must be entered electronically.

(d) Phlx Electronic Market Maker Valid Width Quotes and Opening Sweeps received starting at 9:25 AM are included in the Opening Process. Orders entered at any time before an option series opens are included in the Opening Process.

(i) The Opening Process for an option series will be conducted pursuant to paragraphs (f) - (k) below on or after 9:30 AM if: the ABBO, if any, is not crossed; and the system has received, within two minutes (or such shorter time as determined by the Exchange and disseminated to membership on the Exchange's web site) of the opening trade or quote on the market for the underlying security in the case of equity options or, in the case of index options, within two minutes of the receipt of the opening price in the underlying index (or such shorter time as determined by the Exchange and disseminated to membership on the Exchange's web site), or within two minutes of market opening for the underlying currency in the case of U.S. dollar-settled FCO (or such shorter time as determined by the Exchange and disseminated to membership on the Exchange's web site) any of the following:

(A) the Specialist’s Valid Width Quote;

(B) the Valid Width Quotes of at least two Phlx Electronic Market Makers other than the Specialist; or

(C) if neither the Specialist’s Valid Width Quote nor the Valid Width Quotes of two Phlx Electronic Market Makers have been submitted within such timeframe, one Phlx Electronic Market Maker has submitted a Valid Width Quote.

(ii) For all options, the underlying security, including indexes, must be open on the primary market for a certain time period as determined by the Exchange for the Opening Process to commence. The time period shall be no less than 100 milliseconds and no more than 5 seconds.

(iii) The Specialist assigned in a particular equity or index option must enter a Valid Width Quote, in 90% of their assigned series, not later than one minute following the dissemination of a quote or trade by the market for the underlying security or, in the case of index options, following the receipt of the opening price in the underlying index. The Specialist assigned in a particular U.S. dollar-settled FCO must enter a Valid Width Quote, in 90% of their assigned series, not later than 30 seconds after the announced market opening. The Specialist must promptly enter a Valid Width Quote in the remainder of their assigned series, which did not open within one minute following the dissemination of a quote or trade by the market for the underlying security or, in the case of index options, following the receipt of the opening price in the underlying index or, with respect to a U.S. dollar-settled FCO, following the announced market opening.

(iv) A Phlx Electronic Market Maker other than a Specialist that submits a quote pursuant to this Rule 1017 in any option series when the Specialist's quote has not been submitted shall be required to submit continuous, two-sided quotes in such option series until such time as the Specialist submits his/her

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quote, after which the Phlx Electronic Market Maker that submitted such quote shall be obligated to submit quotations pursuant to Rule 1014(b)(ii)(D).

(v) The Opening Process will stop and an option series will not open if the ABBO becomes crossed or when a Valid Width Quote(s) pursuant to Rule 1017(d)(i) is no longer present. Once each of these conditions no longer exist, the Opening Process in the affected option series will start again pursuant to paragraphs (f) - (k) below.

(e) Reopening After a Trading Halt. The procedure described in Rule 1017 will be used to reopen an option series after a trading halt. If there is a trading halt or pause in the underlying security, the Opening Process will start again irrespective of the specific times listed in paragraph (d).

(f) Opening with a PBBO (No Trade). If there are no opening quotes or orders that lock or cross each other and no routable orders locking or crossing the ABBO, the system will open with an opening quote by disseminating the Exchange's best bid and offer among quotes and orders ("PBBO") that exist in the system at that time, unless all three of the following conditions exist: (i) a Zero Bid Market; (ii) no ABBO; and (iii) no Quality Opening Market. If all of these conditions exist, the Exchange will calculate an Opening Quote Range pursuant to paragraph (j) and conduct the Price Discovery Mechanism pursuant to paragraph (k) below.

(g) Pre-Market BBO Calculation. If there are opening Valid Width Quotes or orders that lock or cross each other, the system will calculate the Pre-Market BBO.

(h) Potential Opening Price. To calculate the Potential Opening Price, the system will take into consideration all Valid Width Quotes and orders (including Opening Sweeps), except all-or-none interest that cannot be satisfied, for the option series and identify the price at which the maximum number of contracts can trade ("maximum quantity criterion"). In addition, paragraphs (i)(A)(iii) and (j)(5) - (7) below contain additional provisions related to Potential Opening Price.

(A) More Than One Potential Opening Price. When two or more Potential Opening Prices would satisfy the maximum quantity criterion and leave no contracts unexecuted, the system takes the highest and lowest of those prices and takes the mid-point; if such mid-point is not expressed as a permitted minimum price variation, it will be rounded to the minimum price variation that is closest to the closing price for the affected series from the immediately prior trading session. If there is no closing price from the immediately prior trading session, the system will round up to the minimum price variation to determine the Opening Price.

(B) If two or more Potential Opening Prices for the affected series would satisfy the maximum quantity criterion and leave contracts unexecuted, the Opening Price will be either the lowest executable bid or highest executable offer of the largest sized side.

(C) The Potential Opening Price calculation is bounded by the better away market price that may not be satisfied with the Exchange routable interest.

(i) Opening with Trade. (A) The Exchange will open the option series for trading with a trade on Exchange interest only at the Opening Price, if any of these conditions occur:

(i) the Potential Opening Price is at or within the best of the Pre-Market BBO and the ABBO;

(ii) the Potential Opening Price is at or within the non-zero bid ABBO if the Pre-Market BBO is crossed; or

(iii) where there is no ABBO, the Potential Opening Price is at or within the Pre-Market BBO which is also a Quality Opening Market.

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(B) If there is more than one Potential Opening Price which meets the conditions set forth in (A) above where:

(1) no contracts would be left unexecuted and
(2) any value used for the mid-point calculation (which is described in subparagraph (g) above) would cross either:

(a) the Pre-Market BBO, or
(b) the ABBO,

then, for the purposes of calculating the midpoint the Exchange will use the better of the Pre-Market BBO or ABBO as a boundary price and will open the option series for trading with an execution at the resulting Potential Opening Price. If these conditions are not met, an Opening Quote Range will be calculated pursuant to paragraph (j) below and thereafter, the Price Discovery Mechanism in paragraph (k) below will commence.

(j) The system will calculate an Opening Quote Range ("OQR") for a particular option series that will be utilized in the Price Discovery Mechanism described below, if the Exchange has not opened subject to any of the provisions above.

(1) Except as provided in paragraphs (3) and (4) below, to determine the minimum value for the OQR, an amount, as defined in a table to be determined by the Exchange, will be subtracted from the highest quote bid among Valid Width Quotes on the Exchange and on the away market(s), if any.
(2) Except as provided in paragraphs (3) and (4) below, to determine the maximum value for the OQR, an amount, as defined in a table to be determined by the Exchange, will be added to the lowest quote offer among Valid Width Quotes on the Exchange and on the away market(s), if any.
(3) If one or more away markets are disseminating a BBO that is not crossed (the Opening Process will stop and an options series will not open if the ABBO becomes crossed pursuant to (d)(v)) and there are Valid Width Quotes on the Exchange that are executable against each other or the ABBO:

(a) The minimum value for the OQR will be the highest away bid.
(b) The maximum value for the OQR will be the lowest away offer.

(4) If there are Valid Width Quotes on the Exchange that are executable against each other, and there is no away market disseminating a BBO in the affected option series:

(a) The minimum value for the OQR will be the lowest quote bid among Valid Width Quotes on the Exchange.
(b) The maximum value for the OQR will be the highest quote offer among Valid Width Quotes on the Exchange.

(5) If there is more than one Potential Opening Price possible where no contracts would be left unexecuted, any price used for the mid-point calculation (which is described in subparagraph (h) above) that is wider than the OQR will be restricted to the OQR price on that side of the market for the purposes of the mid-point calculation.
(6) If there is more than one Potential Opening Price possible where no contracts would be left unexecuted pursuant to paragraph (h)(C) above when contracts will be routed, the system will use the away market price as the Potential Opening Price.
(7) If the Exchange determines that non-routable interest can execute the maximum number of contracts against Exchange interest, after routable interest has been determined by the system to satisfy the away market, then the Potential Opening Price is the price at which the maximum number of contracts can execute, excluding the interest which will be routed to an away market, which may be executed on the Exchange as described in paragraph (h) above. The system will consider routable Customer interest in price/time priority to satisfy the away market.

(k) Price Discovery Mechanism. If the Exchange has not opened pursuant to paragraphs (f) or (i) above, after the OQR calculation in paragraph (j), the Exchange will conduct the following Price Discovery Mechanism.

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(A) First, the system will broadcast an Imbalance Message for the affected series (which includes the symbol, side of the imbalance (unmatched contracts), size of matched contracts, size of the imbalance, and Potential Opening Price bounded by the Pre-Market BBO) to participants, and begin an "Imbalance Timer," not to exceed three seconds. The Imbalance Timer will be for the same number of seconds for all options traded on the Exchange. Each Imbalance Message is subject to an Imbalance Timer.

(B) Any new interest received by the system will update the Potential Opening Price. If during or at the end of the Imbalance Timer, the Opening Price is at or within the OQR, the Imbalance Timer will end and the system will open with a trade at the Opening Price if the executions consist of Exchange interest only without trading through the ABBO and without trading through the limit price(s) of interest within OQR which is unable to be fully executed at the Opening Price. If no new interest comes in during the Imbalance Timer and the Potential Opening Price is at or within OQR and does not trade through the ABBO, the Exchange will open with a trade at the end of the Imbalance Timer at the Potential Opening Price.

(C) Next, provided the option series has not opened pursuant to (k)(B) above, the system will:

(1) send a second Imbalance Message with a Potential Opening Price that is bounded by the OQR (and would not trade through the limit price(s) of interest within OQR which is unable to be fully executed at the Opening Price) and includes away market volume in the size of the imbalance to participants; and concurrently

(2) initiate a Route Timer, not to exceed one second. The Route Timer operates as a pause before an order is routed to an away market. If during the Route Timer, interest is received by the system which would allow the Opening Price to be within OQR without trading through away markets and without trading through the limit price(s) of interest within OQR which is unable to be fully executed at the Opening Price, the system will open with trades and the Route Timer will simultaneously end. The system will monitor quotes received during the Route Timer period and make ongoing corresponding changes to the permitted OQR and Potential Opening Price to reflect them.

(3) If no trade occurred pursuant to (2) above, when the Route Timer expires, if the Potential Opening Price is within OQR (and would not trade through the limit price(s) of interest within OQR that is unable to be fully executed at the Opening Price), the system will determine if the total number of contracts displayed at better prices than the Exchange's Potential Opening Price on away markets ("better priced away contracts") would satisfy the number of marketable contracts available on the Exchange. The Exchange will open the option series by routing and/or trading on the Exchange, pursuant to (i)-(iii) below.

(i) If the total number of better priced away contracts would satisfy the number of marketable contracts available on the Exchange on either the buy or sell side, the system will route all marketable contracts on the Exchange to such better priced away markets as an Intermarket Sweep Order ("ISO") designated as an Immediate-or-Cancel ("IOC") order(s), and determine an opening Phlx Best Bid/Offer ("PBBO") that reflects the interest remaining on the Exchange. The system will price any contracts routed to away markets at the Exchange's Opening Price; or

(ii) If the total number of better priced away contracts would not satisfy the number of marketable contracts the Exchange has, the system will determine how many contracts it has available at the Exchange Opening Price. If the total number of better priced away contracts plus the number of contracts available at the Exchange Opening Price would satisfy the number of marketable contracts on the Exchange on either the buy or sell side, the system will contemporaneously route, based on price/time priority of routable interest, a number of contracts that will satisfy interest at away markets at prices better than the Opening Price and trade available contracts on the Exchange at the Exchange Opening Price. The system will price

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any contracts routed to away markets at the better of the Exchange Opening Price or the order's limit price pursuant to this sub-paragraph; or

(iii) If the total number of better priced away contracts plus the number of contracts available at the Exchange Opening Price plus the contracts available at away markets at the Exchange Opening Price would satisfy the number of marketable contracts the Exchange has on either the buy or sell side, the system will contemporaneously route, based on price/time priority of routable interest, a number of contracts that will satisfy interest at away markets at prices better than the Exchange Opening Price (pricing any contracts routed to away markets at the better of the Exchange Opening Price or the order's limit price), trade available contracts on the Exchange at the Exchange Opening Price, and route a number of contracts that will satisfy interest at away markets at prices equal to the Exchange Opening Price.

(4) The system may send up to two additional Imbalance Messages (which may occur while the Route Timer is operating) bounded by OQR and reflecting away market interest in the volume. After the Route Timer has expired, the processes in paragraph (3) will repeat (except no new Route Timer will be initiated).

(5) Forced Opening. After all additional Imbalance Messages have occurred pursuant to paragraph (4) above, the system will open the series by executing as many contracts as possible by routing to away markets at prices better than the Exchange Opening Price for their disseminated size, trading available contracts on the Exchange at the Exchange Opening Price bounded by OQR (without trading through the limit price(s) of interest within OQR which is unable to be fully executed at the Opening Price), and routing contracts to away markets at prices equal to the Exchange Opening Price at their disseminated size. In this situation, the system will price any contracts routed to away markets at the better of the Exchange Opening Price or the order's limit price. Any unexecuted contracts from the imbalance not traded or routed will be cancelled back to the entering participant if they remain unexecuted and priced through the Opening Price, unless the member that submitted the original order has instructed the Exchange in writing to reenter the remaining size, in which case the remaining size will be automatically submitted as a new order. All other interest will be eligible for trading after opening.

(6) The system will execute orders at the Opening Price that have contingencies (such as, without limitation, all-or-none) and non-routable orders, such as a “Do Not Route” or “DNR” Orders, to the extent possible. The system will only route non-contingency customer orders.

(D) The system will re-price Do Not Route orders (that would otherwise have to be routed to the exchange(s) disseminating the ABBO for an opening to occur) to a price that is one minimum trading increment inferior to the ABBO, and disseminate the re-priced DNR Order as part of the new PBBO.

(E) During the opening of the option series, where there is an execution possible, the system will give priority to market orders first, then to resting limit orders and quotes. The allocation provisions of Rule 1014(g)(vii) will apply.

(F) Upon opening of an option series, regardless of an execution, the system disseminates the price and size of the Exchange's best bid and offer (PBBO).

Amendments.
June 2, 1977.
August 8, 1984 (84-10).
July 27, 2004 (03-59).
January 12, 2005 (04-92).
February 2, 2005 (04-90).
October 25, 2005 (05-25).
January 23, 2006 (06-05).
February 7, 2006 (06-11).
March 29, 2007 (07-25).

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June 7, 2007 (06-87).
November 9, 2007 (07-81).
November 12, 2008 (08-75).
November 21, 2008 (08-74).
May 14, 2009 (09-23).
May 28, 2009 (09-32).
August 20, 2009 (09-61).
January 14, 2010, Operative on February 16, 2010 (10-07).
July 12, 2010 (10-95).
August 9, 2010 (10-111).
September 29, 2010, Operative on October 29, 2010 (10-134).
November 10, 2010 (10-156).
February 16, 2011, Operative on March 18, 2011 (11-27).
February 24, 2011, Operative on March 28, 2011 (11-29).
April 25, 2011 (11-13).
June 2, 2011 (11-80).
June 30, 2011 (11-95).
October 26, 2011 (11-144).
January 25, 2012 (12-12), operative February 24, 2012, implemented March 1, 2012 .
November 9, 2016 (16-79).
May 22, 2017 (17-40), operative June 21, 2017.
August 10, 2017 (17-69), operative September 29, 2017.
January 5, 2018 (18-05).
November 28, 2018 (18-77).

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Nasdaq PHLX Rules, Regulation, Rule 1019. Acceptance Of Bid Or Offer

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(a) All bids or offers for option contracts dealt in on the Exchange made and accepted in accordance with these Rules shall constitute binding contracts between the parties thereto but shall be subjected to the exercise by the Board of Directors of the powers in respect thereto vested in said Board by the By-Laws, and to the Rules of the Exchange, and said contracts shall also be subject to the rules of The Options Clearing Corporation and to the exercise by The Options Clearing Corporation of the powers reserved to it in its by-laws and rules.

(b) Phlx Options Kill Switch is an optional tool that enables Phlx members and member organizations (hereinafter collectively “member”) to initiate a message(s) to the Exchange’s Phlx XL system (“System”) to: (i) promptly remove quotes; and/or (ii) promptly cancel orders. Members may submit a request to the System to remove/cancel quotes and/or orders based on certain identifier(s) on either a user or group level (“Identifier”). Permissible groups must reside within a single broker-dealer. The System will send an automated message to the Phlx member when a Kill Switch request has been processed by the Exchange’s System.

(i) If quotes are cancelled by the Phlx member utilizing the Kill Switch, it will result in the removal of all quotes requested for the Identifier(s). The Phlx member will be unable to enter any additional quotes for the affected Identifier(s) until re-entry has been enabled pursuant to section (b)(iii).

(ii) If orders are cancelled by the Phlx member utilizing the Kill Switch, it will result in the cancellation of all orders requested for the Identifier(s). The Phlx member will be unable to enter additional orders for the affected Identifier(s) until re-entry has been enabled pursuant to section (b)(iii).

(iii) After quotes and/or orders are removed/cancelled by the Phlx member utilizing the Kill Switch, the Phlx member will be unable to enter additional quotes and/or orders for the affected Identifier(s) until the Phlx member has made a verbal request to the Exchange and Exchange staff has set a re-entry indicator to enable re-entry. Once enabled for re-entry, the System will send a Re-entry Notification Message to the Phlx member. The applicable Clearing Member also will be notified of the re-entry into the System after quotes and/or orders are removed/cancelled as a result of the Kill Switch, provided the Clearing Member has requested to receive such notification.

(c) Detection of Loss of Communication

(i) When the SQF Port detects the loss of communication with a member's Client Application because the Exchange's server does not receive a Heartbeat message for a certain time period ("nn" seconds), the Exchange will automatically logoff the member's affected Client Application and automatically cancel all of the member's open quotes. Quotes will be cancelled across all Client Applications that are associated with the same Specialist or Registered Options Trader (collectively "Market Maker") ID and underlying issues.

(A) A "Heartbeat" message is a communication which acts as a virtual pulse between the SQF or FIX Port and the Client Application. The Heartbeat message sent by the member and subsequently received by the Exchange allows the SQF or FIX Port to continually monitor its connection with the member.

(B) SQF Port is the Exchange's system component through which members communicate their quotes from the Client Application.

(C) FIX Port is the Exchange's system component through which members communicate their orders from the Client Application.

(D) Client Application is the system component of the member through which the Exchange member or member organization communicates its quotes and orders to the Exchange.

(ii) When the FIX Port detects the loss of communication with a member's Client Application because the Exchange's server does not receive a Heartbeat message for a certain time period ("nn" seconds), the Exchange will automatically logoff the member's affected Client Application and if the member has

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elected to have its orders cancelled pursuant to Rule 1019(c)(iv) automatically cancel all open orders posted.

(iii) The default time period ("nn" seconds) for SQF Ports shall be fifteen (15) seconds. A Phlx member may determine another time period of "nn" seconds of no technical connectivity, as required in paragraph (i) above, to trigger the disconnect and must communicate that time to the Exchange. The period of "nn" seconds may be modified to a number between one hundred (100) milliseconds and 99,999 milliseconds for SQF Ports prior to each session of connectivity to the Exchange. This feature is enabled for each member and may not be disabled.

(A) If the member systemically changes the default number of "nn" seconds, that new setting shall be in effect throughout the current session of connectivity and will then default back to fifteen seconds. The member may change the default setting systemically prior to each session of connectivity.

(B) If a time period is communicated to the Exchange by calling Exchange operations, the number of "nn" seconds selected by the member shall persist for each subsequent session of connectivity until the member either contacts Exchange operations and changes the setting or the member systemically selects another time period prior to the next session of connectivity.

(iv) The default period of "nn" seconds for FIX Ports shall be thirty (30) seconds for the disconnect and, if elected, the removal of orders. If the Phlx member elects to have its orders removed, in addition to the disconnect, the Phlx member may determine another time period of "nn" seconds of no technical connectivity, as required in paragraph (ii) above, to trigger the disconnect and removal of orders and communicate that time to the Exchange. The period of "nn" seconds may be modified to a number between one (1) second and thirty (30) seconds for FIX Ports prior to each session of connectivity to the Exchange. This feature may be disabled for the removal of orders, however the member will be disconnected.

(A) If the member systemically changes the default number of "nn" seconds, that new setting shall be in effect throughout the current session of connectivity and will then default back to thirty seconds. The member may change the default setting systemically prior to each session of connectivity.

(B) If the time period is communicated to the Exchange by calling Exchange operations, the number of "nn" seconds selected by the member shall persist for each subsequent session of connectivity until the member either contacts Exchange operations and changes the setting or the member systemically selects another time period prior to the next session of connectivity.

(v) The trigger for the SQF and FIX Ports is event and Client Application specific. The automatic cancellation of the Market Maker's quotes for SQF Ports and open orders for FIX Ports entered into the respective SQF or FIX Ports via a particular Client Application will neither impact nor determine the treatment of the quotes of other Market Makers entered into SQF Ports or orders of the same or other members entered into the FIX Ports via a separate and distinct Client Application.

Amendments.
November 24, 1976.
August 8, 1984 (84-10).
September 17, 1993 (91-5).
June 7, 2007 (06-87).
April 16, 2015 (15-35), operative May 16, 2015.
Rule 1035 renumbered as 1019 February 8, 2016 (16-23), operative March 30, 2016.
June 15, 2016 (16-72).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule
1020. Registration and Functions of Options Specialists

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(a) (i) No member shall act as an options specialist (to include a Remote Specialist as defined in Rule 1020(a)(ii)) in any option unless such member is registered as an options specialist in such option by the Exchange pursuant to Rule 501 and such registration may be revoked or suspended at any time by the Exchange.

(ii) A Remote Specialist is an options specialist in one or more classes that does not have a physical presence on an Exchange floor and is approved by the Exchange pursuant to Rule 501.

(iii) A Remote Specialist has all the rights and obligations of an options specialist, unless Exchange rules provide otherwise.

(iv) A Remote Specialist shall be accessible to Exchange staff and members during all trading hours for the product(s) allocated to such specialist and shall provide Exchange staff and members with telephonic and/or electronic communication access to such specialist and/or associated staff at all times during trading hours.

(v) A Remote Specialist can have a Designee in a physical trading crowd during trading hours. The Designee may trade in open outcry in the option classes allocated to the Remote Specialist, but the Remote Specialist shall not receive a participation entitlement under Rule 1014(g)(v) with respect to orders represented by the Designee in open outcry.

(A) A Designee is an individual who is approved by the Exchange for the time period specified by the Exchange to represent a Remote Specialist in its capacity as a Remote Specialist. The Exchange may require specified supervision of a Designee and/or limit a Designee's authority to represent a Remote Specialist.

(B) A Designee must be a member of the Exchange, an affiliate of the Remote Specialist, and a Registered Options Trader pursuant to the rules of the Exchange.

The Exchange shall have the discretion to permit an individual who is not affiliated with a Remote Specialist to act as a Designee for the Remote Specialist on an emergency basis, provided that the individual satisfies the other requirements of subparagraph (a)(v)(B) of this Rule.

(C) A Designee may not trade as a Market-Maker in securities allocated to the Remote Specialist unless the Designee is acting on behalf of the Remote Specialist in its capacity as a Remote Specialist.

(b) As a condition of a member's being registered as a specialist in one or more options, it is to be understood that a specialist is to engage in a course of dealings for his own account to assist in the maintenance insofar as reasonably practicable, of a fair and orderly market on the Exchange in such options in accordance with and when viewed in relation to the criteria set forth in paragraphs (c) and (d) of this Rule and the commentary thereto. If the Exchange shall have found any substantial or continued failure by a specialist to engage in such a course of dealings, the registration of such specialist shall be subject to suspension or cancellation by the Exchange in one or more of the options in which he is registered. Nothing herein shall limit any other power of the Board of Directors under the By-Laws or any Rule of the Exchange with respect to the registration of a specialist or in respect of any violation by a specialist of the provisions of this Rule.

(c) A specialist or his member organization shall not effect on the Exchange purchases or sales of any option in which such specialist is registered, for any account in which he or his member organization is directly or indirectly interested, unless such dealings are reasonably necessary to permit such specialist to maintain a fair and orderly market.

(d) In connection with the function of a specialist in relation to assisting in the maintenance, insofar as reasonably practicable, of a fair and orderly market in the options in which he is registered, it is ordinarily

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expected that a specialist will engage, to a reasonable degree under the existing circumstances, in dealings for his own account in options when lack of price continuity or lack of depth in the options market or temporary disparity between supply and demand in the options market exists or is reasonably to be anticipated. Transactions on the Exchange for his own account effected by a specialist in the options in which he is registered are to constitute a course of dealings reasonably calculated to contribute to the maintenance of price continuity with reasonable depth, and to the minimizing of the effects of temporary disparity between supply and demand, immediate or reasonably to be anticipated. Transactions in such options not part of such a course of dealings are not to be effected by a specialist for his own account.

Adopted.
February 4, 1987
Amendments.
February 2, 2001 (00-107).
June 7, 2007 (06-87).
January 14, 2011 (10-145).
April 25, 2011 (11-13).
June 1, 2011 (11-79), operative July 1, 2011.
July 6, 2011 (11-98).
December 16, 2015 (15-85), operative January 15, 2016.
November 16, 2016 (16-97).

• • • Commentary:

.01 In effecting transactions for his own account for the purpose of establishing or increasing a position, a specialist is to effect such transactions in a reasonable and orderly manner in relation to the condition of the general market, the market in the particular option and the adequacy of his position to the immediate and reasonably anticipated needs of the options market.

.02 Transactions by a specialist for his own account in liquidating or decreasing his position in an option in which he is registered are to be effected in a reasonable and orderly manner in relation to the condition of the general market, the market in the particular option and the adequacy of the specialist's positions to the immediate and reasonably anticipated needs of the options market.

Amendments.
November 24, 1976.
June 2, 1977.
October 14, 1982.
June 7, 2007 (06-87).
November 16, 2016 (16-97).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1022. Securities Accounts and Orders of Specialists and Registered Options Traders

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(a) *Identification of Accounts*—In a manner prescribed by the Exchange, each Specialist and Registered Options Trader shall file with the Exchange upon request and keep current a list identifying all accounts for stock, Exchange-Traded Fund Share, option and related securities or foreign currencies, physical commodities, physical commodity options, commodity futures contracts, options on commodity futures contracts, any other derivatives based on such commodity and other related trading in which the Specialist or Registered Options Trader may, directly or indirectly, engage in trading activities or over which he exercises investment discretion. No Specialist or Registered Options Trader shall engage in stock, Exchange-Traded Fund Share, option, or related securities or foreign currencies, physical commodities, physical commodity options, commodity futures contracts, options on commodity futures contracts, any other derivatives based on such commodity and other related trading in an account which has not been reported (pursuant to this Rule) in a manner prescribed by the Exchange.

(b) Reserved.

(c) Reserved.

(d) No Specialist or Registered Options Trader in options on a foreign currency shall fail to make available to the Exchange such books, records or other information maintained by or in the possession of such person, or any corporation or partnership associated with such person's member organization, pertaining to transactions by such person, corporation or partnership for its own account in any foreign currency with respect to which options are traded on the Exchange, in any futures contract on such a foreign currency, in any option contract on such a foreign currency (including options on foreign currency futures contracts), or in other foreign currency derivatives as may be called for under the Rules of the Exchange or as may be requested by the Exchange in the course of any investigation, any examination or other official inquiry.

• • • ***Commentary:***

.01 Reports of accounts and orders required to be filed with the Exchange pursuant to this Rule relate only to accounts in which a Specialist or Registered Options Trader, as an individual, directly or indirectly, controls trading activities or has a direct interest in the profits or losses of such accounts. Reports are required for accounts over which a Specialist or Registered Options Trader exercises investment discretion as well as his proprietary accounts. For purposes of this Rule, related securities include securities convertible into or exchangeable for underlying securities. In the case of Specialists and Registered Options Traders in options on a foreign currency, the provisions of this Rule governing identification of accounts shall apply to accounts for the trading of foreign currencies, foreign currency futures contracts and foreign currency options (including options on foreign currency futures contracts).

.02 In addition to the existing obligations under Exchange Rules regarding the production of books and records, a specialist or Registered Options Trader in commodity futures contracts, options on commodity futures contracts or any other derivatives based on such commodity, shall make available to the Exchange such books, records or other information pertaining to transactions in the applicable physical commodity, physical commodity options, commodity futures contracts, options on commodity futures contracts, or any other derivatives on such commodity, as may be requested by the Exchange.

Amendments.
March 26, 1980, effective May 25, 1980.
October 14, 1982.
February 2, 2001 (00-107).
December 21, 2006 (06-34).

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June 25, 2007 (07-35).
April 25, 2011 (11-13).
May 12, 2014 (14-35).
November 7, 2016 (16-86).
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Nasdaq PHLX Rules, Regulation, Rule
1024. Conduct of Accounts for Options Trading

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(a) *Registration of Options Principals.*

(i) No member or member organization or individual associated with a member organization shall be approved to transact options business with the public until such persons, who are designated as Options Principals, have been approved by and registered with the Exchange. Persons engaged in the supervision of options sales practice or a person to whom the designated general partner or executive officer (pursuant to Rule 1025) or another Registered Options Principal delegates the authority to supervise options sales practices shall be designated as Options Principals.

(ii) *Foreign Currency Options-Qualified Customer Personnel*—Registered Representatives of a member organization may solicit or accept customer orders for foreign currency options. Otherwise, an Application for Waiver of Series 7 Examination may be submitted describing and certifying at least six months of options-related experience. Such waiver is not automatic, but is subject to approval based on the information contained in the application.

(b) *Opening of Accounts*

(i) No member or member organization shall accept an order from a customer to purchase or write an option contract or currency or index warrant contract unless the customer's account has been approved for options trading in accordance with the provisions of this Rule. In addition, no member or member organization shall accept an order from a customer to purchase or write a foreign currency option contract unless such customer's account has been specially approved by a designated Foreign Currency Options Principal of such member or member organization, in writing, for transactions in foreign currency options. Such approval to engage in foreign currency options transactions shall be based upon the facts known to the member or member organization concerning the customer and his investment objectives and financial situations.

(ii) *Diligence in Opening Accounts*—In approving a customer's account for options transactions, a member or member organization shall exercise due diligence to learn the essential facts as to the customer and his investment objectives and financial situation, and shall make a record of such information which shall be retained in accordance with Rules 760 and 1025. Based upon such information, the branch office manager or other Registered Options Principal shall approve, in writing, the customer's account for options transactions; provided, that if the branch office manager is not a Registered Options Principal, his approval shall within a reasonable time be confirmed by a Registered Options Principal.

(iii) *Verification of Customer Background and Financial Information*—The background and financial information upon which the account of every new customer that is a natural person has been approved for options trading, unless the information is included in the customer's account agreement, shall be sent to the customer for verification within fifteen (15) days after the customer's account has been approved for options transactions. A copy of the background and financial information on file with the member organization shall also be sent to the customer for verification within fifteen (15) days after the member organization becomes aware of any material change in the customer's financial situation.

(iv) *Agreements to Be Obtained* —Within fifteen (15) days after a customer's account has been approved for options transactions, a member organization shall obtain from the customer a written agreement that the account shall be handled in accordance with the Rules of the Exchange and the rules of the Options Clearing Corporation and that such customer, acting alone or in concert with others, will not violate the position or exercise limits set forth in Rules 1001 and 1002.

(v) *Options Disclosure Documents to be Furnished* —At or prior to the time a customer's account is approved for options transactions, a member organization shall furnish the customer with one or more current Options Disclosure Documents in accordance with the requirements of Rule 1029.

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(c) Every member organization transacting business with the public in uncovered option contracts shall develop, implement and maintain specific written procedures governing the conduct of such business which shall include, at least, the following:

(i) Specific criteria and standards to be used in evaluating the suitability of a customer for uncovered short option transactions;

(ii) Specific procedures for approval of accounts engaged in writing uncovered short option contracts, including written approval of such accounts by a Registered Options Principal;

(iii) Designation of a specific Registered Options Principal qualified individual(s) as the person(s) responsible for approving accounts which do not meet the specific criteria and standards for writing uncovered short option transactions and for maintaining written records of the reasons for every account so approved;

(iv) Establishment of specific minimum net equity requirements for initial approval and maintenance of customer uncovered option accounts; and

(v) Requirements that customers approved for writing uncovered short options transactions be provided with a special written description of the risks inherent in writing uncovered short option transactions, at or prior to the initial uncovered short option transaction. See Rule 1029(b).

• • • ***Commentary***

.01 In fulfilling its obligations pursuant to paragraph (b)(ii) of this Rule with respect to options customers that are natural persons, a member organization shall seek to obtain the following information at a minimum (information shall be obtained for all participants in a joint account):

1. Investment objectives (e.g., safety of principal, income, growth, trading profits, speculation)
2. Employment status (name of employer, self-employed or retired)
3. Estimated annual income from all sources
4. Estimated net worth (exclusive of family residence)
5. Estimated liquid net worth (cash, securities, other)
6. Marital status: number of dependents
7. Age
8. Investment experience and knowledge (e.g., number of years, size, frequency and types of transactions for options, stocks and bonds, and commodities)

In addition, the customer's account records shall contain the following information, if applicable:

a. Source or sources of background and financial information (including estimates) concerning the customer
b. Discretionary trading authorization: agreement on file; name; relationship to customer and experience of person holding trading authority
c. Date Options Disclosure Document(s) furnished to customer
d. Nature and types of transactions for which account is approved (e.g., buying, covered writing, uncovered writing, spreading, discretionary transactions)
e. Name of registered representative
f. Name of ROP approving account; date of approval
g. Dates of verification of currency of account information

The member organization should consider utilizing a standard account approval form so as to ensure the receipt of all the required information.

.02 Refusal of a customer to provide any of the information called for in Commentary .01 shall be so noted on the customer's records at the time the account is opened. Information provided shall be considered together with other information available in determining whether and to what extent to approve the account for options transactions.

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.03 The requirement of paragraph (b)(iii) of this Rule for the initial and subsequent verification of customer background and financial information is to be satisfied by sending to the customer the information required in Items 1 through 6 of Commentary .01 above as contained in the member's records and providing the customer with an opportunity to correct or complete the information. In all cases, absent advice from the customer to the contrary, the information will be deemed to be verified.

.04 Approval of the accounts of customers for foreign currency options transactions shall be conducted in accordance with this Rule and, in the case of customers that are natural persons, shall include consideration of the background and financial information that a member organization must seek to obtain under Commentary .01 to this Rule. With respect to institutional foreign currency options customers (i.e., customers that are not natural persons), a member organization shall seek to obtain the following information.

(i) evidence of authority for the institution to engage in foreign currency options transactions (corporate resolutions, trust documents, etc.);
(ii) written designations of individuals within the institution authorized to act for it in connection with foreign currency options transactions; and
(iii) basic financial information concerning the institution.

.05 For purposes of Rule 1024 (Conduct of Accounts for Options Trading) Rule 1025 (Supervision of Accounts) and Rule 1029 (Delivery of Options Disclosure Document), the term writing uncovered short option positions shall include combinations and any transactions which involve naked writing.

.07 Individuals who are delegated responsibility pursuant to Rule 1025 for reviewing the acceptance of discretionary accounts, for approving exceptions to a member organization's criteria or standards for uncovered options accounts, and for approval of communications, shall be designated as Options Principals and are required to qualify as an Options Principal by passing the Registered Options Principal Qualification Examination (Series 4).

.08 A person accepting orders from non-member customers (unless such customer is a broker-dealer registered with the Securities and Exchange Commission) is required to register with the Exchange and to be qualified by passing the General Securities Registered Representative Examination (Series 7).

.09 Definition of Branch Office. A "branch office" is any location where one or more associated persons of a member or member organization regularly conduct the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security, or is held out as such, excluding:

(i) any location that is established solely for customer service and/or back office type functions where no sales activities are conducted and that is not held out to the public as a branch office;
(ii) any location that is the associated person's primary residence; provided that: (a) only one associated person, or multiple associated persons, who reside at that location and are members of the same immediate family, conduct business at the location; (b) the location is not held out to the public as an office and the associated person does not meet with customers at the location; (c) neither customer funds nor securities are handled at that location; (d) the associated person is assigned to a designated branch office, and such branch office is reflected on all business cards, stationery, advertisements and other communications to the public by such associated person; (e) the associated person's correspondence and communications with the public are subject to all supervisory provisions of the Exchange's Rules (f) electronic communications (e.g., e-mail) are made through the member's or member organization's electronic system; (g) all orders are entered through the designated branch office or an electronic system established by the member or member organization that is reviewable at the branch office; (h) written supervisory procedures pertaining to supervision of sales activities conducted at the residence are maintained by the

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member or member organization; and (i) a list of the locations is maintained by the member or member organization;

(iii) any location, other than a primary residence, that is used for securities business for less than 30 business days in any one calendar year, provided the member or member organization complies with the provisions of (b) through (h) of paragraph (ii) above;

(iv) any office of convenience, where the associated person occasionally and exclusively by appointment meets with customers, which is not held out to the public as a branch office (where such location is on bank premises, however, only signage required by the Interagency Statement (Statement on Retail Sales of Nondeposit Investment Products required under Banking Regulations) may be displayed);

(v) any location that is used primarily to engage in non-securities activities and from which the associated person effects no more than 25 securities transactions in any one calendar year; provided that any advertisements or sales literature identifying such location also sets forth the address and telephone number of the location from which the associated person conducting business at the non-branch locations are directly supervised;

(vi) the Floor of a registered national securities exchange where a member or member organization conducts a direct access business with public customers; or

(vii) a temporary location established in response to the implementation of a business continuity plan.

Notwithstanding the exclusions in subparagraphs (1) - (vii) above, any location that is responsible for supervising the activities of persons associated with a member or member organization at one or more non-branch locations of such member or member organization is considered to be a branch office.

For purposes of this Rule, the term "business day" shall not include any partial business day provided that the associated person spends at least four hours on such business day at his or her designated branch office during the hours that such office is normally open for business.

For purposes of this Rule, the term "associated person of a member or member organization" is defined as a member, allied member, or employee associated with a member or member organization.

For purposes of (ii)(h) above, written supervisory procedures shall include criteria for on-site for cause reviews of an associated person's primary residence. Such reviews must utilize risk-based sampling or other techniques designed to assure compliance with applicable securities laws and regulations and with Exchange Rules.

For purposes of (ii)(h) and (iii) above, written supervisory procedures for such residences and other remote locations must be designed to assure compliance with applicable securities laws and regulations and with Exchange Rules.

Factors which should be considered when developing risk-based sampling techniques to determine the appropriateness of on-site for cause reviews of selected residences and other remote locations shall include, but not be limited to, the following: (i) the firm's size; (ii) the firm's organizational structure; (iii) the scope of business activities; (iv) the number and location of offices; (v) the number of associated persons assigned to a location; (vi) the nature and complexity of products and services offered; (vii) the volume of business done; (viii) whether the location has a Series 9/10-qualified person on-site; (ix) the disciplinary history of the registered persons or associated persons, including a review of such person's customer complaints and Forms U4 and U5; and (x) the nature and extent of a registered person's or associated person's outside business activities, whether or not related to the securities business.

Amendments.
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October 19, 1982.
December 10, 1982.
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September 30, 1993 (92-10).
August 29, 1995 (94-49).
October 31, 2002 (02-46).
May 28, 2003 (03-22).
April 6, 2006 (06-15).
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Nasdaq PHLX Rules, Regulation, Rule 1025. Supervision of Accounts

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(a) *Duty to Supervise*; —The general partners or directors of each member organization that conducts a non-member customer business shall provide for appropriate supervisory control and shall designate a general partner or executive officer, who shall be identified to the Exchange, to assume overall authority and responsibility for internal supervision and control of the organization and compliance with securities laws and regulations. This person, who may be the same individual designated pursuant to substantially similar New York Stock Exchange or FINRA rules shall:

(i) Delegate to qualified employees responsibilities and authority for supervision and control of each office, department or business activity, and shall provide for appropriate written procedures of supervision and control.

(ii) Establish a separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised.

(iii) Develop and implement written policies and procedures reasonably designed to independently supervise the activities of accounts serviced by branch office managers, sales managers, regional/ district sales managers or any person performing a similar supervisory function. Such supervisory reviews must be performed by a qualified Registered Options Principal who:

A. Is either senior to, or otherwise independent of, the producing manager under review. For purposes of this Rule, an "otherwise independent" person: may not report either directly or indirectly to the producing manager under review; must be situated in an office other than the office of the producing manager; must not otherwise have supervisory responsibility over the activity being reviewed; and must alternate such review responsibility with another qualified person every two years or less. Further, if a person designated to review a producing manager receives an override or other income derived from that producing manager's customer activity that represents more than 10% of the designated person's gross income derived from the member organization over the course of a rolling twelve-month period, the member organization must establish alternative senior or otherwise independent supervision of that producing manager to be conducted by a qualified Registered Options Principal other than the designated person receiving the income.

B. If a member organization is so limited in size and resources that there is no qualified Registered Options Principal senior to, or otherwise independent of, the producing manager to conduct the reviews pursuant to paragraph (a)(iii)(A) of this Rule (for instance, the member organization has only one office, or an insufficient number of qualified personnel who can conduct reviews on a two-year rotation), the reviews may be conducted by a Registered Options Principal in compliance with paragraph (a)(iii)(A) of this Rule to the extent practicable.

C. A member organization relying on paragraph (a)(iii)(B) of this Rule must document the factors used to determine that complete compliance with all of the provisions of paragraph (a)(iii)(A) of this Rule is not possible, and that the required supervisory systems and procedures in place with respect to any producing manager comply with the provisions of paragraph (a)(iii)(A) of this Rule to the extent practicable.

D. A member organization that complies with requirements of the New York Stock Exchange or FINRA that are substantially similar to the requirements in paragraphs (a)(iii)(A), (a)(iii)(B) and (a)(iii)(C) of this Rule will be deemed to have met such requirements.

(b) Maintenance of Customer Records—

(i) Background and financial information of customers who have been approved for options transactions shall be maintained at both the branch office servicing the customer's account and the principal

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supervisory office having jurisdiction over that branch office. Copies of account statements of options customers shall be maintained at both the branch office supervising the accounts and the principal supervisory office having jurisdiction over that branch for the most recent six-month period. With respect to the record retention responsibility of principal supervisory offices, customer information and account statements may be maintained at a location off premises so long as the records are readily accessible and promptly retrievable. Other records necessary to the proper supervision of accounts shall be maintained at a place easily accessible both to the branch office servicing the customer's account and to the principal supervisory office having jurisdiction over that branch office.

(ii) Upon the written instructions of a customer, a member may hold mail for a customer who will not be at his or her usual address for the period of his or her absence, but (A) not to exceed two months if the member is advised that such customer will be on vacation or traveling or (b) not to exceed three months if the customer is going abroad.

(iii) Before any customer order is executed, there must be placed upon the memorandum for each transaction, the name or designation of the account (or accounts) for which such order is to be executed. No change in such account name(s) (including related accounts) or designation(s) (including error accounts) shall be made unless the change has been authorized by a member or a person(s) designated by the designated general partner or executive officer (pursuant to Rule 1025). Such person must, prior to giving his or her approval of the account designation change, be personally informed of the essential facts relative thereto and indicate his or her approval of such change in writing on the order or other similar record of the member. The essential facts relied upon by the person approving the change must be documented in writing and preserved for a period of not less than three years, the first two years in an easily accessible place, as the term "easily accessible place" is used in SEC Rule 17a-4.

For purposes of this paragraph (b)(iii), any person designated by the designated general partner or executive officer (pursuant to Rule 1025) must be a Registered Options Principal.

(c) *Internal Controls.*

(i) Member organizations must develop and maintain adequate controls over each of its business activities. Such controls must provide for the establishment of procedures for verification and testing of those business activities. An ongoing analysis, based upon appropriate criteria, may be employed to assess and prioritize those business activities requiring independent verification and testing. A review of each member organization’s efforts with respect to internal controls, including a summary of tests conducted and significant exceptions identified, must be included in the annual report required by paragraph (g) of this Rule.

(ii) A member organization that complies with requirements of the New York Stock Exchange or FINRA that are substantially similar to the requirements in paragraph (c)(i) of this Rule will be deemed to have met such requirements.

(d) *Annual Branch Office Inspections.*

(i) Each branch office that supervises one or more non-branch locations must be inspected no less often than once each calendar year unless:

A. it has been demonstrated to the satisfaction of the Exchange that because of proximity, special reporting or supervisory practice, other arrangements may satisfy this Rule’s requirements for a particular branch office; or

B. based upon the written policies and procedures of such member organization providing for a systematic risk-based surveillance system, the member organization submits a proposal to the Exchange and receives, in writing, an exemption from this requirement pursuant to paragraph (e) of this Rule.

(ii) Every branch office, without exception, must be inspected at least once every three calendar-years. All required inspections must be conducted by a person who is independent of the direct supervision and

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control of the branch office in question (i.e., not the branch office manager, or any person who directly or indirectly reports to such manager, or any person to whom such manager directly reports). Written reports reflecting the results of such inspections are to be maintained at the member organization for the longer of three years or until the next branch office inspection.

(iii) A member organization that complies with requirements of the New York Stock Exchange or FINRA that are substantially similar to the requirements in paragraph (d)(1) and (d)(2) of this Rule as well as to related requirements in paragraphs (e) and (f) of this Rule will be deemed to have met such requirements.

(e) *Risk –Based Surveillance and Branch Office Identification.*

(i) Any member organization seeking an exemption, pursuant to Rule 1025(d)(i)(B), from the annual branch office inspection requirement must submit to the Exchange written policies and procedures for systematic risk-based surveillance of its branch offices. Such policies and procedures should reflect, among other factors, the member organization's business model and product mix. Such policies and procedures must also, at a minimum, provide for:

A. The inspection of branches where developments during the year require a reconsideration of such branch's exemption;
B. A requirement that no less than half of the branch offices inspected each year on a cycle basis be done on an unannounced basis; and
C. A system to enable employees to report compliance issues on a confidential basis outside of the branch office chain of command.

(ii) For purposes of paragraph (e)(i) of this Rule, the risk-based factors to be considered should include, but not necessarily be limited to, the following:

A. Number of Registered Representatives;
B. A significant increase in the number of Registered Representatives;
C. Number of customers and volume of transactions;
D. A significant increase in branch office revenues;
E. Incidence of concentrated securities positions in customer's accounts;
F. Aggregate customer assets held;
G. Nature of the business conducted and the sales practice risk to investors associated with the products sold, and product mix (e.g. options, equities, mutual funds, annuities, etc.);
H. Numbers of accounts serviced on a discretionary basis;
I. Compliance and regulatory history of the branch, including:

(1) Registered Representatives subject to special supervision by the member organization, self-regulatory authorities, state regulatory authorities or the Securities and Exchange Commission in years other than the previous or current year;
(2) Complaints, arbitrations, internal discipline, or prior inspection findings; and
(3) Persons subject to recent disciplinary actions by self-regulatory authorities, state regulatory authorities or the Securities and Exchange Commission.

J. Operational factors, such as the number of errors and account designation changes per Registered Representative;
K. Incidence of accommodation mailing addresses (e.g., post office boxes and "care of" accounts);
L. Whether the branch office permits checks to be picked up by customers or hand delivery of checks to customers;
M. Experience, function (producing or non-producing) and compensation structure of branch office manager;
N. Branch offices recently opened or acquired; and
O. Changes in branch location, status or management personnel.

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(iii) Notwithstanding any policies or procedures implemented pursuant to this Rule, branch offices that meet any of the following criteria must be inspected no less often than once each calendar year:

A. Offices with one or more Registered Representatives subject to special supervision as required by a self-regulatory authority or state regulatory authority during the current or immediately preceding year.
B. Offices with 25 or more registered individuals;
C. Offices in the top 20% of production or customer assets for the member organization;
D. Any branch office not inspected within the previous two calendar years; and
E. Any branch office designated as exercising supervision over another branch office.

(f) *Criteria for Inspection Programs.* An annual branch office inspection program must include, but is not limited to, testing and independent verification of internal controls related to the following areas:

(i) Safeguarding of customer funds and securities:
(ii) Maintaining books and records;
(iii) Supervision of customer accounts serviced by branch office managers;
(iv) Transmittal of funds between customers and Registered Representatives and between customers and third parties;
(v) Validation of customer address changes; and
(vi) Validation of changes in customer account information.

(g) *Written Report.* By April 1 of each year, each member organization that conducts a nonmember customer business shall submit to the Exchange a written report on the member organization's supervision and compliance effort during the preceding year and on the adequacy of the member organization's ongoing compliance processes and procedures. Each member organization that conducts a public customer options business shall also specifically include its options compliance program in the report. The report shall include, but not be limited to, the following:

(i) A tabulation of customer complaints (including arbitrations and civil actions) and internal investigations.
(ii) Identification and analysis of significant compliance problems, plans for future systems or procedures to prevent and detect violations and problems, and an assessment of the preceding year's efforts of this nature.
(iii) Discussion of the preceding year's compliance efforts, new procedures, educational programs, etc. in each of the following areas:

(A) antifraud and trading practices;
(B) investment banking activities;
(C) sales practices;
(D) books and records;
(E) finance and operations;
(F) supervision;
(G) internal controls; and
(H) anti-money laundering.

If any of these areas do not apply to the member organization, the report shall so state.

(iv) for each member organization, the designation of a general partner or principal executive officer as Chief Compliance Officer (which designation shall be updated on Schedule A of Form BD).

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(v) A certification signed by the member organization's Chief Executive Officer (or equivalent), that:

A. The member organization has in place processes to:

(1) establish and maintain policies and procedures reasonably designed to achieve compliance with applicable Exchange Rules and federal securities laws and regulations,
(2) modify such policies and procedures as business, regulatory and legislative changes and events dictate, and
(3) test the effectiveness of such policies and procedures on a periodic basis, the timing and extent of which is reasonably designed to ensure continuing compliance with Exchange Rules and federal securities laws and regulations.

B. In member organizations, the Chief Executive Officer (or equivalent officer) conducted one or more meetings with the organization's Chief Compliance Officer during the preceding 12 months, and that they discussed and reviewed the matters described in this certification, including the organization's prior compliance efforts, and identified and addressed significant compliance problems and plans for emerging business areas.

C. In member organizations, the processes described in paragraph (g)(v)(A)(1) of this Rule, are evidenced in a report reviewed by the Chief Executive Officer (or equivalent officer), Chief Compliance Officer and such other officers as the organization may deem necessary to make this certification, and submitted to the organization's board of directors and audit committee (if such committee exists) on or before April 1 of each year.

D. In member organizations, the Chief Executive Officer (or equivalent officer) has consulted with the Chief Compliance Officer and other officers referenced in paragraph (g)(v)(C) of this Rule and such other employees, outside consultants, lawyers and accountants, to the extent they deem appropriate, in order to attest to the statements made in this certification.

A member organization that specifically includes its options compliance program in a report that complies with substantially similar requirements of the New York Stock Exchange or FINRA will be deemed to have met the requirements of this Rule 1025 (g) and (h).

(h) Reports to Control Persons—By April 1 of each year, each member organization shall submit a copy of the report that Rule 1025(g) requires the member organization to prepare to its one or more control persons or, if the member organization has no control person, to the audit committee of its board of directors or its equivalent committee or group. In the case of a control person that is an organization (a "controlling organization"), the member organization shall submit the report to the general counsel of the controlling organization and to the audit committee of the controlling organization's board of directors or its equivalent committee or group. For the purpose of this paragraph, "control person" means a person who controls the member organization, and the term "control" means the power to exercise a controlling influence over the management or policies of the member organization, unless such power is solely the result of an official position with the member organization. Any person who owns beneficially, directly or indirectly, more than 20% of the voting power in the election of directors of the member organization, or more than 25% of the voting power in the election of directors of any other corporation which directly or through one or more affiliates owns beneficially more than 25% of the voting power in the election of directors of the member organization, shall be presumed to control the member organization.

(i) Foreign Currency Options Principal—Every member handling public orders for foreign currency options shall designate and specifically identify to the Exchange one or more principals of the organization who shall be responsible for supervision of the member organization's non-member customer accounts and communications to customers insofar as such accounts and communications relate to foreign currency options. Each designated Foreign Currency Options Principal shall be a general partner, an officer or a person of appropriate supervisory or managerial rank of the member and shall have successfully completed a Registered Options Principal Qualification Examination, allied member's examination or other principal's examination or have demonstrated

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equivalent knowledge, and an examination prescribed by the Exchange for the purpose of demonstrating an adequate knowledge of foreign currency options and the markets for the underlying foreign currencies.

(j) The provisions of this Rule are applicable to currency and index warrants.

• • • ***Commentary*** —

.01 A designated Foreign Currency Options Principal, in meeting his responsibility for supervision of nonmember customer accounts and orders, may delegate to qualified employees responsibility and authority, as provided above in the case of the Senior Registered Options Principal.

.02 Each member organization that conducts a non-member customer business shall establish, maintain, and enforce written procedures which detail the specific methods used to supervise all non-member customer accounts and all orders in such accounts. Such written procedures shall specifically identify the titles and positions of individuals who have been delegated authority and responsibility for an identified segment of the member organization's business, including option compliance functions. The procedures shall also include the registration status and location of all such supervisory and compliance personnel. Each member organization shall also develop and implement specific written procedures concerning the manner of supervision of customer accounts maintaining uncovered short option positions, and specifically providing for frequent supervisory review of such accounts.

.03 Each member organization shall maintain, at the principal supervisory office having jurisdiction over the office servicing the customer's account, or shall have readily accessible and promptly retrievable, information to permit review of each customer's options account, on a timely basis to determine (i) the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved; (ii) the size and frequency of option transactions; (iii) commission activity in the account; (iv) profit or loss in the account; (v) undue concentration in any options class or classes; and (vi) compliance with the provisions of Regulation T of the Federal Reserve Board.

.04 As a general matter, supervisory qualifications of a designated Foreign Currency Options Principal may be demonstrated only by successful completion of a registered options principal examination, allied member's examination or other principal examination. In exceptional circumstances, however, the Exchange may, upon written request by a member organization, accept as a demonstration of equivalent knowledge other evidence of a designated Foreign Currency Options Principal's supervisory qualifications. Advanced age, physical infirmity or experience in fields ancillary to the foreign exchange trading, investment banking or securities businesses will not individually of themselves constitute sufficient grounds to excuse a designated Foreign Currency Options Principal from the general requirement that supervisory qualifications be shown by successful completion of an appropriate examination.

.05 Documentation evidencing the annual written report required by paragraph (g) of this Rule, must be maintained in a place that is easily accessible and shall be provided to the Exchange upon request.

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Amendments.
November 24, 1976.
October 12, 1977.
March 26, 1980, effective April 25, 1980.
March 26, 1980, effective June 24, 1980.
October 14, 1982.
January 10, 1984.
June 21, 1989.
October 27, 1994 (94-35).
August 29, 1995 (94-49).
August 22, 2008 (08-53).
April 25, 2011 (11-13).
November 2, 2017 (17-55).

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Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1026. Suitability

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(a) No member, member organization or registered employee thereof shall recommend to any customer any transaction to purchase or write an option contract unless such member, member organization or registered employee has reasonable grounds to believe that the entire recommended transaction is not unsuitable for such customer on the basis of information furnished by such customer after reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other information known by such member, member organization or registered employee.

(b) No member, member organization or registered employee thereof, shall recommend to a customer an opening transaction in any option contract unless the person making the recommendation has a reasonable basis for believing, at the time of making the recommendation, that the customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks of the recommended transaction, and is financially able to bear the risks of the recommended position in the option contract.

(c) The provisions of this Rule are applicable to currency and index warrants.

Amendments.
June 2, 1977.
March 26, 1980, effective April 25, 1980.
July 26, 1990.
April 25, 2011 (11-13).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1027. Discretionary Accounts

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(a) *Authorization and Approval Required.* The authorization of all discretionary options accounts and the approval of all discretionary options transactions shall be handled as follows:

(i) *Stock, Index or Exchange-Traded Fund Share Options*—No member or member organization and no partner or employee of a member organization shall exercise any discretionary power with respect to trading in stock, index or Exchange-Traded Fund Share options contracts in a customer's account unless such customer has given prior written authorization and the account has been accepted in writing by a Registered Options Principal. Each firm shall designate specific Registered Options Principals pursuant to Rule 1025 to review discretionary accounts. A Registered Options Principal specifically delegated such responsibilities under Rule 1025 (who is an individual other than the Registered Options Principal who accepted the account) shall review the acceptance of each discretionary account to determine that the Registered Options Principal accepting the account had a reasonable basis for believing that the customer was able to understand and bear the risks of the strategies or transactions proposed, and he shall maintain a record of the basis for his determination.

(ii) *Foreign Currency Options*—No member or member organization and no partner or employee of a member organization shall exercise any discretionary power with respect to trading in foreign currency options contracts in a customer's account unless such customer has given prior written authorization with respect to such trading and the account has been accepted in writing by a designated Foreign Currency Options Principal, who shall maintain a record of the basis for his determination that such customer was able to understand and bear the risks of the strategies or transactions proposed. Such designated Foreign Currency Options Principal must approve and initial each discretionary foreign currency options order on the day entered unless such order has already been approved and initialled by a Registered Options Principal, provided that in the case of approvals by Registered Options Principals who are not designated Foreign Currency Options Principals, such approvals shall be confirmed within a reasonable time by a designated Foreign Currency Options Principal..

(iii) *General* —Every discretionary order shall be identified as discretionary on the order at the time of entry. Discretionary accounts shall receive frequent appropriate supervisory review by the Registered Options Principal specifically delegated such responsibilities under Rule 1025, who is not exercising the discretionary authority.

(iv) The provisions of this Rule are applicable to index warrants.

(b) *Options Programs*—Where the discretionary account utilizes options programs involving the systematic use of one or more options strategies, the customer shall be furnished with a written explanation meeting the requirements of Rule 1049 of the nature and risks of such programs.

(c) *Prohibited Transactions*—No member or member organization and no partner, officer or employee of a member organization shall effect with or for any customer’s account in respect to which such member or member organization or partner, officer or employee of a member organization is vested with any discretionary power any transactions of purchase or sale of option contracts which are excessive in size or frequency in view of the financial resources and character of such account.

(d) *Record of Transactions*—A record shall be made of every option transaction for an account in respect to which a member or member organization or a partner, officer or employee of a member organization is vested with any discretionary authority, such record to include the name of the customer, the designation, number of contracts and premium of the option contracts, the date and time when such transaction took place and clearly reflecting the fact that discretionary authority was exercised.

(e) *Discretion as to Time or Price Excepted*—This Rule shall not apply to discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite number of option contracts in a specified security or foreign currency shall be executed, except that the authority to exercise time and price discretion will be considered to be in effect only until the end of the business

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day on which the customer granted such discretion, absent a specific, written contrary indication signed and dated by the customer. This limitation shall not apply to time and price discretion exercised in an institutional account, as defined below, pursuant to valid Good-Till-Cancelled instructions issued on a "not held" basis. Any exercise of time and price discretion must be reflected on the order ticket. As used in this paragraph (e) the term "institutional account" shall mean the account of: (i) a bank, savings and loan association, insurance company, or registered investment company; (ii) an investment adviser registered either with the Securities and Exchange Commission under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or (iii) any other entity (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least $50 million.

• • • ***Commentary***

.01 Any member organization that does not utilize computerized surveillance tools for the frequent and appropriate review of discretionary account activity must establish and implement procedures to require Registered Options Principal qualified individuals who have been designated to review discretionary accounts to approve and initial each discretionary order on the day entered.

Amendments.
November 24, 1976.
June 2, 1977.
March 26, 1980, effective May 25, 1980.
March 26, 1980, effective June 24, 1980.
October 14, 1982.
July 26, 1990.
February 2, 2001 (00-107).
August 22, 2008 (08-53).
June 24, 2009 (09-40).
April 25, 2011 (11-13).
September 15, 2017 (17-56).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1028. Confirmations and Complaints

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(a) Every member and member organization shall promptly furnish to each customer a written confirmation of each transaction in option contracts for such customer's account. Each such confirmation shall show the type of option, the underlying stock, Exchange-Traded Fund Share or foreign currency, as the case may be, the expiration month, the exercise price, the number of option contracts, the premium, commissions, the transaction and settlement dates, whether the transaction was a purchase or a sale (writing) transaction, whether the transaction was an opening or a closing transaction, and whether the transaction was effected on a principal or agency basis. The confirmation shall by appropriate symbols distinguish between Exchange options transactions and other transactions in option contracts though such confirmation does not need to specify the exchange or exchanges on which such option contracts were executed.

(b) Every member organization conducting a customer business shall maintain and keep current a separate central log, index or other file for all options-related complaints, through which these complaints can easily be identified and retrieved. The central file shall be located at the principal place of business of the member organization or such other principal office as shall be designated by the member organization. At a minimum, the central file shall include: (i) identification of complaint; (ii) date complaint was received; (iii) identification of Registered Representative servicing the account; (iv) a general description of the matter complained of, and (v) a record of what action, if any, has been taken by the member organization with respect to the complaint. The term "options-related complaint" shall mean any written statement by a customer or person acting on behalf of a customer alleging a grievance arising out of or in connection with listed options. Each options-related complaint received by a branch office of a member organization shall be forwarded to the office in which the separate, central file is located no later than 30 days after receipt by the branch office. A copy of every options-related complaint shall be maintained at the branch office that is the subject of the complaint.

(1) The provisions of this Rule shall be applicable to index warrants.

Amendments.
October 14, 1982.
February 2, 2001 (00-107).
December 29, 2008 (08-82).
March 24, 2015 (15-31).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule
1029. Delivery of Options Disclosure Documents

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(a) *Options Disclosure Documents*—Every member and member organization shall deliver a current Options Disclosure Document to each customer at or prior to the time such customer's account is approved for options transactions. A copy of each amendment to an Options Disclosure Document shall be furnished to each customer who was previously furnished the Options Disclosure Document to which the amendment pertains, not later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to such customer. The term "current Options Disclosure Document" means the most recent edition of such Document which meets the requirements of Rule 9b-1 promulgated under the Securities Exchange Act of 1934.

(b) The written description of risks required by Rule 1024(c)(v) shall be in a format prescribed by the Exchange or in a format developed by the member organization, provided it contains substantially similar information as the prescribed Exchange format and has received prior written approval of the Exchange.

(c) Below is a sample risk description for use by member organizations to satisfy the requirements of paragraph (b) of this Rule 1029:

Special Statement for Uncovered Options Writers.

There are special risks associated with uncovered options writing which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all customers approved for options transactions.

1. *The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price.*

2. *As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.*

3. *Uncovered options writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor's account with little or no prior notice in accordance with the investor's margin agreement.*

4. *For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.*

5. *If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an options writer would remain obligated until expiration or assignment.*

6. *The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period. NOTE: It is expected that you will read the booklet entitled CHARACTERISTICS AND RISKS OF STANDARDIZED OPTIONS available from your broker. In particular, your attention is directed to the chapter entitled Risks of Buying and Writing Options. This statement is not intended to enumerate all of the risks entailed in writing uncovered options.*

• • • ***Commentary***

.01 Where the customer of a member or member organization is a broker or dealer entering his orders with the member or member organization in a single omnibus account, such member or member

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organization shall take reasonable steps to assure that such broker or dealer is furnished reasonable quantities of current Options Disclosure Documents, as requested by him in order to enable him to comply with the requirements of this Rule.

.02 Where a broker or dealer enters orders for his customers with, or clears transactions through, a member organization on a fully disclosed basis and such member organization carries the accounts of such customers, the responsibility for delivering one or more current Options Disclosure Documents as provided in this Rule shall rest with the member organization. However, such member organization may rely upon the good faith representation of the introducing broker or dealer that one or more current Options Disclosure Documents have been delivered in compliance with this Rule.

.03 The Exchange will advise members and member organizations when an Options Disclosure Document is amended.

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Amendments.
November 24, 1976.
October 19, 1982.
December 10, 1982.
April 30, 1986.
June 21, 1989.
May 28, 2003 (03-22).
June 20, 2017 (17-49), operative July 20, 2017.
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1030. Transactions With Issuers

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No member or member organization shall accept an order for the account of any corporation which is the issuer of an underlying stock or Exchange-Traded Fund Share for the sale (writing) of a call option contract with respect to that underlying stock or Exchange-Traded Fund Share.

Amendments.
June 2, 1977.
July 6, 1978.
February 2, 2001 (00-107).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1031. Restricted Stocks

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For the purposes of: (i) covering a short position in a call option contract, or (ii) delivery pursuant to the exercise of a put option contract, or (iii) satisfying an exercise notice assigned in respect of a call option contract, no member or member organization shall accept shares of an underlying stock, which may not be sold by the holder thereof except upon registration pursuant to the provisions of the Securities Act of 1933 or pursuant to SEC rules promulgated under the Securities Act of 1933, unless, at the time such securities are accepted and at any later time such securities are delivered, applicable provisions of the Securities Act of 1933 and the rules thereunder have been complied with by the holder of such securities.

Amendments.
November 24, 1976.
June 2, 1977.
July 6, 1978.
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1032. Statements of Accounts

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Statements of accounts required by Rule 752 shall be sent not less frequently than once every month to each customer in whose account there has been an entry during the preceding month with respect to an option contract and at least quarterly to all accounts having a money or a security position during the preceding quarter. Statements of accounts to customers shall show security and money positions, entries, interest charges and any special charges that have been assessed against such account during the period covered by the statement; provided, however, that such charges need not be specifically delineated on the statement if they are otherwise accounted for on the statement and have been itemized on transaction confirmations.

With respect to options customers having a general (margin) account, such statement shall also provide the mark-to-market price and market value of each option position and other security position in the general (margin) account, the total market value of all positions in the account, the outstanding debit or credit balance in the account and the general (margin) account equity. The statement shall bear a legend stating that further information with respect to commissions and other charges related to the execution of listed option transactions has been included in confirmations of such transactions previously furnished to the customer, and that such information will be made available to the customer promptly upon request. The statement shall also bear a legend requesting the customer to promptly advise the member of any material change in the customer's investment objectives or financial situation.

• • • ***Commentary:***

.01 For purposes of the foregoing Rule, general (margin) account equity shall be computed by subtracting the total of the "short" security values and any debit balance from the total of the "long" security values and any credit balance.

Renumbered.
June 2, 1977.
Amendment.
March 26, 1980, effective September 22, 1980.

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Nasdaq PHLX Rules, Regulation, Rule 1034. Minimum Increments

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(a) Except as provided in sub-paragraphs (i)(B) and (iii) below, all options on stocks, index options, and Exchange Traded Fund Shares quoting in decimals at $3.00 or higher shall have a minimum increment of $.10, and all options on stocks and index options quoting in decimals under $3.00 shall have a minimum increment of $.05.

(i) (A) However, the Board of Directors may establish different minimum trading increments. The Exchange will designate any such change as a stated policy, practice or interpretation with respect to the administration of Rule 1034, within the meaning of Section 19(b)(3)(A) of the Exchange Act and will file a proposed rule change with the Securities and Exchange Commission to be effective upon filing.

(B) For a pilot period scheduled to expire June 30, 2019 or the date of permanent approval, if earlier (the "pilot"), certain options shall be quoted and traded on the Exchange in minimum increments of $0.01 for all series in such options with a price of less than $3.00, and in minimum increments of $0.05 for all series in such options with a price of $3.00 or higher, except that options overlying the PowerShares QQQ Trust ("QQQQ")®, SPDR S&P 500 Exchange Traded Funds (“SPY”), and iShares Russell 2000 Index Funds (“IWM”) shall be quoted and traded in minimum increments of $0.01 for all series regardless of the price. A list of such options shall be communicated to membership via an Options Trader Alert ("OTA") posted on the Exchange's web site.

The Exchange may replace any pilot issues that have been delisted with the next most actively traded multiply listed options classes that are not yet included in the pilot, based on trading activity in the previous six months. The replacement issues may be added to the pilot on the second trading day in the first month of each quarter.

(C) An order received at a price expressed in other than the appropriate minimum trading increment described in this Rule shall be rejected by the Phlx XL II system.

(ii) All options on foreign currencies where the underlying foreign currency is not the U.S. dollar shall have a minimum increment of $.01.

(iii) All options on Alpha Indexes shall have a minimum increment of $.01 if options on either component of the index have a minimum increment of $.01.

(iv) All Mini Option contracts shall have a minimum price variation as set forth in Commentary .13 of Rule 1012.

(v) However, different minimum changes for dealings in option contracts may also be fixed by the Exchange from time to time for option contracts of a particular series.

Amendments.
October 13, 1975.
October 14, 1982.
April 4, 1984.
February 3, 1986.
May 10, 1988.
January 1, 1989.
November 7, 1991.
July 9, 1992.
August 27, 1992.
March 8, 1994 (93-10).
November 1, 1994 (94-18).
September 20, 1995 (95-21).
December 17, 1997 (97-22).
May 19, 1998 (98-12).
January 15, 1999 (99-01).
October 6, 2000 (00-05).
February 2, 2001 (00-107).

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July 29, 2002 (02-05).
December 21, 2006 (06-34).
January 23, 2007 (06-74).
June 18, 2007 (07-26).
July 10, 2007 (07-34).
July 24, 2007 (07-53).
September 27, 2007 (07-62).
December 7, 2007 (07-70).
March 26, 2009 (09-25).
June 24, 2009 (09-40).
July 1, 2009 (09-51).
August 20, 2009 (09-61).
October 23, 2009 (09-91).
January 4, 2010 (09-110).
November 22, 2010 (10-167), operative December 22, 2010.
February 7, 2011 (10-176).
April 25, 2011 (11-13).
December 2, 2011 (11-172), operative January 3, 2012.
June 22, 2012 (12-86).
December 20, 2012 (12-143).
March 14, 2013 (13-30).
June 11, 2013 (13-64).
December 13, 2013 (13-123).
May 20, 2014 (14-37).
November 21, 2014 (14-77).
June 19, 2015 (15-54).
June 10, 2016 (16-47).
November 16, 2016 (16-115).
May 11, 2017 (17-36).
December 12, 2017 (17-104).
June 25, 2018 (18-50).
December 21, 2018 (18-84).
March 21, 2019 (19-05).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1035. Zero-Bid Option Series

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In the case where the bid price for any options series is $0.00, a market order accepted into the System to sell that series shall be considered a limit order to sell at a price equal to the minimum trading increment as defined in Rule 1034. Orders will be placed on the limit order book in the order in which they were received by the System. With respect to market orders to sell which are submitted prior to the Opening Process and persist after the Opening Process, those orders are posted at a price equal to the minimum trading increment as defined in Rule 1034.

Amendments.
April 25, 2011 (11-13).
Rule 1035 renumbered as 1019 February 8, 2016 (16-23), operative March 30, 2016.
April 27, 2018 (18-35).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1036. Affiliated Persons Of Specialists

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(a) Reserved.

(b) No issuer, or parent or subsidiary thereof, or any officer, director or 10% stockholder thereof, may become an approved person in a specialist member organization whose members are registered in options overlying a security of that issuer.

Amendments.
April 25, 2011 (11-13).
November 7, 2016 (16-86).
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1037. Authorization to Give Up

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(a) *General*. For each transaction in which a member organization participates, the member organization may indicate, at the time of the trade, with respect to floor trading only, or through post trade allocation, any Options Clearing Corporation ("OCC") number of a Clearing Member through which a transaction will be cleared ("Give Up"), provided the Clearing Member has not elected to Opt In, as defined and described in paragraph (b) below, and restrict one or more of its OCC number(s) ("Restricted OCC Number"). A member organization may Give Up a Restricted OCC Number provided the member organization has written authorization as described in paragraph (b)(ii) below ("Authorized Member Organization").

(b) *Opt In*. Clearing Members may request the Exchange restrict one or more of their OCC clearing numbers ("Opt In") as described in subparagraph (i) below. If a Clearing Member Opts In, the Exchange will require written authorization from the Clearing Member permitting a member organization to Give Up a Clearing Member's Restricted OCC Number. An Opt In would remain in effect until the Clearing Member terminates the Opt In as described in subparagraph (iii) below. If a Clearing Member does not Opt In, that Clearing Member's OCC number would be subject to Give Up by any member organization.

(i) *Clearing Member Process to Opt In*. A Clearing Member may Opt In by sending a completed "Clearing Member Restriction Form" listing all Restricted OCC Numbers and Authorized Member Organizations. A Clearing Member may elect to restrict one or more OCC clearing numbers that are registered in its name at OCC. The Clearing Member would be required to submit the Clearing Member Restriction Form to the Exchange's Membership Department as described on the form. Once submitted, the Exchange requires ninety days before a Restricted OCC Number is effective within the System.

(ii) *Member Organization Give Up Process for Restricted OCC Numbers*. A member organization desiring to Give Up a Restricted OCC Number must become an Authorized Member Organization. The Clearing Member will be required to authorize a member organization as described in subparagraph (i) or (iii), unless the Restricted OCC Number is already subject to a Letter of Guarantee that the member organization is a party to, as set forth in paragraph (d) below.

(iii) *Amendments to Authorized Member Organizations or Restricted OCC Numbers*. A Clearing Member may amend its Authorized Member Organizations or Restricted OCC Numbers by submitting a new Clearing Member Restriction Form to the Exchange's Membership Department indicating the amendment as described on the form. Once a Restricted OCC Number is effective within the System pursuant to paragraph (i) above, the Exchange may permit the Clearing Member to authorize, or remove authorization for, a member organization to Give Up the Restricted OCC Number intra-day only in unusual circumstances, and on the next business day in all regular circumstances. The Exchange will promptly notify member organizations if they are no longer authorized to Give Up a Clearing Member's Restricted OCC Number. If a Clearing Member removes a Restricted OCC Number, any member organization may Give Up that OCC clearing number once the removal has become effective on or before the next business day.

(c) *System*. The System will not allow an unauthorized member organization to Give Up a Restricted OCC Number.

(i) For orders that are executed on the trading floor in open outcry using the Options Floor Based Management System ("FBMS"), the System will reject the clearing portion of the trade if an unauthorized Give Up with a Restricted OCC Number was entered. The member organization will receive notification of the rejected clearing information, and will be required to modify the clearing information by contacting the Exchange.

(ii) For all other orders, the System will not allow an unauthorized Give Up with a Restricted OCC Number to be submitted at the firm mnemonic level at the point of order entry.

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(d) *Letter of Guarantee*. A clearing arrangement subject to a Letter of Guarantee would immediately permit the Give Up of a Restricted OCC Number by the member organization that is party to the arrangement.

(e) An intentional misuse of this Rule is impermissible, and may be treated as a violation of Rule 707 or Rule 708.

Amendments.
November 24, 1976.
June 2, 1977.
February 14, 1985.
July 29, 1993 (91-21).
June 7, 2007 (06-87).
April 25, 2011 (11-13).
August 21, 2013 (13-89), operative September 20, 2013.
November 7, 2016 (16-86).
February 14, 2019 (18-72), operative February 19, 2019.
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June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1038. Reserved

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Amendments.
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April 25, 2011 (11-13).
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Nasdaq PHLX Rules, Regulation, Rule 1040. Failure To Pay Premium

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Whenever The Options Clearing Corporation (“OCC”) shall reject an Exchange options transaction because of the failure of the clearing member acting on behalf of the purchaser to pay the premium due thereon as required by the Rules of OCC, the member or member organization acting as or on behalf of the seller (writer) shall have the right either to cancel the transaction by giving notice thereof to the defaulting clearing member or to enter into either a new opening writing transaction or closing sale transaction, as the case may be, in respect of the same option contract that was the subject of the rejected Exchange options transaction, charging any loss resulting therefrom (including any commissions paid or payable in connection with such new transaction) to the defaulting clearing member. Such action shall be taken as soon as possible and in any event not later than the close of trading on the day the Exchange options transaction was rejected by OCC, unless the Exchange shall extend such time.

In the event the rejected transaction involves an option contract of a series in which trading has been terminated or suspended before a new Exchange options transaction can be effected to establish the amount of any loss the member or member organization acting as or on behalf of the seller shall have a claim against the defaulting clearing member for the amount of the premium due thereon.

Amendments.
November 24, 1976.
March 18, 2015 (15-28), operative April 17, 2015.
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Nasdaq PHLX Rules, Regulation, Rule
1041. Options Contracts Of Suspended Members

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When announcement is made of the suspension of a member or member organization, other than a clearing member, pursuant to the provisions of Rules Rule 70 and Rule 71, all open short positions of the suspended member or member organization in option contracts and all open positions resulting from exercise of option contracts, other than positions that are secured in full by a specific deposit in accordance with the rules of The Options Clearing Corporation (“OCC”), shall be closed without unnecessary delay by all member organizations carrying such positions for the account of the suspended member or member organization; provided, however, that upon any such suspension the Board may, in its discretion, suspend the mandatory close-out provisions of this Rule and may, in its discretion, reinstate such provisions at such time as it may determine. No temporary suspension of the mandatory close-out provisions of this Rule shall relieve the suspended member or member organization of his or its obligations or for any damages incurred by member organizations carrying positions for the account of such suspended member or member organization. Should an open short position or an open position resulting from an exercise of an option contract not be closed when required to be closed by this Rule, the price for the purpose of determining shall be fixed by the price current at the time when such position should have been closed under this Rule. When a clearing member is suspended, the positions of such clearing member shall be closed out in accordance with the rules of OCC.

Amendments.
November 24, 1976.
April 25, 2011 (11-13).
March 18, 2015 (15-28), operative April 17, 2015.
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule
1042. Exercise Of Equity Option Contracts

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(a) *Exercise Notices*. An outstanding option contract may be exercised by the tender to The Options Clearing Corporation ("OCC") of an exercise notice made during the periods, and using the procedures, specified in OCC rules. An exercise notice may be tendered to OCC only by the clearing member in whose OCC account the option contract is carried. Option exercises are also subject to restrictions that are established by or may be imposed by the Exchange in Rules 1002, 1004 and 1005, and in this Rule. Members and member organizations may establish fixed procedures as to the latest time they will accept exercise notices from their customers.

(b) *Exercise-by-Exception Procedure for Expiring Options*. Special procedures apply to the exercise of equity options on the business day of their expiration, or, in the case of an option contract expiring on a day that is not a business day, the last business day before their expiration ("expiring options"). Unless waived by OCC, expiring options are subject to the Exercise-by-Exception ("Ex-by-Ex") procedure under OCC Rule 805. This Rule provides that, unless contrary instructions are given, option contracts that are in-the-money by specified amounts shall be automatically exercised. In addition to OCC rules, the following Exchange requirements apply with respect to expiring options. Option holders desiring to exercise or not exercise expiring options must either:

(i) take no action and allow exercise determinations to be made in accordance with OCC's rule 805 Ex-by-Ex procedure where applicable; or
(ii) submit a Contrary Exercise Advice ("CEA") or Advice Cancel to the Exchange by the deadline specified in paragraph (d) below.

(c) *Exercise Cut-Off Time*. Option holders have until 5:30 p.m. (EST) on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day immediately prior to the expiration date, to make a final decision to exercise or not exercise an expiring option. Members may not accept exercise instructions for customer or non-customer accounts after 5:30 p.m. (EST).

(d) *Submission of Contrary Exercise Advices ("CEAs")*. A CEA is a communication either to not exercise an option that would be automatically exercised pursuant to The Options Clearing Corporation's ("OCC") Ex-by-Ex procedure, or to exercise an option that would not be automatically exercised pursuant to OCC's Ex-by-Ex procedure. A CEA may be submitted by a member or member organization either by using the Exchange's CEA Form, OCC's clearing system (ENCORE), or a CEA form of any other national securities exchange of which they are a member and where the option is listed, or via such other method as the Exchange may prescribe. A CEA may be canceled or resubmitted at any time up to the exercise cut-off time specified below.

For customer accounts, members and member organizations have until 7:30 p.m. (EST) to submit a CEA to the Exchange.

For non-customer accounts, members and member organizations have until 7:30 p.m. (EST) to submit a CEA to the Exchange if such member or member organization employs an electronic submission procedure with an electronic time stamp (with fixed procedures to ensure security of the time stamp) to indicate the time of the submission of exercise instructions by option holders. Members and member organizations are required to manually submit a CEA by 5:30 p.m. (EST) for non-customer accounts if such members and/or member organizations do not employ an electronic submission procedure with electronic time stamp for the submission of exercise instructions by option holders.

(e) *Waiver of Ex-by-Ex Procedure*. If OCC has waived the Ex-by-Ex procedure for an options class, members, and member organizations must either:

(i) submit to the Exchange, a CEA, in a manner specified by the Exchange, within the time limits specified in paragraph (d) above if the holder intends to exercise the option, or
(ii) take no action and allow the option to expire without being exercised.

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The applicable underlying security price in such instances will be as described in OCC rule 805(j). In cases where the Ex-by-Ex procedure has been waived, OCC rules require that members and member organizations wishing to exercise such options must submit an affirmative Exercise Notice to OCC, whether or not a CEA has been filed with the Exchange.

(f) *Indicating Final Exercise Decisions*. An Exchange member organization that has accepted the responsibility to indicate final exercise decisions on behalf of another member or non-member organization shall take the necessary steps to ensure that such decisions are properly indicated to the Exchange. Such member organization may establish a processing cut-off time prior to the Exchange's exercise cut-off time at which it no longer will accept final exercise decisions in expiring options from options holders for whom it indicates final exercise decisions. Each member or member organization that indicates final exercise decisions through another broker-dealer is responsible for ensuring that final exercise decisions for all of its proprietary (including market maker) and public customer account positions are timely indicated to such broker-dealer.

(g) *Exceptions to Submitting a CEA; Recordkeeping*. Members and member organizations may receive and submit final exercise decisions after the exercise cut-off time (but prior to expiration) without having submitted a CEA under the following circumstances:

(i) in order to remedy mistakes made in good faith;
(ii) to take appropriate action as the result of a failure to reconcile unmatched Exchange option transactions; or
(iii) where exceptional circumstances have restricted an option holder's ability to inform a member organization of a decision regarding exercise, or a member organization's ability to receive such decision by the cut-off time.

The burden of establishing any of the above exceptions for a proprietary or customer account of a member or member organization rests solely on the member or member organization seeking to rely on such exceptions.

In the event a member or member organization does not timely submit a CEA in accordance with the requirements of this Rule or does not timely submit a CEA for a final exercise decision pursuant to an exception in the paragraph above, the responsible member or member organization shall set forth in a written memorandum the surrounding circumstances and shall file a copy of the memorandum with the Exchange's Regulatory staff no later than 12:00 noon (EST) on the business day following the expiration. Such memorandum must additionally include the time when such final exercise decision was made or, in the case of a customer, was received, and shall be subject to the recordkeeping requirements of SEC rules 17a-3(a)(6) and 17a-4(b).

(h) *Modifying the Time for Close of Trading in Options*. In the event the Exchange provides advance notice on or before 5:30 p.m. (EST) on the business day immediately prior to the business day of their expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day immediately prior to the last business day before the expiration date indicating that a modified time for the close of trading in equity options on such business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, such last business day before expiration will occur, then the deadline to make a final decision to exercise or not exercise an expiring option shall be 1 hour 30 minutes following the time announced for the close of trading on that day instead of the 5:30 p.m. (EST) deadline found in Rule 1042 (c). However, members and member organizations have until 7:30 (EST) to deliver a CEA or Advice Cancel to the Exchange for: (i) customer accounts; and, (ii) non-customer accounts where such member firm employs an electronic submission procedure with an electronic time stamp (with fixed procedures to ensure security of the time stamp) to indicate the time of receipt of exercise instructions.

For non-customer accounts, members and member organizations that do not employ an electronic submission procedure with a time stamp for the submission of exercise instructions are required to deliver a CEA or Advice Cancel within 1 hour and 30 minutes following the time announced for the close of trading on that day instead of the 5:30 p.m. (EST) deadline found in Rule 1042(d).

(i) *Extending or Reducing the Cut-Off Time for Exercise Decisions*.

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(i) The Exchange may establish extended cut-off times for a decision to exercise or not exercise an expiring option and for the submission of CEAs on a case-by-case basis due to an unusual circumstance.

(ii) The Exchange, with at least one (1) business day prior advance notice, by 12:00 noon (EST) on such day, may establish a reduced cut-off time for the decision to exercise or not exercise an expiring option and for the submission of CEAs on a case-by-case basis due to unusual circumstances; provided, however, that under no circumstances should the exercise cut-off time and the time for submission of a CEA be before the close of trading.

(j) For purposes of this Rule 1042, the terms "customer account" and "non-customer account" have the same meaning as in OCC by-laws.

(k) Reporting final exercise decisions contemplated by this Rule does not serve to substitute as the effective "exercise notice" to OCC for the exercise or non-exercise of expiring options.

(l) In the event of "unusual circumstances," Rule 1042(h)(i) provides that the Exchange may extend the cut-off times for exercise instructions and the submission of a CEA beyond the normal time frames specified in Rule 1042(c). For purposes of subparagraph (h)(i), an "unusual circumstance" includes, but is not limited to, increased market volatility; significant order imbalances; significant volume surges and/or systems capacity constraints; significant spreads between the bid and offer in underlying securities; internal system malfunctions affecting the ability to disseminate or update market quotes and/or deliver orders; or other similar occurrences. Rule 1042 (h)(ii) provides that the Exchange may also reduce such cut-off times for "unusual circumstances." For purposes of subparagraph (h)(ii), an "unusual circumstance" includes, but is not limited to, a significant news announcement concerning the underlying security of an option contract that is scheduled to be released just after the close on the business day the option contract expires, or, in the case of an option contract expiring on a day that is not a business day, the business day immediately prior to expiration.

(m) Each member organization shall establish fixed procedures to insure secure time stamps in connection with their electronic systems employed for the recording of submissions to exercise or not exercise expiring options.

(n) It is contemplated by this Rule that effecting an exercise decision in an expiring option on the basis of material information obtained after the exercise cut-off time is activity inconsistent with just and equitable principles of trade.

(o) The exercise cut-off requirements contained in this Rule do not apply to any foreign currency or index option products listed on the Exchange.

(p) Each Member Organization shall prepare a memorandum of every exercise instruction received showing the time when such instruction was so received. Such memoranda will be subject to the requirements of SEC rule 17a-4(b).

Amendments.
November 24, 1976.
March 21, 1984.
February 19, 1988.
October 7, 1994 (93-37).
October 16, 2003 (03-65).
March 3, 2006 (06-12).
May 14, 2009 (09-23).
August 3, 2010 (10-109), operative September 2, 2010.
April 25, 2011 (11-13).
August 21, 2013 (13-89), operative September 20, 2013.
October 11, 2013 (13-104), operative November 10, 2013.
March 18, 2015 (15-28), operative April 17, 2015.
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1043. Allocation of Exercise Notices

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(a) Each member organization shall establish fixed procedures for the allocation of exercise notices assigned in respect of a short position in option contracts in such member organization's customers' accounts. Such allocation shall be made on a "first-in, first-out" or automated random selection basis that has been approved by the Exchange or on a manual random selection basis that has been specified by the Exchange. Each member organization shall inform its customers in writing of the method it uses to allocate exercise notices to its customers' accounts, explaining its manner of operation and the consequences of that system. Allocation procedures for foreign currency options with customized dates shall conform to the requirements set forth in Rules 1069(k).

(b) Each member organization shall report its proposed method of allocation to the Exchange and obtain the Exchange's prior approval thereof, and no member organization shall change its method of allocation unless the change has been reported to and approved by the Exchange. The requirements of this paragraph shall not be applicable to allocation procedures submitted to and approved by another Exchange having comparable standards pertaining to methods of allocation.

(c) Each member organization shall preserve for a three-year period sufficient workpapers and other documentary materials relating to the allocation of exercise assignment notices to establish the manner in which allocation of such exercise notices is in fact being accomplished.

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November 24, 1976.
March 26, 1980.
March 26, 1980, effective May 25, 1980.
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June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1044. Delivery and Payment

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Delivery of the shares of underlying stock or Exchange-Traded Fund Shares (in the case of an option on a stock or Exchange-Traded Fund Share) upon the exercise of an option contract, and payment of the aggregate exercise price in respect thereof, shall be effected in accordance with the rules of The Options Clearing Corporation (“OCC”). As promptly as practicable after the exercise of a stock or Exchange-Traded Fund Share option contract by a customer, the member organization shall require the customer to make full cash payment of the aggregate exercise price in the case of a call option contract or to deposit the underlying stock or Exchange-Traded Fund Shares in the case of a put option contract or, in either case, to make the required margin deposit in respect thereof if such transaction is effected in a margin account, in accordance with these Rules and the applicable regulations of the Federal Reserve Board. As promptly as practicable after the assignment to a customer of a stock or Exchange-Traded Fund Share option exercise notice, the member organization shall require the customer to deposit the underlying stock or Exchange-Traded Fund Share in the case of a call option contract if the underlying stock or Exchange-Traded Fund Share is not carried in the customer's account, or to make full cash payment of the aggregate exercise price in the case of a put option contract, or, in either case, to make the required margin deposit in respect thereof if such transaction is effected in a margin account, in accordance with these Rules and the applicable regulations of the Federal Reserve Board.

In accordance with the applicable rules of OCC, upon exercise of an in-the-money U.S. dollar-settled foreign currency option structured as a call, the holder receives, from OCC, U.S. dollars representing the difference between the exercise strike price and the closing settlement value of the U.S. dollar-settled foreign currency options contract multiplied by the number of units of currency covered by the contract. For a U.S. dollar-settled foreign currency option structured as a put, the holder receives U.S. dollars representing the excess of the exercise price over the closing settlement value of the U.S. dollar-settled foreign currency option contract multiplied by the number of units of foreign currency covered by the contract.

Amendments.
June 2, 1977.
October 14, 1982.
December 10, 1982.
February 2, 2001 (00-107).
December 21, 2006 (06-34).
June 24, 2009 (09-40).
April 25, 2011 (11-13).
March 18, 2015 (15-28), operative April 17, 2015.
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1045. Reserved

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Amendments.
Effective June 7, 1976.
March 18, 2015 (15-28), operative April 17, 2015.
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1046. , Clearing Arrangements

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A member or member organization conducting an options business must be a Clearing Member or have a clearing arrangement with a Clearing Member.

Adopted.
July 30, 2012 (12-101).
Amendments.
Previous Rule 1046 rescinded effective October 22, 1980.
Previous Rule 1046 amended April 25, 2011 (11-13).
January 5, 2016 (16-03), operative February 4, 2016.

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Nasdaq PHLX Rules, Regulation, Rule 1047. Trading Halts

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(a) Automated Trading Halts. Trading will automatically be halted by the System in an option when:

i. trading in the underlying stock or Exchange-Traded Fund Share has been halted or suspended in the primary market or is subject to a regulatory halt on the primary market;
ii. the opening of such underlying stock or Exchange-Traded Fund Share has been delayed because of unusual circumstances; or
iii. trading in the underlying stock or Exchange-Traded Fund Share has been paused by the primary market.

(b) Manual Trading Halt. Trading on the Exchange in any class of option contracts shall be halted whenever an Options Exchange Official deems such action appropriate in the interests of a fair and orderly market and to protect investors. Among the factors that may be considered are that:

(i) occurrence of an act of God or other event outside the Exchange's control;
(ii) a Trading System (for purposes of this Rule, "Trading System"or “System” is defined as the Exchange’s current automated trading system or any other Exchange quotation, transaction reporting, execution, order routing or other systems for trading options) technical failure or failures including, but not limited to, the failure of a part of the central processing system, a number of member or member organization trading applications, or the electrical power supply to the system itself or any related system; or
(iii) other unusual conditions or circumstances are present.

Manual Authority. An Options Exchange Official shall have the authority, respecting a particular class or series of options, to delay the opening, to halt and reopen after a halt, to open where the underlying stock or Exchange-Traded Fund Share has not opened or current quotations are unavailable for any foreign currency, and to conduct a closing rotation on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the trading day prior to expiration where the underlying stock or Exchange-Traded Fund Share did not open or was halted, whenever such action is deemed necessary in the interests of maintaining a fair and orderly market in such class or series of options and to protect investors.

(c) In the event the Exchange halts trading pursuant to paragraphs (a) or (b) above, all trading in the affected option shall be halted. The Exchange shall disseminate through its trading facilities and over OPRA a symbol with respect to such option indicating that trading has been halted, and a record of the time and duration of the halt shall be made available to vendors.

No member or member organization or person associated with a member or member organization shall effect a trade on the Exchange in any option in which trading has been halted under the provisions of this Rule during the time in which the halt remains in effect.

(d) This paragraph shall be in effect during a pilot period that expires at the close of business on October 18, 2019. Capitalized terms used in this paragraph shall have the same meaning as provided for in the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS, as it may be amended from time to time (“LULD Plan”). During a Limit State and Straddle State in the Underlying NMS stock:

(i) The Exchange will not open an affected option.
(ii) After the opening, the Exchange shall reject Market Orders, as defined in Options 8, Section 32(a) (including Complex Orders, as defined in Rule 1098), and shall notify Participants of the reason for such rejection. The Exchange shall cancel Complex Orders that are Market Orders residing in the System if they are about to be executed by the System.

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(iii) After the opening, the Exchange shall elect Stop Orders, as defined in Options 8, Section 32(c)(1), and, because they become Market Orders, shall cancel them back and notify Participants of the reason for such rejection.

(iv) When evaluating whether a specialist or Registered Options Trader has met the continuous quoting obligations of Rule 1014(b)(ii)(D)(1) and (2) in options overlying NMS stocks, the Exchange will not consider as part of the trading day the time that an NMS stock underlying an option was in a Limit State or Straddle State.

(v) For a pilot period that expires at the close of business on October 18, 2019, electronic trades are not subject to an obvious error or catastrophic error review pursuant to Rule 1092(c) or (d). Nothing in this provision shall prevent electronic trades from review on Exchange motion pursuant to Rule 1092(c)(3), or subject to nullification or adjustment pursuant to Rule 1092(e) - (k).

(e) The Exchange shall halt trading in all options whenever the equities markets initiate a market-wide trading halt commonly known as a circuit breaker in response to extraordinary market conditions.

(f) During a halt, the Exchange will maintain existing orders on the book (but not existing quotes), except as noted in Rule 1093, accept orders and quotes, and process cancels. During a halt, existing quotes are cancelled and auction orders and auction responses, as well as Crossing Orders, are rejected.

(g) Resumption of Trading After a Halt. Trading in an option that has been the subject of a halt under this rule shall be resumed: (A) in the case of a manual halt, upon the determination by an Options Exchange Official that the conditions which led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading; or (B) in the case of an automatic trading halt, the conditions which led to the halt are no longer present, and, in either case, in no circumstances will trading be resumed before the Exchange has received notification that the underlying stock or Exchange-Traded Fund Share has resumed trading on at least one exchange. If, however, trading has not been resumed on the primary market for the underlying stock or Exchange-Traded Fund Share after ten minutes have passed since the underlying stock or Exchange-Traded Fund Share was paused by the primary market, trading in such options contracts may be resumed by the Exchange if the underlying stock or Exchange-Traded Fund Share has resumed trading on at least one exchange. Trading shall resume according to the process set forth in Rule 1017.

Renumbered.
June 2, 1977.
Amendments.
January 28, 1980.
October 14, 1982.
April 19, 1984.
January 11, 1985.
February 4, 1986.
May 2, 1986.
October 28, 1991.
March 7, 1994 (93-21).
November 1, 1994 (94-18).
May 23, 1997 (97-04).
February 2, 1998 (97-52).
July 16, 1998 (98-19).
May 30, 2000 (00-27).
February 2, 2001 (00-107).
October 25, 2005 (05-25).
February 7, 2006 (06-01).
June 7, 2007 (06-87).
August 3, 2007 (07-45).
May 14, 2009 (09-23).
May 28, 2009 (09-32).
June 10, 2010 (10-82).
July 14, 2010 (10-96).
April 25, 2011 (11-13).
February 28, 2013 (13-20), operative March 30, 2013.

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April 5, 2013 (13-21).
April 8, 2013 (13-29).
July 25, 2013 (13-78), operative August 24, 2013.
October 11, 2013 (13-104), operative November 10, 2013.
April 7, 2014 (14-21).
February 19, 2015 (15-19).
May 8, 2015 (15-43).
June 30, 2015 (15-55), operative July 30, 2015.
October 20, 2015 (15-86).
December 9, 2015 (15-106), operative January 8, 2016.
May 27, 2016 (16-63), operative June 26, 2016.
April 4, 2019 (19-06)
April 5, 2019 (19-11).
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, Rule 1048. Stock Transfer Tax

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(a) Any stock transfer or similar tax payable in accordance with applicable laws and regulations of a taxing jurisdiction upon the sale, transfer or delivery of securities pursuant to the exercise of an option contract shall be the responsibility of the seller (writer) to whom the exercise notice is assigned in the case of a call option contract or the exercising holder in the case of a put option contract, except that (i) in the case of a call option contract where the incidents of the tax are attributable solely to the exercising holder, the member organization representing such holder or another member organization which acts on its behalf as a clearing member of The Options Clearing Corporation ("OCC"), the tax shall be the responsibility of the exercising holder, and (ii) in the case of a put option contract where the incidents of the tax are attributable solely to the seller (writer) to whom the exercise notice is assigned, the member organization representing such seller (writer) or another member organization which acts on its behalf as a clearing member of OCC, the tax shall be the responsibility of such seller (writer). Each delivery of securities subject to such tax must be accompanied by a sales ticket stamped in accordance with the regulations of the State imposing such tax or, if required by applicable law, such tax shall be remitted by the clearing member having responsibility therefore to the clearing corporation through which it customarily pays stock transfer taxes, in accordance with the applicable rules of such clearing corporation.

Amendments.
November 24, 1976.
June 2, 1977.
March 18, 2015 (15-28), operative April 17, 2015.
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1049. Options Communications

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(a) Definitions. For purposes of this Rule and any interpretation thereof, "options communications" consist of:

(i) Correspondence. The term "correspondence" shall include any written (including electronic) communication distributed or made available to 25 or fewer retail customers within any 30 calendar-day period.

(ii) Institutional Communication. The term "institutional communication" shall include any written (including electronic) communication concerning options that is distributed or made available only to institutional investors, but does not include a member's internal communications. The term institutional investor shall mean any qualified investor as defined in Section 3(a)(54) of the Securities Exchange Act of 1934.

(iii) Retail Communication. The term "retail communication" means any written (including electronic) communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period.

(b) *Approval by Registered Options Principal.*

(i) All retail communications (except completed worksheets) issued by a member or member organization pertaining to options shall be approved in advance by a Registered Options Principal designated by the member or member organization's written supervisory procedures.

(ii) Correspondence need not be approved by a Registered Options Principal prior to use. All correspondence is subject to the supervision and review requirements of Rule 1025.

(iii) Institutional communications. Each member or member organization shall establish written procedures that are appropriate to its business, size, structure, and customers for review by a Registered Options Principal of institutional communications used by the member or member organization.

(iv) Copies of the options communications shall be retained by the member or member organization in accordance with Rule 17a-4 under the Securities Exchange Act of 1934. The names of the persons who prepared the options communications, the names of the persons who approved the options communications, and the source of any recommendations contained therein shall be retained by the member or member organization and kept in the form and for the time periods required for options communications by Rule 17a-4.

(c) *Exchange Approval Required.* In addition to the approval required by paragraph (b) of this Rule, retail communications of a member or member organization pertaining to standardized options that is not accompanied or preceded by the applicable current options disclosure document ("ODD") shall be submitted to the Exchange at least ten calendar days prior to use (or such shorter period as the Exchange may allow in particular instances) for approval and, if changed or expressly disapproved by the Exchange, shall be withheld from circulation until any changes specified by the Exchange have been made or, in the event of disapproval, until the communication has been resubmitted for, and has received, Exchange approval. The requirements of this paragraph shall not be applicable to:

(i) options communications submitted to another self-regulatory organization having comparable standards pertaining to such communications and

(ii) communications in which the only reference to options is contained in a listing of the services of the member organization;

(iii) the ODD; and

(iv) the prospectus.

(d) General Rule. No member or member organization or associated person shall use any options communication which:

(i) Contains any untrue statement or omission of a material fact or is otherwise false or misleading.

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(ii) Contains promises of specific results, exaggerated or unwarranted claims, opinions for which there is no reasonable basis or forecasts of future events which are unwarranted or which are not clearly labeled as forecasts.

(iii) Contains cautionary statements or caveats that are not legible, are misleading, or are inconsistent with the content of the materials.

(iv) Contains statements suggesting the certain availability of a secondary market for options.

(v) Fails to reflect the risks attendant to options transactions and the complexities of certain options investment strategies.

(vi) Fails to include a warning to the effect that options are not suitable for all investors or contains suggestions to the contrary.

(vii) Fails to include a statement that supporting documentation for any claims (including any claims made on behalf of options programs or the options expertise of sales persons), comparisons, recommendations, statistics, or other technical data, will be supplied upon request.

(viii) would constitute a prospectus as that term is defined in the Securities Act of 1933, unless it meets the requirements of Section 10 of the Securities Act of 1933. Paragraphs (vi) and (vii) shall not apply to institutional communications as defined in this Rule 1049. Any statement in any options communications referring to the potential opportunities or advantages presented by options shall be balanced by a statement of the corresponding risks. The risk statement shall reflect the same degree of specificity as the statement of opportunities, and broad generalities must be avoided.

Paragraphs (vi) and (vii) shall not apply to institutional sales material as defined in this Rule 1049.

(e) Standards Applicable to Options Communications

(i) Unless preceded or accompanied by the ODD, options communications shall:

(A) Be limited to general descriptions of the options being discussed.

(B) Contain contact information for obtaining a copy of the ODD.

(C) Not contain recommendations or past or projected performance figures, including annualized rates of return, or names of specific securities.

(ii) Options communications used prior to ODD delivery may:

(A) Contain a brief description of options, including a statement that identifies registered clearing agencies for options. The text may also contain a brief description of the general attributes and method of operation of the exchanges on which options are traded, including a discussion of how an option is priced.

(B) Include any statement required by any state law or administrative authority.

(C) Include advertising designs and devices, including borders, scrolls, arrows, pointers, multiple and combined logos and unusual type faces and lettering as well as attention-getting headlines and photographs and other graphics, provided such material is not misleading.

(f) The provisions of this Rule are applicable to index warrants.

• • • ***Commentary:***

.01 The Rule 1049(e)(i)(B) requirement to include contact information for obtaining a copy of the ODD may be satisfied by providing a name and address or one or more telephone numbers from which the current options disclosure document may be obtained; directing existing clients to contact their registered representative; or including a response card through which a current options disclosure document may be obtained. An internet address may also be used, however, such an address must be accompanied by either a telephone number or mailing address for use by those investors who do not have access to the internet.

.02 Projections.

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Options communications may contain projected performance figures (including projected annualized rates of return), provided that:

(i) All such communications are accompanied or preceded by the ODD.
(ii) No suggestion of certainty of future performance is made.
(iii) Parameters relating to such performance figures are clearly established (e.g., to indicate exercise price of option, purchase price of the underlying stock and its market price, option premium, anticipated dividends, etc.).
(iv) All relevant costs, including commissions, fees and interest charges (as applicable) are disclosed.
(v) Such projections are plausible and are intended as a source of reference or a comparative device to be used in the development of a recommendation.
(vi) All material assumptions made in such calculations are clearly identified (e.g., "assume option expires", "assume option unexercised", "assume option exercised," etc.).
(vii) The risks involved in the proposed transactions are also discussed.
(viii) In communications relating to annualized rates of return, that such returns are not based upon any less than a sixty-day experience; any formulas used in making calculations are clearly displayed; and a statement is included to the effect that the annualized returns cited might be achieved only if the parameters described can be duplicated and that there is no certainty of doing so.

.03 Historical Performance

Options communications may feature records and statistics which portray the performance of past recommendations or of actual transactions, provided that:

(i) All such communications are accompanied or preceded by the ODD.
(ii) Any such portrayal is done in a balanced manner, and consists of records or statistics that are confined to a specific "universe" that can be fully isolated and circumscribed and that covers at least the most recent 12-month period.
(iii) Such communications include the date of each initial recommendation or transaction, the price of each such recommendation or transaction as of such date, and the date and price of each recommendation or transaction at the end of the period or when liquidation was suggested or effected, whichever was earlier; provided that if the communications are limited to summarized or averaged records or statistics, in lieu of the complete record there may be included the number of items recommended or transacted, the number that advanced and the number that declined, together with an offer to provide the complete record upon request.
(iv) All relevant costs, including commissions, fees, and interest charges (as applicable) are disclosed.
(v) Whenever such communications contain annualized rates of return, all material assumptions used in the process of annualization are disclosed.
(vi) An indication is provided of the general market conditions during the period(s) covered, and any comparison made between such records and statistics and the overall market (e.g., comparison to an index) is valid.
(vii) Such communications state that the results presented should not and cannot be viewed as an indicator of future performance.
(viii) A Registered Options Principal determines that the records or statistics fairly present the status of the recommendations or transactions reported upon and so initials the report.

.04 Options Programs. In communications regarding an options program (i.e., an investment plan employing the systematic use of one or more options strategies), the cumulative history or unproven nature of the program and its underlying assumptions shall be disclosed.

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.05 For purposes of this Rule, the term "option" shall be deemed to include index warrants, and the term "The Options Clearing Corporation" shall be deemed to mean the issuer(s) of such warrants.

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Amendments.
November 24, 1976.
June 2, 1977.
March 26, 1980.
March 26, 1980, effective June 24, 1980.
October 14, 1982.
December 10, 1982.
August 17, 1984.
November 13, 1991.
August 29, 1995 (94-49).
August 22, 2008 (08-53).
June 24, 2009 (09-40).
April 25, 2011 (11-13).
June 8, 2017 (17-39), operative July 8, 2017.
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June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1050. Violation Of By-Laws And Rules Of Options Clearing Corporation

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A member, member organization or director of a member organization that is a corporation who or which has been determined in an Exchange disciplinary proceeding to have violated any provision of the rules of the Options Clearing Corporation with respect to the reporting, clearance or settlement of any Exchange options transaction, shall be subject to the same penalty or penalties as may be imposed for violation of an Exchange Rule.

Amendments.
November 24, 1976.
May 18, 1979.
January 16, 2004 (03-73).
April 25, 2011 (11-13).
January 5, 2016 (16-03), operative February 4, 2016.
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Nasdaq PHLX Rules, Regulation, Rule
1051. General Comparison And Clearance Rule

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(a) A member or member organization initiating an options transaction, whether acting as principal or agent, must report or ensure that the transaction is reported within 90 seconds of the execution to the tape. Transactions not reported within 90 seconds after execution shall be designated as late. A pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with just and equitable principles of trade.

(b) All Exchange options transactions shall be reported at the time of execution to the Exchange for comparison of trade information and all compared transactions shall be cleared through the Options Clearing Corporation and shall be subject to the rules of the Options Clearing Corporation.

Renumbered.
June 2, 1977.
Amendments.
December 4, 1998 (98-54).
November 16, 1999 (99-22).
September 1, 2000 (00-49).
July 31, 2003 (03-56).
July 6, 2012 (12-92), operative August 5, 2012.

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Nasdaq PHLX Rules, Regulation, Rule 1052. Responsibility Of Clearing Members For Exchange Options Transactions

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Every Clearing Member shall be responsible for the clearance of the Exchange options transactions of such Clearing Member and of each member or member organization who gives up the name of such Clearing Member in an Exchange options transaction, provided the Clearing Member has authorized such member or member organization to give up its name with respect to Exchange options transactions. This Rule will apply to all Clearing Members who either (i) have Restricted OCC Numbers with Authorized Member Organizations pursuant to Rule 1037, or (ii) have non-Restricted OCC Numbers.

Renumbered.
June 2, 1977.
Amendments.
December 4, 1998 (98-54).
November 16, 1999 (99-22).
January 5, 2016 (16-03), operative February 4, 2016.
February 14, 2019 (18-72), operative February 19, 2019.

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Nasdaq PHLX Rules, Regulation, Rule 1053. Filing Of Trade Information

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At the time of execution, each member organization which is a clearing member of the Options Clearing Corporation shall be responsible for supplying to the Exchange trade information in a form prescribed by the Exchange, covering each Exchange options transaction for which such clearing member is responsible. The trade information shall show for each transaction (i) the identity of the purchasing clearing member and the writing clearing member given up at the time of execution, (ii) the underlying stock, Exchange-Traded Fund Share or foreign currency, as the case may be, (iii) the exercise price, (iv) the expiration month, (v) the number of option contracts, (vi) the premium per share of the underlying stock or the premium per unit of the underlying foreign currency, (vii) whether a purchase or a writing transaction, (viii) except for a transaction in a specialist's account, whether an opening or closing, (ix) the identity of the account of the clearing member in which the transaction was effected, (x) Reserved, (xi) whether a put or call, and (xii) such other information as may be required by the Exchange. Each member or member organization which is a clearing member of the Options Clearing Corporation shall be responsible to the Exchange in respect of all trade information filed with the Exchange on such form prescribed by the Exchange.

Amendments.
November 24, 1976.
October 14, 1982.
November 16, 1999 (99-22).
December 4, 1998 (98-54).
February 2, 2001 (00-107).
June 8, 2016 (16-41), operative July 8, 2016.
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1054. Verification Of Trades And Reconciliation Of Uncompared Trades

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A Clearing Member shall be obligated to compare all trades made through or on behalf of such member as soon as possible after such trades are made or after receiving notification thereof, reconcile all uncompared trades and advisory trades, and report all reconciliations, corrections and adjustments to the Exchange in accordance with such procedures as may be established by the Exchange from time to time. Such reconciliation report shall be filed with the Exchange prior to such cut-off hour as the Exchange may prescribe and shall be binding on the Clearing Member on whose behalf it is filed. The Exchange will consider all trades as executed and compared as of such cut-off hour.

Amendments.
November 24, 1976.
June 2, 1977.
December 4, 1998 (98-54).
November 16, 1999 (99-22).
April 6, 2011 (11-48), operative May 6, 2011.
January 5, 2016 (16-03), operative February 4, 2016.

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Nasdaq PHLX Rules, Regulation, Rule 1055. Reporting Of Compared Trades To Options Clearing Corporation

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On each business day at or prior to such time as may be prescribed by the Options Clearing Corporation, the Exchange shall furnish the Options Clearing Corporation a report of each clearing member's compared trades based on the comparison service performed by the Exchange on that day. Only trades which have been compared shall be furnished by the Exchange to the Options Clearing Corporation, and the Exchange shall assume no responsibility with respect to any uncompared trade nor for any delays or errors in the reporting of trades for comparison.

Renumbered.
June 2, 1977.
Amendments.
November 24, 1976.
December 4, 1998 (98-54).
November 16, 1999 (99-22).

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Nasdaq PHLX Rules, Regulation, Rule
1056. Maintaining Office And Filing Signatures

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Every member organization which is a clearing member of the Options Clearing Corporation shall maintain an office for the purpose of comparing Exchange options transactions. Any such member organization may use for the purpose of these Rules the office of another member organization which is a clearing member of the Options Clearing Corporation. There shall be present at such office, between such hours as the Exchange shall from time to time fix, on every business day a representative of the member organization authorized to sign in the name of the member organization all instruments and transact all business requisite in connection with the comparison of Exchange options transactions.

Amendments.
November 24, 1976.
June 8, 2016 (16-41), operative July 8, 2016.
Renumbered.
June 2, 1977.

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Nasdaq PHLX Rules, Regulation, Rule 1057. U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value

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U.S. dollar-settled foreign currency options are settled in U.S. dollars.

The closing settlement value for the U.S. dollar-settled FCO on the Australian dollar, the Euro, the British pound, the Canadian dollar, the Swiss franc, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona shall be the Exchange Spot Price at 12:00:00 Eastern Time (noon) on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day prior to the expiration date unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances.

Neither the Exchange, nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating the current settlement value or the closing settlement value resulting from an act, condition, or cause beyond the reasonable control of the Exchange including but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; any error, omission, or delay in the reports of transactions in one or more underlying currencies or any error, omission or delay in the reports of the current settlement value or the closing settlement value by the Exchange.

The Exchange shall post the closing settlement value on its website or disseminate it through one or more major market data vendors.

Adopted.
March 8, 1994 (93-10).
Amendments.
May 24, 1995 (95-02).
December 11. 1996 (96-11).
February 14, 1997 (96-44).
December 21, 2006 (06–34).
July 10, 2007 (07-34).
November 7, 2008 (08-68).
June 24, 2009 (09-40).
August 21, 2013 (13-89), operative September 20, 2013.
October 11, 2013 (13-104), operative November 10, 2013.

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Nasdaq PHLX Rules, Regulation, Rule 1058. Transfer of Positions

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(a) A member or member organization may transfer positions off the floor in any class of options listed on its books if the transfer involves one or more of the following events:

(1) the dissolution of a joint account in which the remaining member or member organization assumes the positions of the joint account;
(2) the dissolution of a corporation or partnership in which a former nominee of that corporation or partnership assumes the positions;
(3) positions transferred as part of a member or member organization's capital contribution to a new joint account, partnership, or corporation;
(4) the donation of positions to a not-for-profit corporation;
(5) the transfer of positions to a minor under the Uniform Gifts to Minors Act;
(6) a merger or acquisition resulting in a continuity of ownership or management; or
(7) consolidation of accounts within a member or member organization.

(b) Members and member organizations must notify the Exchange in writing prior to effecting an off the floor transfer. The written notification must indicate the positions to be transferred and the reason for the transfer.

(c) Members and member organizations must transfer positions pursuant to this Rule at the same prices that appear on the books of the transferring member or member organization, and the transfer must indicate the date when the original trade was made. In the course of transferring positions, no position shall net itself against another position. Each member or member organization that is a party to a transfer of positions must make and retain records stating the nature of the transaction, the name of the counter-party, and any other information required by the Exchange.

Amendments.
April 25, 2011 (11-13).
December 21, 2011 (11-118).

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Nasdaq PHLX Rules, Regulation, Rule
1064. Crossing, Facilitation and Solicited Orders

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(a) *Crossing*. Except as provided in paragraph (e) below, an Options Floor Broker who holds orders to buy and sell the same option series may cross such orders, provided that he proceeds in the following manner:

(i) In accordance with his responsibilities for due diligence, pursuant to Rule 155, an Options Floor Broker shall request bids and offers for such options series and make all persons in the trading crowd aware of his request.

(ii) After providing an opportunity for such bids and offers to be made, he must bid and offer at prices differing by the minimum increment and must improve the market by bidding above the highest bid or offering below the lowest offer.

(iii) If such higher bid or lower offer is not taken, he may cross the orders at such higher bid or lower offer by announcing by public outcry that he is crossing and giving the quantity and price. All such orders are not deemed executed until entered into and executed through the Options Floor Based Management System ("FBMS"), except for where there is a provisional execution using the Snapshot feature of FBMS (as described in Rule 1069); bids and offers can be withdrawn pursuant to Rule 1000(g).

(iv) A Floor Broker crossing a public customer order with an order that is not a public customer order, when providing for a reasonable opportunity for the trading crowd to participate in the transaction, shall disclose the public customer order that is subject to crossing prior to the execution of the order.

(b) *Facilitation Orders.* Except as provided in paragraph (e) below, a Floor Broker holding an options order for a public customer and a contra-side order may cross such orders in accordance with paragraph (a) above or may execute such orders as a facilitation cross in the following manner:

(i) The Floor Broker or his employees must enter the appropriate notation onto the Options Floor Based Management System for the public customer's order, together with all of the terms of the order, including any contingency involving other options or the underlying or related securities.

(ii) The Floor Broker shall request markets for the execution of all options components of the order. After providing an opportunity for such markets to be made, the Floor Broker shall announce that he holds an order subject to facilitation and shall bid (or offer) in between the market for each options component and disclose all terms and conditions of the order including all securities which are components of the order.

(iii) After all market participants in the crowd are given a reasonable opportunity to accept all terms and conditions made on behalf of the public customer whose order is subject to facilitation, the Floor Broker may immediately thereafter cross all or any remaining part of such order and the facilitation order at each customer's bid or offer by announcing by public outcry that he is crossing and by stating the quantity and price(s). All such orders are not deemed executed until entered into and executed through the Options Floor Based Management System (“FBMS”); bids and offers can be withdrawn pursuant to Rule 1000(g).

Once a Floor Broker has announced an order as subject to facilitation and has established a bid (or offer) in between the market for the option(s) to be facilitated, the order cannot be broken up by a subsequent superior bid or offer for just one component to the facilitated order.

(c) *Solicited Orders.* Except as provided in paragraph (e) below, for the purpose of this Rule, a solicitation occurs whenever an order, other than a cross, is presented for execution in the trading crowd resulting from an away-from-the-crowd expression of interests to trade by one broker dealer to another.

(i) If a member appears in the trading crowd in response to a solicitation, other trading crowd participants must be given a reasonable opportunity to respond to the order which prompted the solicitation before the solicited member may respond to the order. Prior to a bid (or offer) being made on behalf of any such order the solicitor

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or his representative must identify the solicited party to the trading crowd and give all information to the trading crowd which was given to the solicited member.

(ii) A member or member organization representing an order in options ("originating order") may solicit another member, member organization or non-member broker-dealer outside the trading crowd ("solicited party") to participate in the transaction on a proprietary basis provided that the member or member organization representing the originating order, upon entering the trading crowd must:

(A) announce to the trading crowd the same terms of the originating order that have been disclosed to the solicited party;
(B) bid at the price he/she is prepared to buy from the solicited party or offer at the solicited price he/she is prepared to sell to the solicited party; and
(C) give the trading crowd a reasonable opportunity to accept the bid or offer. All such orders are not deemed executed until entered into and executed through the Options Floor Based Management System (“FBMS”); bids and offers can be withdrawn pursuant to Rule 1000(g).

(iii) The Floor Broker or his employees must note on the Options Floor Based Management System that the trade involves a solicited order.

The members of the trading crowd shall have priority over the solicited party order.

(d) *Anticipatory Hedging*. No member organization or person associated with a member or member organization who has knowledge of the material terms and conditions of a solicited order, an order being facilitated, or orders being crossed, the execution of which are imminent, shall enter, based on such knowledge, an order to buy or sell an option for the same underlying security; an order to buy or sell the security underlying such class; or an order to buy or sell any related instrument until (i) or (ii) occur:

(i) the terms and conditions of the order and any changes in the terms of the order of which the member, member organization or person associated with a member or member organization has knowledge are disclosed to the trading crowd, or

(ii) the trade can no longer reasonably be considered imminent in view of the passage of time since the order was received. For purposes of this Rule, an order to buy or sell a "related instrument" means, in reference to an index option, an order to buy or sell securities comprising 10% or more of the component securities in the index or an order to buy or sell a futures contract on an economically equivalent index.

(iii) Furthermore, Rule 1064(d) does not prohibit a member or member organization from buying or selling a stock, security futures or futures position following receipt of an option order, including a complex order, but prior to announcing such order to the trading crowd, provided that:

(A) the option order is in a class designated as eligible for “tied hedge” transactions (as described below) as determined by the Exchange and is within the designated tied hedge eligibility size parameters, which parameters shall be determined by the Exchange and may not be smaller than 500 contracts per order, except that options on the Nasdaq 100® Index including options with nonstandard expiration dates (“NDX” and “NDXP”) may not be smaller than 50 contracts per order (there shall be no aggregation of multiple orders to satisfy the size parameter);
(B) such member or member organization shall create an electronic record that it is engaging in a tied hedge transaction in a form and manner prescribed by the Exchange;
(C) such hedging position is:

    (1) comprised of a position designated as eligible for a tied hedge transaction as determined by the Exchange and may include the same underlying stock applicable to the option order, a security future overlying the same stock applicable to the option order or, in reference to an index, ETF or HOLDR option, a related instrument. A "related instrument" means, in reference to an index option, securities comprising ten percent or more of the component securities in the index or a futures contract on any economically equivalent index applicable

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to the option order. A "related instrument" means, in reference to an ETF or HOLDR option, a futures contract on any economically equivalent index applicable to the ETF or HOLDR underlying the option order;

(2) brought without undue delay to the trading crowd and announced concurrently with the option order;

(3) offered to the trading crowd in its entirety; and

(4) offered, at the execution price received by the member or member organization introducing the option, to any in-crowd market participant who has established parity or priority for the related options;

(D) the hedging position does not exceed the option order on a delta basis;

(E) all tied hedge transactions (regardless of whether the option order is a simple or complex order) are treated the same as complex orders for purposes of the Exchange's open outcry allocation and reporting procedures. Tied hedge transactions are subject to the existing NBBO trade-through requirements for options and stock, as applicable, and may qualify for various exceptions; however, when the option order is a simple order the execution of the option leg of a tied hedge transaction does not qualify it for any NBBO trade-through exception for a Complex Trade;

(F) in-crowd market participants that participate in the option transaction must also participate in the hedging position and may not prevent the option transaction from occurring by giving a competing bid or offer for one component of such order; and

(G) prior to entering tied hedge orders on behalf of customers, the member or member organization must deliver to the customer a written notification informing the customer that his order may be executed using the Exchange's tied hedge procedures. The written notification must disclose the terms and conditions contained herein and be in a form approved by the Exchange. A combination option and hedging position offered in reliance on this provision shall be referred to as a "tied hedge" order.

(H) if at the time a tied hedge transaction is executed, market conditions in any non- Phlx market(s) prevent the execution of the non-options leg(s) at the price(s) agreed upon, the trade representing the options leg(s) of the tied hedge transaction may be cancelled at the request of any member that is a party to the trade.

(I) All such orders are not deemed executed until entered into and executed by the Options Floor Based Management System ("FBMS"); bids and offers can be withdrawn pursuant to Rule 1000(g).

(e) *Floor Qualified Contingent Cross*. A Floor Qualified Contingent Cross Order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 contracts in the case of Mini Options, that is identified as being part of a qualified contingent trade, as that term is defined in subsection (3) below, coupled with a contra-side order or orders totaling an equal number of contracts.

(1) Floor Qualified Contingent Cross Orders are immediately executed upon entry into the System by an Options Floor Broker provided that (i) no Customer Orders are at the same price on the Exchange's limit order book and (ii) the price is at or between the NBBO.

(a) Floor Qualified Contingent Cross Orders shall be submitted into the System by Floor Brokers on the Floor via the Floor Based Management System.

(b) Floor Qualified Contingent Cross Orders will be automatically rejected if they cannot be executed.

(c) Floor Qualified Contingent Cross Orders may only be entered in the regular trading increments applicable to the options class under Rule 1034.

(2) Options Floor Brokers shall not enter Floor Qualified Contingent Cross Orders for their own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion. Options Floor Brokers must maintain books and records demonstrating that each Floor Qualified Contingent Cross Order was not entered for a prohibited account. Any Floor Qualified Contingent Cross Order that does not have a corresponding record

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required by this subsection shall be deemed to have been entered for a prohibited account in violation of this Rule.

(3) The term “qualified contingent trade” shall have the same meaning set forth in Rule 1080(o)(3).

• • • ***Commentary:***

.01 A violation of this Rule may be considered conduct inconsistent with just and equitable principles of trade.

.02 *Firm Participation Guarantees.* (i) Notwithstanding the provisions of paragraphs (a) and (b) of this Rule, when a Floor Broker holds an equity, index or U.S. dollar-settled foreign currency option order of the eligible order size or greater ("original order"), the Floor Broker is entitled to cross a certain percentage of the original order with other orders that he is holding or in the case of a public customer order, with a facilitation order of the originating firm (i.e., the firm from which the original customer order originated).

(ii) The Exchange may determine, on an option by option basis, the eligible size for an order that may be transacted pursuant to this Commentary, however, the eligible order size may not be less than 50 contracts. Orders for less than 50 contracts may be crossed pursuant to this Rule but are not subject to subsection (iii) below pertaining to participation guarantees. In accordance with his responsibilities for due diligence, a Floor Broker representing an order of the eligible order size or greater which he wishes to cross shall request bids and offers for such option series and make all persons in the trading crowd aware of his request. In determining whether an order satisfies the eligible order size requirement, any multi-part or spread order must contain one leg alone which is for the eligible order size or greater. If the same member organization is the originating firm and also the specialist for the particular class of options to which the order relates, then the specialist is not entitled to any Enhanced Specialist Participation with respect to the particular cross transaction.

(iii) The percentage of the order which a Floor Broker is entitled to cross in equity, index and U.S dollar settled foreign currency options, after all public customer orders that were (1) on the limit order book and then (2) represented in the trading crowd at the time the market was established have been satisfied, is 40% of the remaining contracts in the order if the order is traded at or between the best bid or offer given by the crowd in response to the Floor Broker's initial request for a market.

(iv) When crossing an order pursuant to this Commentary, a Floor Broker must disclose on its order ticket for any order which is subject to crossing, all of the terms of such order, including any contingency involving, and all related transactions in, either options or, in the case of equity or index options, underlying or related securities. The Floor Broker, in the case of equity or index options, must disclose all securities that are components of the customer order which is subject to crossing before requesting bids and offers for the execution of all components of the order.

(v) Once the trading crowd has provided a quote, it will remain in effect until: (A) a reasonable amount of time has passed, or (B) there is a significant change in the price of the underlying security, or (C) the market given in response to the request has been improved. In the case of a dispute, the term "significant change" will be interpreted on a case-by-case basis by an Options Exchange Official based upon the extent of the recent trading in the option and, in the case of equity and index options, in the underlying security, and any other relevant factors.

(vi) If a trade pursuant to this Commentary occurs when the specialist is on parity with one or more controlled accounts, then the Enhanced Specialist Participation which is established pursuant to Exchange Rule 1014(g)(ii) shall apply only to the number of contracts remaining after the following orders have been satisfied: those public customer orders which trade

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ahead of the cross transaction, and any portion of an order being crossed against the original order being represented by the Floor Broker.

(A) The specialist shall not be entitled to receive the Enhanced Specialist Participation in equity, index and U.S dollar settled foreign currency options after customer orders have been executed for orders crossed pursuant to this paragraph (vi) unless the Floor Broker has chosen to cross less than its 40% entitlement, in which case the Enhanced Specialist Participation will be a percentage that combined with the percentage the firm crossed is no more than 40% of the original order.

If the trade occurs at a price other than the specialist's disseminated bid or offer, the specialist is entitled to no guaranteed participation.

(vii) The members of the trading crowd who established the market will have priority over all other orders that were not represented in the trading crowd at the time that the market was established (but not over customer orders on the book) and will maintain priority over such orders except for orders that improve upon the market. A Floor Broker who is holding a customer order and either a facilitation or solicited order and who makes a request for a market will be deemed to be representing both the customer order and either the facilitation order or solicited order, so that the customer order and the facilitation order or solicited order will also have priority over all other orders that were not being represented in the trading crowd at the time the market was established.

(viii) Nothing in this paragraph is intended to prohibit a Floor Broker or a specialist from trading more than their percentage entitlements if the other members of the trading crowd do not choose to trade the remaining portion of the order.

(ix) A Floor Broker may not cross an order that he is holding with an order from a Registered Options Trader that is then in the trading crowd.

(x) Spread, straddle, combination or hedge orders, as defined in Exchange Rule 1066, on opposite sides of the market may be crossed, provided that the Floor Broker holding such orders proceeds in the manner described in paragraphs (a) or (b) of this Rule as appropriate. Members may not prevent a spread, straddle, stock-option, or combination cross from being completed by giving a competing bid or offer for one component of such order. In determining whether an order satisfies the eligible order size requirement, any multi-part or spread order must contain one leg which, standing alone, is for the eligible order size or greater.

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Adopted.
August 8, 1984 (84-10).
Amendments.
January 16, 1990
February 10, 1992.
September 4, 1996 (96-19).
October 6, 2000 (00-05).
August 23, 2001 (01-61).
July 29, 2002 (02-05).
May 8, 2003 (02-03).
July 31, 2003 (03-56).
April 2, 2004 (03-71).
August 1, 2005 (05-32).
June 7, 2007 (06-87).
July 10, 2007 (07-34).
July 17, 2008 (08-54).
May 14, 2009 (09-23).
November 25, 2009 (09-98).
April 25, 2011 (11-13).
June 16, 2011 (11-56).

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June 16, 2011 (11-56).
March 26, 2013 (SR-Phlx-2013-36).
June 20, 2013 (13-67).
August 1, 2013 (13-83).
October 2, 2013 (13-100).
April 29, 2013 (13-09), operative March 7, 2014.
April 16, 2014 (14-25).
October 7, 2015 (15-80).
January 14, 2016 (16-07), operative February 13, 2016.
April 1, 2016 (16-44), operative May 1, 2016.
October 30, 2017 (17-34).
June 14, 2018 (18-48).
July 17, 2018 (18-40).
September 28, 2018 (18-55).
November 16, 2018 (18-59), operative December 3, 2018.

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Nasdaq PHLX Rules, Regulation, Rule
1067. Precedence of Highest Bid and Lowest Offer

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The highest bid and the lowest offer shall have precedence in all cases.

Adopted.
February 12, 1985.

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Nasdaq PHLX Rules, Regulation, Rule 1068. Directed Orders

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(a) Specialists, RSQTs and SQTs may receive Directed Orders (as defined in this Rule) in accordance with the provisions of this rule.

(i) Definitions

(A) The term “Directed Order” means any order (other than a stop or stop-limit order as defined in Options 8, Section 32) to buy or sell which has been directed to a particular Specialist, RSQT, or SQT by an Order Flow Provider, as defined below. To qualify as a Directed Order, an order must be delivered to the Exchange via the System.

(B) The term “Order Flow Provider” (“OFP”) means any member or member organization that submits, as agent, orders to the Exchange.

(C) The term “Directed Specialist, RSQT, or SQT” means a specialist, RSQT, or SQT that receives a Directed Order.

(ii) When the Exchange’s disseminated price is the NBBO at the time of receipt of the Directed Order, and the Directed Specialist, SQT or RSQT is quoting at the Exchange’s best price, the Directed Order shall be automatically executed and allocated in accordance with Rule 1014(g)(viii).

(iii) When the Exchange's disseminated price is the NBBO, and the quotation disseminated by the Directed Specialist, RSQT, or SQT on the opposite side of the market from the Directed Order is inferior to the NBBO at the time of receipt of the Directed Order, the Directed Order shall be automatically executed and allocated to those quotations and orders at the NBBO in accordance with Exchange Rule 1014(g)(vii).

(iv) If the Exchange's disseminated price is not the NBBO at the time of receipt of the Directed Order, the Directed Order shall be handled in accordance with Exchange rules.

Amendments.
March 19, 1987.
June 14, 1990.
October 6, 2000 (00-05).
April 25, 2011 (11-13).
December 8, 2015 (15-102), operative January 7, 2016.
January 16, 2018 (18-09).
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, Rule 1070. Data Feeds and Trade Information

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(a) The following data feeds are offered by Phlx:

(1) **Top of PHLX Options ("TOPO")** is a direct data feed product that includes the Exchange's best bid and offer price, with aggregate size, based on displayable order and quoting interest on Phlx and last sale information for trades executed on Phlx. The data contained in the TOPO data feed is identical to the data simultaneously sent to the processor for the OPRA and subscribers of the data feed. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only.

(2) **PHLX Orders** is a real-time full limit order book data feed that provides pricing information for orders on the PHLX limit order book. PHLX Orders is currently provided as part of the TOPO Plus Orders data product. PHLX Orders provides real-time information to enable users to keep track of the single order book(s), single and Complex Orders, and Complex Order Live Auction ("COLA") for all symbols listed on Phlx. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, leg information on complex strategies and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only.

(3) **PHLX Depth of Market is a data product that provides**: (i) order and quotation information for individual quotes and orders on the PHLX book; (ii) last sale information for trades executed on Phlx; (iii) auction; and (iv) an Imbalance Message which includes the symbol, side of the market, size of matched contracts, size of the imbalance, and price of the affected series. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only.

(b) The following order and execution information is available to members:

(1) **Clearing Trade Interface ("CTI")** is a real-time clearing trade update message that is sent to a member after an execution has occurred and contains trade details specific to that member. The information includes, among other things, the following: (i) The Clearing Member Trade Agreement or "CMTA" or "OCC" number; (ii) Exchange badge or house number; (iii) the Exchange internal firm identifier; (iv) an indicator which will distinguish electronic and non-electronically delivered orders; (v) liquidity indicators and transaction type for billing purposes; and (vi) capacity.

(2) **TradeInfo PHLX Interface**, a user interface, permits a member to: (i) search all orders submitted in a particular security or all orders of a particular type, regardless of their status (open, canceled, executed, etc.); (ii) cancellation of open orders at the order, port or firm mnemonic level; (iii) a view of orders and executions; and (iv) download of orders and executions for recordkeeping purposes.

Adopted.
March 26, 1980, effective May 25, 1980.
Amendments.
August 29, 1995 (94-49).
June 24, 2009 (09-40).
April 25, 2011 (11-13).
February 22, 2018 (18-19).
April 27, 2018 (18-33).
May 25, 2018 (18-43).
Renumbered.
Renumbered 1028(b) March 24, 2015 (15-31).

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Nasdaq PHLX Rules, Regulation, Rule 1072. Reserved

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Reserved.

Adopted.
September 2, 1994.
Amendments.
March 21, 1996 (95-69, 95-79).
December 29, 2004 (04-87).
June 7, 2007 (06-87).
November 21, 2007 (07-55).

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Nasdaq PHLX Rules, Regulation, Rule
1080. Electronic Acceptance of Quotes and Orders

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(a) **Entry and Display of Orders and Quotes**. Members may enter orders and quotes into the System as specified below.

(i) The Exchange offers members the following protocols for entering orders and quotes respectively:

(A) "**Financial Information eXchange**" or "**FIX**" is an interface that allows members and their Sponsored Customers to connect, send, and receive messages related to orders and auction orders and responses to and from the Exchange. Features include the following: (1) execution messages; (2) order messages; and (3) risk protection triggers and cancel notifications.

(B) "**Specialized Quote Feed**" or "**SQF**" is an interface that allows Specialists, Streaming Quote Traders ("SQTs") and Remote Streaming Quote Traders ("RSQTs") to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g underlying and complex instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge request from the Specialist, SQT or RSQT.

(C) **Options Floor Based Management System or ("FBMS")** is a component of the System designed to enable members and/or their employees to enter, route and report transactions stemming from options orders received on the Exchange. The FBMS also is designed to establish an electronic audit trail for options orders negotiated, represented and executed by members on the Exchange, to the extent permissible pursuant to Options 8, Section 22(a), such that the audit trail provides an accurate, time-sequenced record of electronic and other orders, quotations and transactions on the Exchange, beginning with the receipt of an order by the Exchange, and further documenting the life of the order through the process of execution, partial execution, or cancellation of that order. The features of FBMS are described in Options 8, Sections 28(e) and 29. In addition, a non-member or member may utilize an FBMS FIX interface to create and send an order into FBMS to be represented by a Floor Broker for execution.

(b) **Eligible Orders**

(i) The following types of orders are eligible for entry into AUTOM:

(A) Agency orders may be entered. The following types of agency orders are eligible for AUTOM: day, GTC, Immediate or Cancel ("IOC"), Intermarket Sweep Order ("ISO"), market, limit, stop, stop-limit, all or none, or better, simple cancel, simple cancel to reduce size (cancel leaves), cancel to change price, cancel with replacement order, opening-only-market order, limit on opening order, and possible duplicate orders. For purposes of Exchange options trading, an agency order is any order entered on behalf of a public customer, and does not include any order entered for the account of a broker-dealer, or any account in which a broker-dealer or an associated person of a broker-dealer has any direct or indirect interest. Respecting Phlx

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XL II, the following order types are also permitted: DNR order, SRCH order, and FIND order; see Rule 1093.

(B) Orders for the proprietary account(s) of SQTs, RSQTs and non-SQT ROTs and specialists via electronic interface with AUTOM may be entered, subject to the restrictions on order entry set forth in Commentary .04 of this Rule.

(1) The following types of orders for the proprietary account(s) of non-SQT ROTs and specialists with a size of 10 contracts or greater are eligible for entry via electronic interface with AUTOM: GTC, day limit, IOC, ISO, limit on opening and simple cancel. Orders for the proprietary account(s) of non-SQT ROTs and specialists with a size of less than 10 contracts shall be submitted as IOC only.

(2) The following types of orders for the proprietary account(s) of SQTs and RSQTs are eligible for entry via electronic interface with AUTOM: limit on opening, IOC, ISO, and day limit. Respecting Phlx XL II, the following order types are also permitted: DNR order, SRCH order, and FIND order; see Rule 1093.

(C) Off-floor broker-dealer limit orders, subject to the restrictions on order entry set forth in Commentary .05 of this Rule, may be entered. The following types of broker-dealer limit orders are eligible for AUTOM: day, GTC, IOC, ISO, stop, stop-limit, simple cancel, simple cancel to reduce size (cancel leaves), cancel to change price, cancel with replacement order, limit on opening order. Respecting Phlx XL II, the following order types are also permitted: DNR order, SRCH order, and FIND order; see Rule 1093. For purposes of this Rule 1080, the term "off-floor broker-dealer order" means an order delivered from off the floor of the Exchange by or on behalf of a broker-dealer for the proprietary account(s) of such broker-dealer, including an order for a market maker located on an exchange or trading floor other than the Exchange's trading floor delivered via AUTOM for the proprietary account(s) of such market maker.

(ii) The Exchange may determine to accept additional types of orders as well as to discontinue accepting certain types of orders.

(iii) Orders may not be unbundled for the purposes of eligibility for AUTOM and AUTO-X, nor may a firm solicit a customer to unbundle an order for this purpose.

(c) Phlx XL automatically executes eligible orders using the Exchange disseminated quotation (except if executed pursuant to the NBBO Feature in sub-paragraph (i) below) and then automatically routes execution reports to the originating member organization. AUTOM orders not eligible for AUTO-X are executed manually in accordance with Exchange rules. Manual execution may also occur when AUTO-X is not engaged, such as pursuant to sub-paragraph (iv) below. An order may also be executed partially by AUTO-X and partially manually. The terms "Book Match" and "Book Sweep" are subsumed under the term "AUTO-X" for purposes of these rules.

In Phlx XL II, respecting situations in which the Quote Exhaust feature is engaged, the system will automatically execute transactions as set forth in Rule 1082.

The Exchange may for any period restrict the use of AUTO-X on the Exchange in any option or series provided that the effectiveness of any such restriction shall be conditioned upon its having been approved by the Securities and Exchange Commission pursuant to Section 19(b) of the Securities Exchange Act of 1934 and the rules and regulations thereunder. Any such restriction on the use of AUTO-X approved by the Exchange will be clearly communicated to Exchange membership and AUTOM users on the Exchange's web site. Such restriction would not take effect until after such communication has been made

The Exchange shall provide automatic executions for eligible customer and broker-dealer orders up to the Exchange's disseminated size as defined in Exchange Rule 1082 except with respect to orders eligible for "Book Match."

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(i) NBBO Calculation

(A) Where an Options Exchange Official determines that quotes in options on the Exchange or another market or markets are subject to relief from the firm quote requirement set forth in the SEC Quote Rule, as defined in Exchange Rule 1082(a)(iii) (the "Quote Rule"), customer market orders will receive an automatic execution at the NBBO based on the best bid or offer in markets whose quotes are not subject to relief from the firm quote requirement set forth in the Quote Rule. Such determination may be made by way of notification from another market that its quotes are not firm or are unreliable; administrative message from the Option Price Reporting Authority ("OPRA"); quotes received from another market designated as "not firm" using the appropriate indicator; and/or telephonic or electronic inquiry to, and verification from, another market that its quotes are not firm. AUTOM customers will be duly notified via electronic message from AUTOM that such quotes are excluded from the calculation of NBBO. The Exchange may determine to exclude quotes from its calculation of NBBO on a series-by-series basis or issue-by-issue basis, or may determine to exclude all options quotes from an exchange, where appropriate, under the conditions set forth above. The Exchange shall maintain a record of each instance in which another exchange's quotes are excluded from the Exchange's calculation of NBBO, and shall notify such other exchange that its quotes have been so excluded. Such documentation shall include: identification of the option(s) affected by such action; the date and time such action was taken and concluded; identification of the other exchange(s) whose quotes were excluded from the Exchange's calculation of NBBO; identification of the Options Exchange Official who approved such action; the reasons for which such action was taken; and identification of the specialist and the specialist unit. The Exchange will maintain these documents pursuant to the record retention requirements of the Securities Exchange Act of 1934 and the rule and regulations thereunder.

(B) Where an Options Exchange Official determines that quotes in options on the Exchange or another market or markets previously subject to relief from the firm quote requirement set forth in the Quote Rule are no longer subject to such relief, such quotations will be included in the calculation of NBBO for such options. Such determination may be made by way of notification from another market that its quotes are firm; administrative message from the Option Price Reporting Authority ("OPRA"); and/or telephonic or electronic inquiry to, and verification from, another market that its quotes are firm. AUTOM customers will be duly notified via electronic message from AUTOM that such quotes are again included in the calculation of NBBO.

(ii) **Order Entry Firms and Users**

(A) Definitions

(1) The term "Order Entry Firm" means a member organization of the Exchange that is able to route orders to AUTOM.

(2) The term "User" means any person or firm that obtains access to AUTO-X through an Order Entry Firm.

(B) Obligations of Order Entry Firms. Order Entry Firms shall:

(1) Comply with all applicable Exchange options trading rules and procedures;

(2) Provide written notice to all Users regarding the proper use of AUTO-X; and

(C) Order Entry Firms shall comply with the following requirements when interacting with orders on the limit order book which they represent as agent.

(1) Principal Transactions: Order Entry Firms may not execute as principal against orders on the limit order book they represent as agent unless: (a) agency orders

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are first exposed on the limit order book for at least one (1) second, (b) the Order Entry Firm has been bidding or offering on the Exchange for at least one (1) second prior to receiving an agency order that is executable against such order, (c) the Order Entry Firm proceeds in accordance with the crossing rules contained in Rule 1064, (d) the orders are entered into Price Improvement XL or "PIXL" pursuant to Rule 1087, (e) the orders are entered into the Complex Order Live Auction or "COLA" pursuant to Rule 1080, Commentary .02(c)(ii)(e), or (f) orders entered into the Qualified Contingent Cross or "QCC" mechanism pursuant to Rules 1080(o).

(2) Solicitation Orders. Order Entry Firms must expose orders they represent as agent for at least one (1) second before such orders may be automatically executed, in whole or in part, against orders solicited from members and non-member broker-dealers to transact with such orders, except for: (a) orders entered into PIXL pursuant to Rule 1087, (b) orders entered into COLA pursuant to Rule 1080, Commentary .02(c)(ii)(e), or (c) orders entered into the QCC mechanism pursuant to Rules 1080(o).

(3) It shall be a violation of Rule 1080(c)(ii)(C) for any Exchange member or member organization to be a party to any arrangement designed to circumvent Rule 1080(c)(ii)(C) by providing an opportunity for a customer, member, member organization, or non-member broker-dealer to execute immediately against agency orders delivered to the Exchange, whether such orders are delivered via AUTOM or represented in the trading crowd by a member or a member organization, except for: (a) orders entered into PIXL pursuant to Rule 1087, (b) orders entered into COLA pursuant to Rule 1080, Commentary .02(c)(ii)(e), or (c) orders entered into the QCC mechanism pursuant to Rules 1080(o).

(iii) **Quotations Interacting With Limit Orders on the Book.**

(A) Respecting options traded on the Phlx XL system, when the bid or offer generated by the Exchange's Auto-Quote system, SQF (as defined in Commentary .01(b)(i) of this Rule), or by an SQT or RSQT (as defined in Rule 1014(b)(ii)) matches or crosses the Exchange's best bid or offer in a particular series as established by an order on the limit order book, orders on the limit order book in that series will be automatically executed and automatically allocated in accordance with Exchange rules. If Book Sweep is not engaged at the time the Auto-Quote, SQF, RSQT or SQT bid or offer matches or crosses the Exchange's best bid or offer represented by a limit order on the book, the specialist, RSQT, or SQT may manually initiate the Book Sweep feature.

(B) Respecting options traded on the Phlx XL II system, Market Sweep will replace Book Sweep order processing. A Market Sweep is composed of one or more single-sided quotes submitted by a Phlx XL II participant to automatically execute at multiple order price levels and a single quote price level. A Market Sweep will execute against both quotes and orders, but when a quote level is exhausted, the system will cancel the balance of the Market Sweep back to the entering party to allow quotes to be updated. Market Sweeps are processed on an immediate-or-cancel basis, may not be routed, may be entered only at a single price, and may not trade through away markets.

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(iv) Except as otherwise provided in this Rule, in the following circumstances, an order otherwise eligible for automatic execution will instead be manually handled by the specialist:

(A) RESERVED;
(B) Respecting options traded on Phlx XL, the AUTOM System is not open for trading when the order is received (which is known as a pre-market order);
(C) Respecting options traded on Phlx XL, the disseminated market is produced during an opening or other rotation;
(D) Respecting options traded on Phlx XL, when the Exchange's best bid or offer is represented by a limit order on the book (except with respect to orders eligible for "Book Sweep" as described in Rule 1080(c)(iii) above, and "Book Match" as described in Rule 1080(g)(ii) below);
(E) Respecting options traded on Phlx XL, if the Exchange's bid or offer is not the NBBO; and
(F) Reserved.
(G) Respecting options traded on the Phlx XL II system, no orders will be executed manually.

The Exchange's systems are designed and programmed to identify the conditions that cause inbound orders to be ineligible for automatic execution. Once it is established that inbound orders are ineligible for automatic execution, Exchange staff has the ability to determine which of the above conditions occurred.

(v) Respecting options traded on Phlx XL, in situations in which the Exchange receives a market order that is not eligible for automatic execution because of any of the conditions described in Rule 1080(c)(iv), such market order, if not already executed manually by the specialist, will nonetheless be executed automatically when: (A) a limit order resting on the limit order book or a quotation that was not priced at the NBBO at the time such market order was received, becomes priced at the NBBO; or (B) an inbound limit order or quotation priced at or better than the NBBO is received before the specialist has manually executed such market order. In each case, the AUTOM System will automatically execute the market order against such resting limit order or quotation, or against such inbound limit order or quotation, at or better than the NBBO price.

(vi) RESERVED

(d) **Hours**—The AUTOM System accepts orders beginning at a time specified by the Exchange and communicated on the Exchange's web site. Orders received by the close of trading, as determined electronically by the AUTOM System, are eligible for execution. Orders received after such time will be rejected and returned to the order entry firm.

(e) **Extraordinary Circumstances**—Respecting options traded on the Phlx XL system, in the event extraordinary circumstances with respect to a particular class of options exist, an Options Exchange Official may determine to disengage AUTO-X with respect to that option, in accordance with Exchange procedures. Five minutes subsequent to the disengagement of AUTO-X for extraordinary circumstances (and every 15 minutes thereafter as long as AUTO-X is disengaged), the requesting specialist or his/her designee, an Options Exchange Official, and a designated regulatory staff person, shall re-evaluate the circumstances to determine if the extraordinary circumstances still exist. AUTO-X will be re-engaged when either: (i) the specialist or his/her designee determines that the conditions supporting the extraordinary circumstances no longer exist, at which time the specialist or his/her designee shall inform the regulatory staff that the extraordinary circumstances no longer exist and that the specialist is re-engaging AUTO-X; or (ii) when an Options Exchange Official and the designated regulatory staff person determine that the conditions supporting the extraordinary circumstances no longer exist. In the event extraordinary conditions exist floor-wide, an Options Exchange Official may determine to disengage the AUTO-X feature floor-wide. Five minutes subsequent to a floor-wide disengagement of AUTO-X for extraordinary circumstances (and every 15 minutes thereafter as long as AUTO-X is disengaged), an Options Exchange Official and a designated regulatory staff person shall re-evaluate the circumstances to determine if the extraordinary circumstances still exist. AUTO-X will be re-engaged when either: (1) the specialist determines that the conditions supporting the extraordinary circumstances no longer exist for their particular class of options

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at which time the specialist or his/her designee will inform regulatory staff that the extraordinary circumstances no longer exist for their particular class of options and that the specialist is re-engaging AUTO-X; or (2) when an Options Exchange Official and the designated regulatory staff person determine that the extraordinary circumstances no longer exist. The NBBO Feature is always disengaged when AUTO-X is disengaged.

Extraordinary circumstances include market occurrences and system malfunctions that impact a specialist's ability to accurately price and disseminate option quotations in a timely manner. Such occurrences include fast market conditions such as volatility, order imbalances, volume surges or significant price variances in the underlying security in the case of equity options or in the underlying currency in the case of U.S. dollar-settled foreign currency options; internal system malfunctions including the Exchange's Auto-Quote system; or malfunctions of external systems such as specialized quote feed, or delays in the dissemination of quotes from the Option Price Reporting Authority; or other similar occurrences.

The Exchange shall document any action taken to disengage AUTO-X pursuant to this Rule 1080(e), and shall notify all AUTOM Users of each instance in which AUTO-X is disengaged due to extraordinary circumstances. Such documentation shall include: identification of the option(s) affected by such action (except in a case of floor-wide disengagement); the date and time such action was taken and concluded; identification of the Options Exchange Official who approved such action, the reasons for which such action was taken; identification of the specialist and the specialist Unit (or in the case of floor-wide disengagement, identification of the Exchange designee); and identification of the regulatory staff person monitoring the situation. The Exchange will maintain these documents pursuant to the record retention requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder.

(i) The Exchange's Emergency Committee, pursuant to Rule 98, may take other action respecting AUTOM in extraordinary circumstances.

(f) **Specialist Obligations**—Respecting options traded on Phlx XL, a specialist must accept eligible orders delivered through AUTOM. A specialist must comply with the obligations of Rule 1014, as well as other Exchange rules, in the handling of AUTOM orders.

(i) RESERVED.
(ii) A specialist must respond promptly to all messages communicated through AUTOM, including order entry, execution and cancellation and replacement of orders as well as administrative messages.
(iii) A specialist is responsible for the remainder of an AUTOM order where a partial execution occurred.
(iv) A specialist is responsible for the visibility to the trading crowd of both the screens displaying incoming AUTO-X orders as well as bids/offers for the at-the-money strike prices in displayed options.
(v) To ensure proper notification to AUTOM users, a specialist must promptly notify the Surveillance Post of any AUTOM-related Options Exchange Official approval in order for such approval to be valid.

(g) **Contra-Party Participation—**Respecting options traded on the Phlx XL system:

(A) Book Match—For purposes of this sub-paragraph, the contra-side to automatically executed inbound marketable orders shall be a limit order on the book or specialist, RSQT and/or SQT electronic quotes ("electronic quotes") at the disseminated price where: (1) the Exchange's disseminated size includes limit orders on the book and/or electronic quotes at the disseminated price; and (2) the disseminated price is the National Best Bid or Offer. This feature is called Book Match. However, respecting options trading on the Phlx XL II system, the contra-side to automatically executed inbound marketable orders can also be a sweep, pursuant to Rule 1082.

(h) **Responsibility for AUTOM Orders**—Respecting options traded on Phlx XL, a member organization who initiates the transmission of an order message to the floor (the "initiating member") through AUTOM is responsible for that order message up to the point that a legible and properly formatted copy of the order message is received on the trading floor by the specialist unit. Thereafter, the specialist who is registered in the option specified in the order message is responsible for the contents of the order message received and is

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responsible for the order until one of the following occurs: (i) an execution report for the entire amount of the order is properly sent; (ii) a cancellation acknowledgement is properly sent; or (iii) an order properly expires.

For the convenience of members using AUTOM, the Exchange provides an AUTOM Service Desk to assist on the trading floor in the operation of AUTOM. In accordance with Exchange By-Law Article VI, Section 6-3, the Exchange shall not be liable for any loss, expenses or damage resulting from or claimed to have resulted from the acts, errors or omissions of its agents, employees or members in connection with AUTOM, or the AUTOM System.

(i) Reserved.

Such orders will be automatically placed on the limit order book in price-time priority.

(j) **Limitations on Orders.** Members shall not enter, or facilitate entry into Phlx XL, as principal or agent, limit orders in the same options series from off the floor of the Exchange, for the account or accounts of the same or related beneficial owners, in such a manner that the off floor member or the beneficial owner(s) effectively is operating as a market maker by holding itself out as willing to buy and sell such options contract on a regular or continuous basis. In determining whether an off floor member or beneficial owner effectively is operating as a market maker, the Exchange will consider, among other things: the simultaneous or near-simultaneous entry of limit orders to buy and sell the same options contract; the multiple acquisition and liquidation of positions in the same options series during the same day; and the entry of multiple limit orders at different prices in the same options series.

The limitation set forth in this Rule 1080(j) does not apply to the accounts of off-floor broker dealers or Professionals as the term is defined in Rule 1000(b)(14). Notwithstanding the foregoing, the limitation in Rule 1080(j) above will continue to apply to all-or-none orders submitted by Professionals to the Exchange.

(k) **Electronic Streaming Quotations.** SQTs may generate and submit option quotations if such SQT is physically present on the Exchange floor, and RSQTs may generate and submit option quotations from off the floor of the Exchange, electronically.

Respecting options trading on Phlx XL II, specialists, SQTs and RSQTs who are quoting in an option may also submit Sweeps, which are defined in and governed by Rule 1082.

(l) Reserved.

(m) Reserved.

(n) Reserved.

(o) **Qualified Contingent Cross Order.**

A Qualified Contingent Cross Order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 contracts in the case of Mini Options, that is identified as being part of a qualified contingent trade, as that term is defined in subsection (3) below, coupled with a contra-side order or orders totaling an equal number of contracts.

(1) Qualified Contingent Cross Orders are immediately executed upon entry into the System by an Order Entry Firm provided that (i) no Customer Orders are at the same price on the Exchange's limit order book and (ii) the price is at or between the NBBO.

    (a) Qualified Contingent Cross Orders will be automatically rejected if they cannot be executed.
    (b) Qualified Contingent Cross Orders may only be entered in the regular trading increments applicable to the options class under Rule 1034.

(2) Qualified Contingent Cross Orders shall only be submitted electronically from off the Floor to the PHLX System. Order Entry Firms must maintain books and records demonstrating that each Qualified Contingent Cross Order was routed to the Exchange System from off of the Floor. Any Qualified Contingent Cross Order that does not have a corresponding record required by this subsection shall be deemed to have been entered from on the Floor in violation of this Rule.

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(3) A “qualified contingent trade” is a transaction consisting of two or more component orders, executed as agent or principal, where:

(a) At least one component is an NMS Stock, as defined in Rule 600 of Regulation NMS under the Exchange Act;
(b) all components are effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent;
(c) the execution of one component is contingent upon the execution of all other components at or near the same time;
(d) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed;
(e) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and
(f) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade.

(p) Reserved.

Commentary:

.01 Reserved.

(b) If options trading systems throttle quotations for at least three minutes, the Chairperson of the Board of Directors or his designee may, for capacity management purposes, mandate that the specialized quote feed be set to update quotations based on a certain minimum movement in the underlying security or the underlying foreign currency for: (i) all options; (ii) index options only; or (iii) certain specified options, taking into account certain factors that may include, but are not limited to, the price of the underlying security, volatility in the underlying security or the underlying foreign currency, or whether there has been any trading volume over the last two trading days. Such mandated minimum setting may continue for a period of 15 minutes, and may be continued every 15 minutes thereafter, provided that the Exchange's options trading systems are throttling quotations at the end of each such 15-minute period.

.02 The Electronic Order Book is the Exchange's automated limit order book, which automatically routes all unexecuted AUTOM orders to the book and displays orders real-time in order of price/time priority.

(a) (i) Except as provided in sub-paragraph (a)(ii) below, the AUTOM System will immediately display the full price and size of any limit order that establishes the Exchange's disseminated price or increases the size of the Exchange's disseminated bid or offer.

(ii) The AUTOM System will not display:

(A) An order executed upon receipt;
(B) An order where the customer who placed it requests that it not be displayed, and upon representation of such order in the trading crowd the

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Floor Broker announces in public outcry the information concerning the order that would be displayed if the order were subject to being displayed;

(C) A customer limit order for which, immediately upon receipt, a related order for the principal account of the specialist, reflecting the terms of the customer order, is routed to another options exchange;

(D) Orders received before or during a trading rotation, however, such limit orders will be displayed immediately upon conclusion of the applicable rotation if they represent the Exchange's best bid or offer;

(E) The following order types as defined in Rule 1066: Contingency Orders; One-Cancels-the-Other Orders; Hedge Orders (e.g., spreads, straddles, combination orders); Synthetic Options;

(F) Immediate or Cancel ("IOC") orders.

(b) Limit orders may only be placed on the limit order book by: (i) An ROT via electronic interface with AUTOM pursuant to Rule 1014, Commentary .18; (ii) a Floor Broker using the Options Floor Broker Management System (as described in Commentary .06 below); or (iii) the AUTOM System for eligible customer and off-floor broker-dealer limit orders.

(c) A limit order to be executed manually by the specialist pursuant to Rule 1080(c)(iv) will be displayed automatically by the AUTOM System until such limit order is executed or cancelled. If such limit order is partially executed, the AUTOM System will automatically display the actual number of contracts remaining in such limit order.

.03 "Intermarket Sweep Order" or "ISO" is a limit order that is designated as an ISO in the manner prescribed by the Exchange and is executed within the system by Participants at multiple price levels without respect to Protected Quotations of other Eligible Exchanges as defined in Rule 1083. ISOs are immediately executable within the Phlx XL II system or cancelled, and shall not be eligible for routing as set out in Rule 1080.

Simultaneously with the routing of an ISO to the Phlx XL II system, one or more additional limit orders, as necessary, are routed by the entering party to execute against the full displayed size of any Protected Bid or Offer (as defined in Rule 1083(n)) in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified as an ISO. These additional routed orders must be identified as ISOs.

.04 *ROT Limit Orders.* Orders for the proprietary accounts of SQTs, RSQTs and non-SQT ROTs may be entered for delivery through AUTOM, through the use of Exchange approved proprietary systems to interface with AUTOM ("interface"). Such orders shall be for a minimum of one (1) contract. Orders for the proprietary account(s) of SQTs, RSQTs, and non-SQT ROTs with a size of less than 10 contracts shall be submitted as IOC only.

.05 Off-floor broker-dealer orders delivered via AUTOM shall be for a minimum size of one (1) contract. Off-floor broker-dealer limit orders are subject to the following other provisions:

(i) The restrictions and prohibitions concerning off-floor market makers set forth in Rule 1080(j).

(ii) Off-floor broker-dealer limit orders entered via AUTOM establishing a bid or offer may establish priority, and the specialist and crowd may match such a bid or offer and be at parity, except as provided in Exchange Rule 1014(g)(i)(A).

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Nasdaq PHLX Rules, Regulation, Rule 1081. Electronic Market Maker Obligations and Quoting Requirements

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For purposes of this rule an “electronic ROT” shall mean an SQT, RSQT, Specialist (including Remote Specialist), Directed SQT and Directed RSQT who enters electronic quotations into the Exchange’s System.

(a) In registering as an electronic ROT, a member organization commits to various obligations. Transactions of an electronic ROT in its market making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and those member organizations should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Electronic ROTs should not effect purchases or sales except in a reasonable and orderly manner. Ordinarily during trading hours, an electronic ROT must:

(i) Maintain a two-sided market in those options in which the electronic ROT is registered to trade, in a manner that enhances the depth, liquidity and competitiveness of the market.
(ii) Engage, to a reasonable degree under the existing circumstances, in dealings for its own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of (or demand for) a particular option contract, or a temporary distortion of price relationships between option contracts of the same class.
(iii) Compete with other electronic ROTs in all options in all capacities in which the electronic ROT is registered to trade.
(iv) Make markets that will be honored for the number of contracts entered into the System in all options in which the electronic ROT is registered to trade.
(v) Update quotations in response to changed market conditions in all options in which the electronic ROT is registered to trade.
(vi) Maintain active markets in all options in which the electronic ROT is registered.
(vii) Honor all orders attributed to the electronic ROT that the System routes to away markets pursuant to Rule 1080(m) of these Rules.

(b) If Phlx Regulation finds any substantial or continued failure to engage in a course of dealings as specified in paragraph (a) of this section, the electronic ROT will be subject to disciplinary action or suspension or revocation of registration in one or more of the securities in which the electronic ROT is registered. Nothing in this rule will limit any other power of the Board under these Rules, or procedures of Phlx with respect to the registration of an ROT or in respect of any violation by an ROT pursuant to this rule.

(c) Electronic ROTs must enter bids and offers for the options to which it is registered, except in an assigned options series listed intra-day on the Exchange. On a daily basis, an electronic ROT must make markets consistent with the applicable quoting requirements specified below. A member organization will be required to meet each market making obligation separately. An SQT and RSQT who is also the Specialist will be held to the Specialist obligations in options series in which the Specialist is assigned and will be held to SQT and RSQT obligations in all other options series where assigned. An SQT or RSQT who receives a Directed Order shall be held to the standard of a Directed SQT or Directed RSQT, as appropriate.

(i) Size Associated with Quotes. An electronic ROT’s bid and offer for a series of options contracts shall be accompanied by the number of contracts at that price the electronic ROT is willing to buy or sell. The best bid and best offer submitted by an electronic ROT must have a size of not less than the minimum number of contracts determined by the Exchange on a class by class basis, which minimum shall be at least one (1) contract.

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(ii) Two-Sided Quotes. An electronic ROT that enters a bid (offer) in a series of an option in which he is registered on Phlx must enter an offer (bid). These quotations must meet the legal quote width requirements specified in Phlx Rule 1014(c)(i)(A)(1) and (2).

(A) SQTs and RSQTs, associated with the same member organization, are collectively required to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as Phlx may announce in advance, for which that member organization's assigned options series are open for trading. Notwithstanding the foregoing, a member organization shall not be required to make two-sided markets pursuant to this Rule 1081(c)(ii) in any Quarterly Option Series, any adjusted option series, and any option series with an expiration of nine months or greater.

(i) An adjusted option series is defined as an option series wherein one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange-Traded Fund Shares ("Adjusted Options Series").

(B) Specialists (including Remote Specialists), associated with the same member organization, are collectively required to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as Phlx may announce in advance, for which that member organization's assigned options series are open for trading. Specialists shall be required to make two-sided markets pursuant to this rule in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater.

(C) Directed SQTs and Directed RSQTs, associated with the same member organization, are collectively required to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as Phlx may announce in advance, for which that member organization's assigned options series are open for trading. A member organization shall be considered directed in all assigned options once the member organization receives a Directed Order in any option in which they are assigned and shall be considered a Directed SQT or Directed RSQT until such time as the member organization notifies the Exchange that they are no longer directed. Notwithstanding the foregoing, a member organization shall not be required to make two-sided markets pursuant to this Rule 1081(c)(ii) in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater.

(D) Specifically, the Exchange will calculate subparagraphs (A) – (C) above by (i) taking the total number of seconds the member organization disseminates quotes in each assigned options series, excluding Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater for SQTs, RSQTs, Directed SQTs and Directed RSQTs ; and (ii) dividing that time by the eligible total number of seconds each assigned option series is open for trading that day. Quoting is not required in every assigned options series. Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the member organization.

(iii) Phlx Regulation may consider exceptions to the above-referenced requirement to quote based on demonstrated legal or regulatory requirements or other mitigating circumstances. For purposes of the Exchange's surveillance of member organization compliance with this rule, the Exchange may determine compliance on a monthly basis. The Exchange's monthly compliance evaluation of the quoting requirement does not relieve a member organization of the obligation to provide two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against a member organization for failing to meet the quoting obligation each trading day.

(iv) If a technical failure or limitation of a System of Phlx prevents a member organization from maintaining, or prevents a member organization from communicating to Phlx timely and accurate quotes, the duration of such failure or limitation shall not be included in any of the calculations under this subparagraph (c)(ii) with respect to the affected quotes.

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Nasdaq PHLX Rules, Regulation, Rule 1082. Firm Quotations

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(a) **Definitions.**

(i) The term "disseminated price" shall mean the bid (or offer) price for an options series that is made available by the Exchange and displayed by a quotation vendor on a terminal or other display device.

(ii) The term "disseminated size" shall mean with respect to the disseminated price for any quoted options series:

(A) Except as provided in sub-paragraph (a)(ii)(C)(3) below, at least the sum of the size associated with limit orders, specialists' quotations, SQTs' quotations, and RSQTs' (as defined in Rule 1014(b)(ii)(B)) quotations.

(B) (1) If an SQT or RSQT's (other than a Directed SQT or RSQT) quotation size in a particular series in a Streaming Quote Option is exhausted or removed by the Risk Monitor Mechanism, such SQT or RSQT's quotation shall be deleted from the Exchange's disseminated quotation until the time the SQT or RSQT revises his/her quotation.

(2) Reserved.

(3) Quote Exhaust. Respecting options that are traded on the Phlx XL II system ("Phlx XL II"), Quote Exhaust occurs when the Exchange's disseminated market at a particular price level includes a quote, and such market is exhausted by an inbound contra-side quote or order ("initiating quote or order"), and following such exhaustion, contracts remain to be executed from the initiating quote or order through the initial execution price. The initial execution price that gives rise to Quote Exhaust is known as the "reference price." Under Quote Exhaust, any order volume that is routed to away markets will be marked as an ISO.

(a) Quote Exhaust Timer. When a Quote Exhaust occurs, the Phlx XL II system will initiate a “Quote Exhaust Timer” that will apply to all options traded on the Phlx XL II system, not to exceed one second, during which any Phlx XL II participant (including any participant(s) whose size was exhausted) may submit quotes, sweeps or orders at any price level.

(b) During the Quote Exhaust Timer, the Exchange will disseminate the reference price for the remaining size, provided that such price does not lock an away market, in which case, the Exchange will disseminate a bid and offer that is one Minimum Price Variation ("MPV") from the away market price. The Exchange will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a non-firm bid for the price and size of the next available bid(s) on the Exchange if the remaining size is a seller, or (ii) a non-firm offer for the price and size of the next available offer(s) on the Exchange if the remaining size is a buyer.

If the remaining contracts in the initiating quote or order are either traded or cancelled during the Quote Exhaust Timer, the Quote Exhaust Timer will be terminated and normal trading will resume.

(c) New Interest on the Opposite Side of the Market. If the Exchange receives an order, quote or sweep on the opposite side of the market from the initiating quote or order during the Quote Exhaust Timer that locks or crosses the reference price at any time during the Quote Exhaust Timer,

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it will execute immediately against the initiating quote or order at the reference price. If the initiating quote or order that caused the Quote Exhaust is exhausted, the Quote Exhaust Timer will be terminated. With respect to any order, quote or sweep received on the opposite side of the market from the initiating quote or order during the Quote Exhaust Timer that is inferior to the reference price, the system will place any non-IOC order onto the book. Such non-IOC order on the book will be included in the first PBBO calculation following the end of the Quote Exhaust Timer. All non-marketable sweeps and IOC orders will be cancelled immediately if not executed and will not participate in the Quote Exhaust process.

(d) New Interest on the Same Side of the Market. If the Exchange receives an order, quote or sweep on the same side of the market as the initiating quote or order during the Quote Exhaust Timer, the Phlx XL II system will cancel any such sweep or IOC order. If such new quote or order, other than an IOC order, is a market or marketable limit order or marketable quote (i.e., priced at or through the reference price) the Phlx XL II system will display it at the reference price, with a disseminated size that is the sum of such order and/or quote plus the remaining contracts in the initiating order or quote.

(e) End of the Quote Exhaust Timer. At the end of the Quote Exhaust Timer, if there are still unexecuted contracts remaining in the initiating quote or order or any new interest on the same side of the market, the Phlx XL II system will calculate a new Phlx Best Bid/Offer ("PBBO"). The PBBO will include the remaining unexecuted portion of the initiating quote or order plus any new interest received on the same side of the market at the reference price, or if locking or crossing the ABBO, at one minimum trading increment away from the ABBO, for the full available size. The other side of the PBBO will be the actual Exchange interest at the best price.

The Phlx XL II system will conduct an Acceptable Range price "test" (as described below) to determine whether there is a valid next available price at which the Phlx XL II system may execute the remaining unexecuted contracts.

(f) Acceptable Range Test. The Phlx XL II system will conduct an Acceptable Range Test to determine if the next available price on the Exchange is within an Acceptable Range. The Phlx XL II system will calculate the Acceptable Range for the next available price by taking the reference price, plus or minus a value to be determined by the Exchange. (*i.e.*, the reference price – (x) for sell orders and the reference price + (x) for buy orders).

(g) Quote Exhaust Resolution. The Phlx XL II system will first determine whether to trade at the next available Phlx price by comparing it to the Acceptable Range price (defined as, with respect to an initiating buy order, the highest price of the Acceptable Range, and, with respect to an initiating sell order, the lowest price of the Acceptable Range) and the Away Best Bid/Offer ("ABBO") price to establish a "Best Price."

(i) With respect to an initiating buy order, the Best Price is the lowest price of: (A) the next available Exchange offer; (B) the ABBO offer; or (C) the Acceptable Range price on the offer side

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of the market. With respect to an initiating sell order, the Best Price is the highest price of (D) the next available Exchange bid; (E) the ABBO bid; or (F) the Acceptable Range price on the bid side of the market.

(ii) Initiating quote or order does not lock or cross Best Price. If the price of the initiating quote or order (if a limit order) does not lock or cross the Best Price, the Phlx XL II system will post the remaining portion of the initiating quote or order at its limit price and normal trading will resume.

(iii) Initiating quote or order locks Best Price. If the initiating quote or order locks the Best Price, the system will execute, route if a routable order, and/or post, the initiating quote or order as follows:

(A) If the Best Price is the Exchange's next available price:

(1) standing alone, the system will execute the initiating quote or order at the Exchange's next available price up to the Exchange's disseminated size

(2) and is equal to the ABBO price, any remaining unexecuted routable order volume from the execution on the Exchange will be routed away. After such routing, any remaining unexecuted contracts will be posted on the Exchange at the ABBO price;

(3) and is equal to the Acceptable Range price, any remaining unexecuted contracts from the execution on the Exchange will be posted at the Acceptable Range price;

(4) and is equal to both the ABBO price and the Acceptable Range price, any remaining order volume from the execution on the Exchange will be routed away and, after such routing, any remaining unexecuted contracts will be posted on the Exchange at the Acceptable Range price.

(B) If the Best Price is the ABBO where the ABBO is not equal to the next Phlx price:

(1) standing alone, the initiating order will be routed away up to the size of the ABBO and, after routing, any remaining unexecuted contracts from the initiating order will be posted on the Exchange at the ABBO price;

(2) and is equal to the Acceptable Range price, the initiating order will be routed away and, after such routing, any remaining unexecuted

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contracts will be posted on the Exchange at the ABBO price;

(3) if the Best Price is the Acceptable Range Price standing alone, the initiating quote or order will be posted on the Exchange at the Acceptable Range Price.

(iv) Initiating quote or order crosses Best Price. If the initiating quote or order crosses the Best Price, the Phlx XL II system will execute, route order volume, and/or post the initiating quote or order as set forth below:

(A) If the Best Price is the Exchange's next available price

(1) standing alone, the Phlx XL II system will execute the initiating quote or order at the Exchange's next available price up to the Exchange's disseminated size;

(2) and is equal to the ABBO price, the Phlx XL II system will execute the initiating quote or order at the Exchange's next available price up to the Exchange's disseminated size, and any remaining order volume from the execution on the Exchange will be routed away to the ABBO market(s);

(3) and is equal to the Acceptable Range price, the Phlx XL II system will execute the initiating quote or order at the Exchange's next available price up to the Exchange's disseminated size, and any remaining volume from the execution on the Exchange will be posted at the Acceptable Range price for the remaining size, for a period of time not to exceed ten seconds and then cancelled after such period of time has elapsed, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. During this up to ten second period, the Phlx XL II system will disseminate on the opposite side of the market from remaining unexecuted contracts: (i) a non-firm bid for the price and size of the next available bid(s) on the Exchange if the remaining size is a seller, or (ii) a non-firm offer for the price and size of the next available offer(s) on the Exchange if the remaining size is a buyer.

(4) and is also equal to both the ABBO price and the Acceptable Range price, any remainder order volume from the execution on the

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Exchange will be routed away, and if after such routing, there still remain unexecuted contracts, the remainder will be posted on the Phlx at the Acceptable Range price for a period not to exceed ten seconds, and then cancelled after this time has elapsed, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. During this up to ten second period, the Phlx XL II system will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a non-firm bid for the price and size of the next available bid(s) on the Exchange if the remaining size is a seller, or (ii) a non-firm offer for the price and size of the next available offer(s) on the Exchange if the remaining size is a buyer.

(B) If the Best Price is the ABBO:

(1) standing alone, the initiating order will be routed away to the ABBO market(s);

(2) and is equal to the Acceptable Range price, the initiating order will be routed away and if after routing there remain unexecuted contracts, the remainder of the order will be posted on the Phlx at the ABBO price for a period not to exceed ten seconds, and cancelled after this time has elapsed, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. During this period, the Phlx XL II system will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a non-firm bid for the price and size of the next available bid(s) on the Exchange if the remaining size is a seller, or (ii) a non-firm offer for the price and size of the next available offer(s) on the Exchange if the remaining size is a buyer.

(C) If the Best Price is the Acceptable Range Price standing alone, the initiating quote or order will be posted on the Exchange at the Acceptable Range Price for a period of time not to exceed ten seconds, and cancelled after this time has elapsed, unless the member that submitted the original order has

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instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. During this up to ten second period, the Phlx XL II system will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a non-firm bid for the price and size of the next available bid(s) on the Exchange if the remaining size is a seller, or (ii) a non-firm offer for the price and size of the next available offer(s) on the Exchange if the remaining size is a buyer.

(v) Non-routable orders. If the initiating order is non-routable when the order would otherwise be routed according to the process described above, the order will be posted on the Exchange at a price that is one minimum trading increment inferior to the Best Price so as not to lock an away market.

(vi) If, after trading at the Phlx and/or routing, there is a remainder of the initiating order, and such remainder is still marketable, the entire process of evaluating the Best Phlx price and the ABBO will be repeated until: (A) the order size is exhausted, or (B) the order reaches its limit price. If there still remain unexecuted contracts after routing but the order has reached its limit price, the remainder will be posted at the order's limit price, except that, when the limit price crosses the Acceptable Range Price, the remainder will be posted at the Acceptable Range Price for a period of time not to exceed ten seconds. During this up to ten second period, the Phlx XL II system will disseminate on the opposite side of the market from remaining unexecuted contracts: (i) a non-firm bid for the price and size of the next available bid(s) on the Exchange if the remaining size is a seller, or (ii) a non-firm offer for the price and size of the next available offer(s) on the Exchange if the remaining size is a buyer. After such time period, the Acceptable Range Price becomes the Reference Price and Acceptable Trade Range (pursuant to Rule 1099) is applied to the remaining size of the order.

(4) (a) If there are no offers both on the Exchange and on away markets in the affected series, market orders to buy in the affected series will be cancelled immediately, and an electronic report of such cancellation will be transmitted to the sender.

(b) If there are no offers on the Exchange and there are offers on away markets in the affected series, market orders to buy will be handled pursuant to Exchange Rule 1093.

(c) If there are no bids or a zero priced bid on the Exchange and there are no bids on away markets in the affected series, the Exchange will

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disseminate a bid price of zero, and market orders to sell will be handled pursuant to Exchange Rule 1080(i).

(d) If there are no bids or a zero priced bid on the Exchange and there are bids on away markets in the affected series, market orders to sell will be handled pursuant to Exchange Rule 1093.

(C) The Exchange shall disseminate an updated bid and offer price, together with the size associated with such bid and offer, when:

(1) the Exchange's disseminated bid or offer price increases or decreases;
(2) the size associated with the Exchange's disseminated bid or offer decreases; or
(3) the size associated with the Exchange's bid (offer) increases by an amount greater than or equal to a percentage (never to exceed 20%) of the size associated with previously disseminated bid (offer). Such percentage, which shall never exceed 20%, shall be determined on an issue-by-issue basis by the Exchange and announced to membership via Exchange circular.

(iii) The term "SEC Quote rule" shall mean rule 602 of Regulation NMS under the Securities Exchange Act of 1934, as amended.

(iv) The terms "customer," "responsible broker or dealer," and "specified persons" shall have the meaning set forth in the SEC Quote rule.

(b) (i) Except as provided in paragraph (c) of this Rule, all quotations made available by the Exchange and displayed by quotation vendors shall be firm for customer and broker-dealer orders at the disseminated price in an amount up to the disseminated size. If the responsible broker or dealer is representing (as agent) a limit order, such responsible broker or dealer shall be responsible (as agent) up to the size of such limit order, but may be responsible as principal for all or a portion of the excess of the disseminated size over the size of such limit order to the extent provided in Rule 1015.

(ii) In the event an SQT, RSQT or specialist in a Streaming Quote Option has electronically submitted on the Exchange bids or offers for a Streaming Quote Option, each such SQT, RSQT or specialist member shall be considered a "responsible broker or dealer" for that bid or offer, up to the size associated with such responsible broker or dealer's bid or offer.

(c) The requirements of paragraph (b) or (d) of this Rule shall not apply to displayed quotations: (i) when the level of trading activities or the existence of unusual market conditions is such that the Exchange is incapable of collecting, processing, and making available to quotation vendors the data for a subject security required to be made available pursuant to the SEC Quote Rule in a manner that accurately reflects the current market on the Exchange as determined by an Options Exchange Official; (ii) during a trading rotation; (iii) if any of the circumstances provided in paragraph (c)(3) of the SEC Quote Rule exist; or (iv) on a case by case basis where it is determined that an exemption is warranted for an obvious error in the posting of the disseminated price or disseminated size due to reporter error or system malfunction. The Exchange shall immediately notify all specified persons of such a determination. Regular trading procedures shall be resumed when an Options Exchange Official determines that the conditions supporting that declaration no longer exist. The Exchange shall immediately notify all specified persons of such a determination.

Any exemption granted pursuant to paragraph (c)(iv) shall be in writing and shall set forth the basis upon which the exemption is granted.

(d) If responsible brokers or dealers receive an order to buy or sell a listed option at the disseminated price in an amount greater than the disseminated size, such responsible broker or dealer shall, within thirty (30) seconds of receipt of the order, (i) execute the entire order at the disseminated price (or better), or (ii) execute that portion of the order equal to the disseminated size at the disseminated price (or better), and revise its bid or offer.

•••Commentary:

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.01 For purposes of this Rule 1082, the term "broker-dealer orders" includes orders for the account(s) of market makers on another exchange and Registered Options Traders ("ROTs") on the Exchange.

.02 *Locked Markets.* In the event that an SQT, RSQT, and/or specialist's electronically submitted quotations interact with the electronically submitted quotations of other SQTs, RSQTs and/or the specialist, resulting in the dissemination of a "locked" quotation (e.g., $1.00 bid - 1.00 offer), the locked quotations will automatically execute against each other in accordance with the allocation algorithm set forth in Rule 1014(g)(vii).

.03 *Crossed Markets.* The Exchange will not disseminate an internally crossed market (e.g., $1.10 bid, 1.00 offer). If an SQT, RSQT or specialist electronically submits a quotation ("incoming quotation") that would cross an existing quotation ("existing quotation"), the Exchange will change the incoming quotation such that it locks the existing quotation and automatically execute the locked quotations against each other in accordance with the allocation algorithm set forth in Rule 1014(g)(vii).

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April 2, 2001 (01-37).
Amendments.
August 8, 2002 (02-15).
April 8, 2003 (03-18).
July 27, 2004 (03-59).
February 2, 2005 (04-90).
January 23, 2006 (06-05).
August 14, 2006 (06-28).
January 23, 2007 (06-74).
February 28, 2007 (06-31).
June 7, 2007 (06-87).
September 18, 2008 (08-66).
May 28, 2009 (09-32).
August 20, 2009 (09-61).
November 6, 2009 (09-95).
January 29, 2010, Operative March 1, 2010 (10-10).
July 12, 2010 (10-95).
September 29, 2010, Operative October 29, 2010 (10-134).
November 10, 2010 (10-156).
February 24, 2011, Operative March 28, 2011 (11-29).
April 25, 2011 (11-13).
June 30, 2011 (11-95).
October 26, 2011 (11-144).
December 22, 2011 (11-182), operative January 21, 2012.
January 25, 2012 (12-12), operative February 24, 2012, implemented March 1, 2012.
June 18, 2013 (13-69).
February 23, 2015 (15-10).
June 19, 2017 (17-48), operative July 19, 2017.
Jan. 24, 2018 (18-12), operative Feb. 23, 2018.
Feb. 13, 2018 (18-16), operative Mar. 15, 2018.
April 4, 2019 (19-06).

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Nasdaq PHLX Rules, Regulation, Rule 1083. Order Protection; Locked and Crossed Markets

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Definitions

The following terms shall have the meaning specified in this Rule solely for the purpose of Rules 1084-1087:

(a) “Best Bid” and “Best Offer” mean the highest priced Bid and the lowest priced Offer.

(b) “Bid” or “Offer” means the bid price or the offer price communicated by a member of an Eligible Exchange to any Broker/Dealer, or to any customer, at which it is willing to buy or sell, as either principal or agent, but shall not include indications of interest.

(c) “Broker/Dealer” means an individual or organization registered with the SEC in accordance with Section 15(b)(1) of the Exchange Act or a foreign broker or dealer exempt from such registration pursuant to rule 15a-6 under the Exchange Act.

(d) “Complex Trade” means: (i) the execution of an order in an option series in conjunction with the execution of one or more related order(s) in different option series in the same underlying security occurring at or near the same time in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.0) and for the purpose of executing a particular investment strategy; or (ii) the execution of a stock-option order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of option contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock or convertible security necessary to create a delta neutral position, but in no case in a ratio greater than eight (8) option contracts per unit of trading of the underlying stock or convertible security established for that series by The Options Clearing Corporation.

(e) “Crossed Market” means a quoted market in which a Protected Bid is higher than a Protected Offer in a series of an Eligible Class.

(f) “Customer” means an individual or organization that is not a Broker/Dealer.

(g) “Eligible Exchange" means a national securities exchange registered with the SEC in accordance with Section 6(a) of the Exchange Act that: (i) is a Participant Exchange in OCC (as that term is defined in Section VII of the OCC by-laws); (ii) is a party to the OPRA Plan (as that term is described in Section I of the OPRA Plan); and (iii) if the national securities exchange is not a party to the Plan, is a participant in another plan approved by the Commission providing for comparable Trade-Through and Locked and Crossed Market protection.

(h) “Intermarket Sweep Order (ISO)” means a limit order for an options series that meets the following requirements:

(i) When routed to an Eligible Exchange, the order is identified as an ISO;
(ii) Simultaneously with the routing of the order, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or any Protected Offer, in the case of a limit order to buy, for the options series with a price that is superior to the limit price of the ISO, with such additional orders also marked as ISOs.

(i) “Locked Market” means a quoted market in which a Protected Bid is equal to a Protected Offer in a series of an Eligible Options Class.

(j) “NBBO” means the national best bid and offer in an options series as calculated by an Eligible Exchange.

(k) “Non-Firm” means, with respect to Quotations, that members of a Eligible Exchange are relieved of their obligation to be firm for their Quotations pursuant to rule 602 under the Exchange Act.

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(l) “OPRA Plan” means the plan filed with the SEC pursuant to Section 11Aa(1)(C)(iii) of the Exchange Act, approved by the SEC and declared effective as of January 22, 1976, as from time to time amended.

(m) “Participant” means an Eligible Exchange that is a party to the Plan.

(n) “Plan” means the Options Order Protection and Locked/Crossed Market Plan, as such plan may be amended from time to time.

(o) “Protected Bid” or “Protected Offer” means a Bid or Offer in an options series, respectively, that:

(i) is disseminated pursuant to the OPRA Plan; and
(ii) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange.

(p) “Quotation” means a Bid or Offer.

(q) “Trade-Through” means a transaction in an option series at a price that is lower than a Protected Bid or higher than a Protected Offer.

Adopted.
January 31, 2003 (02-67).
Amendments.
October 19, 2004 (04-16).
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April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 1084. Order Protection

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(a) *Avoidance of Trade-Throughs.* Except as provided in paragraphs (b) and (c) below, Members shall not effect Trade-Throughs.

(b) *Exceptions to Trade-Through Liability.* The provisions of paragraph (a) pertaining to the satisfaction of Trade-Throughs shall not apply under the following circumstances:

(i) If an Eligible Exchange repeatedly fails to respond within one second to incoming orders attempting to access its Protected Quotations, the Exchange may bypass those Protected Quotations by:

(A) notifying the non-responding Eligible Exchange immediately after (or at the same time as) electing self-help; and

(B) assessing whether the cause of the problem lies with its own systems and, if so, taking immediate steps to resolve the problem;

Any time a determination to bypass Protected Quotations of an Eligible Exchange is made pursuant to this sub-paragraph, the Exchange must promptly document the reasons supporting such determination.

(ii) The transaction traded through a Protected Quotation being disseminated by an Eligible Exchange during a trading rotation;

(iii) The transaction that constituted the Trade-Through occurred when there was a Crossed Market;

(iv) The transaction that constitutes the Trade-Through is the execution of an order identified as an ISO;

(v) The transaction that constitutes the Trade-Through is effected by the Exchange while simultaneously routing an ISO to execute against the full displayed size of any better-priced Protected Quotation;

(vi) The Eligible Exchange displaying the Protected Quotation that was traded through had displayed, within one second prior to execution of the Trade-Through, a Best bid or Best offer, as applicable, for the options series with a price that was equal or inferior to the price of the Trade-Through transaction;

(vii) The Protected Quotation traded through was being disseminated from an Eligible Exchange whose Quotations were Non-Firm with respect to such options series;

(viii) The transaction that constituted the Trade-Through was effected as a portion of a Complex Trade;

(ix) The transaction that constituted the Trade-Through was the execution of an order for which, at the time of receipt of the order, a Member had guaranteed an execution at no worse than a specified price (a “stopped order”), where:

(A) the stopped order was for the account of a Customer;

(B) the Customer agreed to the specified price on an order-by-order basis; and

(C) the price of the Trade-Through was, for a stopped buy order, lower than the national Best Bid in the options series at the time of execution, or, for a stopped sell order, higher than the national Best Offer in the options series at the time of execution;

(x) The transaction that constituted the Trade-Through was the execution of an order that was stopped at a price that did not Trade-Through an Eligible Exchange at the time of the stop; or

(xi) The transaction that constituted the Trade-Through was the execution of an order at a price that was not based, directly or indirectly, on the quoted price of the options series at the time of execution and for which the material terms were not reasonably determinable at the time the commitment to execute the order was made.

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March 27, 2007 (07-21).

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November 16, 2007 (07-86).
December 5, 2007 (07–88).
August 20, 2009 (09-61).

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Nasdaq PHLX Rules, Regulation, Rule 1086. Locked and Crossed Markets

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(a) *Prohibition*. Except for quotations that fall within the provisions of paragraph (b) of this Rule, Members shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a Protected Quotation.

(b) *Exceptions*.

(i) The locking or crossing quotation was displayed at a time when the Exchange was experiencing a failure, material delay, or malfunction of its systems or equipment;
(ii) The locking or crossing quotation was displayed at a time when there is a Crossed Market or;
(iii) The Member simultaneously routed an ISO to execute against the full displayed size of any locked or crossed Protected Bid or Protected Offer.

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Nasdaq PHLX Rules, Regulation, Rule 1087. Price Improvement XL (“PIXL”)

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A member may electronically submit for execution an order it represents as agent on behalf of a public customer, broker-dealer, or any other entity ("PIXL Order") against principal interest or against any other order (except as provided in sub-paragraph (a)(6) below) it represents as agent (an "Initiating Order") provided it submits the PIXL Order for electronic execution into the PIXL Auction ("Auction") pursuant to this Rule. The contract size specified in Rule 1087 as applicable to PIXL Orders shall apply to Mini Options. For purposes of this Rule, a public customer order does not include a professional order.

(a) Auction Eligibility Requirements. All options traded on the Exchange are eligible for PIXL. A member (the "Initiating Member") may initiate an Auction provided all of the following are met:

(1) if the PIXL Order (except if it is a Complex Order) is for less than 50 option contracts, and if the difference between the National Best Bid and National Best Offer ("NBBO") is $0.01, the Initiating Member must stop the entire PIXL Order at one minimum price improvement increment better than the NBBO on the opposite side of the market from the PIXL Order, and better than any limit order on the limit order book on the same side of the market as the PIXL Order.

(2) if the PIXL Order (except if it is a Complex Order) is for the account of a public customer and such order is for 50 option contracts or more, or if the difference between the NBBO is greater than $0.01, the Initiating Member must stop the entire PIXL Order (except if it is a Complex Order) at a price that is equal to or better than the NBBO and the internal market BBO (the "Reference BBO") on the opposite side of the market from the PIXL Order, provided that such price must be at least one minimum price improvement increment (as determined by the Exchange but not smaller than one cent) better than any limit order on the limit order book on the same side of the market as the PIXL Order.

(3) If the PIXL Order (except if it is a Complex Order) is for the account of a broker dealer or any other person or entity that is not a public customer and such order is for 50 option contracts or more, or if the difference between the NBBO is greater than $0.01, the Initiating Member must stop the entire PIXL Order (except if it is a Complex Order) at a price that is the better of: (A) the Reference BBO price improved by at least one minimum price improvement increment on the same side of the market as the PIXL Order, or (B) the PIXL Order's limit price (if the order is a limit order), provided in either case that such price is at or better than the NBBO and the Reference BBO.

(4) If the PIXL Order is a Complex Order and of a conforming ratio, as defined in Rule 1098(a)(i) and (a)(ix), the Initiating Member must stop the entire PIXL order at a price that is better than the best net price (debit or credit) (A) available on the Complex Order book regardless of the Complex Order book size; and (B) achievable from the best Phlx bids and offers for the individual options (an "improved net price"), provided in either case that such price is equal to or better than the PIXL Order's limit price. Complex Orders consisting of a ratio other than

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a conforming ratio will not be accepted. This subparagraph (4) shall apply to all Complex Orders submitted into PIXL.

(5) PIXL Orders that do not comply with the requirements of sub-paragraphs (1), (2), (3), and (4) above are not eligible to initiate an Auction and will be rejected.

(6) PIXL Orders submitted at or before the opening of trading are not eligible to initiate an Auction and will be rejected.

(7) PIXL Orders submitted during the final two seconds of the trading session in the affected series are not eligible to initiate an Auction and will be rejected.

(8) An Initiating Order may not be a solicited order for the account of any Exchange specialist, SQT, RSQT or non-streaming ROT assigned in the affected series.

If any of the above criteria are not met, the PIXL Order will be rejected. Pursuant to Rule 1087(f), the Exchange will allow a public customer-to-public customer PIXL Order to trade on either the bid or offer, if the NBBO is $0.01 wide, provided (1) the execution price is equal to or within the NBBO, (2) there is no resting customer at the execution price, and (3) $0.01 is the Minimum Price Variation (MPV) of the option. The Exchange will continue to reject a PIXL Order to buy (sell) if the NBBO is only $0.01 wide and the Agency order is stopped on the bid (offer) if there is a resting order on the bid (offer).

(b) Auction Process. Only one Auction may be conducted at a time in the same series or same strategy, otherwise the orders will be rejected. Once commenced, an Auction may not be cancelled and shall proceed as follows:

(1) Auction Period and PIXL Auction Notification ("PAN").

(A) To initiate the Auction (except if it is a Complex Order), the Initiating Member must mark the PIXL Order for Auction processing, and specify either: (i) a single price at which it seeks to execute the PIXL Order (a "stop price"); (ii) that it is willing to automatically match as principal or as agent on behalf of an Initiating Order the price and size of all PAN responses, and trading interest ("auto-match") in which case the PIXL Order will be stopped at the better of the NBBO or the Reference BBO on the Initiating Order side; or (iii) that it is willing to either: a) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a "Not Worse Than" or "NWT" price); b) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price; or c) stop the entire order at the better of the NBBO or Reference BBO on the Initiating Order side, and auto-match PAN responses and trading interest at a price or prices that improve the stop price up to the NWT price. In all cases, if the PBBO on the same side of the market as the PIXL Order represents a limit order on the book, the stop price must be at least one minimum price improvement increment better than the booked limit order's limit price. Once the Initiating Member has submitted a PIXL Order for processing pursuant to this subparagraph, such PIXL Order may not be modified or cancelled. Under any of the circumstances described in subparagraphs (i)-(iii) above, the stop price or NWT price may be improved to the benefit of the PIXL Order during the Auction, but may not be cancelled. Under no circumstances will the Initiating Member receive an allocation percentage, at the final price point, of more than 50% with one competing quote, order or PAN response or 40% with multiple competing quotes, orders or PAN responses, when competing quotes, orders or PAN responses have contracts available for execution.

When starting an Auction, the Initiating Member may submit the Initiating Order with a designation of "surrender" to the other PIXL participants ("Surrender") which will result in the Initiating Member forfeiting the priority and trade allocation privileges which he is otherwise entitled to as per paragraph (b)(5)(B)(i). If Surrender is

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specified the Initiating Order will only trade if there is not enough interest available to fully execute the PIXL Order at prices which are equal to or improve upon the stop price. The Surrender function will never result in more than the maximum allowable allocation percentage to the Initiating Member than that which the Initiating Member would have otherwise received in accordance with the allocation procedures set forth in this Rule. Surrender will not be applied if both the Initiating Order and PIXL Order are public customer orders. Surrender information will not be available to other market participants and may not be modified.

(B) To initiate the PIXL Complex Order Auction, the Initiating Member must mark the PIXL Order for Auction processing, and specify either: (i) a single price at which it seeks to execute the PIXL Order (a "stop price"); or (ii) that it is willing to either: a) stop the entire order at a single stop price and automatch PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a "Not Worse Than" or "NWT" price); or (b) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price. Once the Initiating Member has submitted a PIXL Complex Order for processing pursuant to this subparagraph, such PIXL Order may not be modified or cancelled. Under any of the circumstances described in sub-paragraphs (i)-(ii) above, the stop price or NWT price may be improved to the benefit of the PIXL Order during the Auction, but may not be cancelled.

When starting a PIXL Complex Order Auction, the Initiating Member may submit the Initiating Order with a designation of "surrender" to the other PIXL participants ("Surrender") which will result in the Initiating Member forfeiting the priority and trade allocation privileges which he is otherwise entitled to as per paragraph (b)(5)(B)(iv). If Surrender is specified the Initiating Order will only trade if there is not enough interest available to fully execute the PIXL Order at prices which are equal to or improve upon the stop price. The Surrender function will never result in more than the maximum allowable allocation percentage to the Initiating Member than that which the Initiating Member would have otherwise received in accordance with the allocation procedures set forth in this Rule. Surrender will not be applied if both the Initiating Order and PIXL Complex Order are public customer orders.

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Surrender information will not be available to other market participants and may not be modified.

(C) When the Exchange receives a PIXL Order for Auction processing, a PAN detailing the side and size and option series of the PIXL Order will be sent over the Exchange's TOPO Plus Orders data feed and Specialized Quote Feed.

(D) The Auction will last for a period of time, as determined by the Exchange and announced on the Nasdaq Trader website. The Auction period will be no less than one hundred milliseconds and no more than one second.

(E) Any person or entity may submit responses to the PAN, provided such response is properly marked specifying price, size and side of the market.

(F) PAN responses will not be visible to Auction participants, and will not be disseminated to OPRA.

(G) (i) The minimum price increment for PAN responses and for an Initiating Member's stop price and/or NWT price (except if it is a Complex Order) shall be the minimum price improvement increment established pursuant to Rule 1080(i)(A)(1) above.

(ii) The minimum price increment for PAN responses and for an Initiating Member's stop price and/or NWT price in the case of a Complex Order shall be .01.

(H) A PAN response size at any given price point may not exceed the size of the PIXL Order. A PAN response with a size greater than the size of the PIXL Order will be immediately cancelled.

(I) A PAN response (except if it is a Complex Order) must be equal to or better than the NBBO and the Reference BBO at the time of receipt of the PAN response. A Complex Order PAN response must be equal to or better than the cPBBO, as defined in Rule 1098(a) at the time of receipt of the PAN response. PAN responses may be modified or cancelled during the Auction. A PAN response (except if it is a Complex Order) submitted with a price that is outside the better of the NBBO or Reference BBO will be immediately cancelled. A Complex Order PAN response submitted with a price that is outside the cPBBO will be rejected. A PAN or Complex Order PAN response which is inferior to the stop price of the PIXL order will be cancelled.

(J) PAN responses on the same side of the market as the PIXL Order are considered invalid and will be immediately cancelled.

(K) Multiple PAN responses from the same member may be submitted during the Auction. Multiple orders at a particular price point submitted by a member in response to a PAN may not exceed, in the aggregate, the size of the PIXL Order.

(2) Conclusion of Auction. The PIXL Auction shall conclude at the earlier to occur of (A) through (D) below, with the PIXL Order executing pursuant to paragraph (3)(A) through (C) below.

(A) The end of the Auction period;

(B) For a PIXL Auction (except if it is a Complex Order), any time the Reference BBO crosses the PIXL Order stop price on the same side of the market as the PIXL Order;

(C) For a Complex Order PIXL Auction, any time the cPBBO or the Complex Order book crosses the PIXL Order stop price on the same side of the market as the PIXL Order (defined for these purposes as a "Complex PIXL Order" or, as the context requires, a "PIXL Order"); or

(D) Any time there is a trading halt on the Exchange in the affected series.

(3) If the situations described in sub-paragraphs (2)(B), (C), or (D) above occur, the entire PIXL Order will be executed at: (A) in the case of the Reference BBO crossing the PIXL Order

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stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to or better than the price of a limit order resting on the PHLX book on the same side of the market as the PIXL Order, in which case the PIXL Order will be executed against that response, but at a price that is at least one minimum price improvement increment better than the price of such limit order at the time of the conclusion of the Auction; (B) in the case of the cPBBO or the Complex Order book crossing the Complex PIXL Order stop price on the same side of the market as the Complex PIXL Order, the stop price against executable PAN responses and executable Complex Orders using the allocation algorithm in sub-paragraph (5)(B)(iv)a) through d); or (C) in the case of a trading halt on the Exchange in the affected series, the stop price, in which case the PIXL Order will be executed solely against the Initiating Order. Any unexecuted PAN responses will be cancelled.

(4) An unrelated market or marketable limit order (against the PBBO) on the opposite side of the market from the PIXL Order received during the Auction will not cause the Auction to end early and will execute against interest outside of the Auction. In the case of a Complex PIXL Auction, an unrelated market or marketable limit Complex Order on the opposite side of the market from the Complex PIXL Order as well as orders for the individual components of the Complex Order received during the Auction will not cause the Auction to end early and will execute against interest outside of the Auction. If contracts remain from such unrelated order at the time the Auction ends, they will be considered for participation in the order allocation process described in sub-paragraph (5) below.

(5) Order Allocation. At the conclusion of the Auction, the PIXL Order will be allocated at the best price(s) as follows:

(A) Public customer orders shall have priority at each price level. For purposes of this Rule, a public customer order does not include a professional order.

(B) After public customer interest at a particular price level has been satisfied, remaining contracts will be allocated among all Exchange quotes, orders and PAN responses as follows:

(i) If the Initiating Member selected the single stop price option of the PIXL Auction (except if it is a Complex Order), PIXL executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after public customer interest is satisfied being allocated to the Initiating Member at the stop price. However, if only one other participant matches the stop price, then the Initiating Member may be allocated up to 50% of the contracts executed at such price. Remaining contracts shall be allocated pursuant to the algorithm set forth in Exchange Rules 1014(g)(vii)(B)(1)(b) and (d) among remaining quotes, orders and PAN responses at the stop price. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Member. The allocation will account for Surrender, if applicable.

(ii) If the Initiating Member selected the auto-match option of the PIXL Auction (except if it is a Complex Order), the Initiating Member shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point until a price point is reached where the balance of the order can be fully executed, except that the Initiating Member shall be entitled to receive up to 40% (if there are multiple competing quotes, orders or PAN responses) or 50% (if there is only one competing quote, order or PAN response) of the contracts remaining at the final price point (including situations where the stop

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price is the final price) after public customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to the algorithm set forth in Exchange Rules 1014(g)(vii)(B)(1)(b) and (d). Any remaining contracts shall be allocated to the Initiating Member.

(iii) In the case of a PIXL (except if it is a Complex Order), if the Initiating Member selected the "stop and NWT" option of the PIXL Auction, contracts shall be allocated as follows:

a. first to quotes, orders and PAN responses at prices better than the NWT price (if any), beginning with the best price, pursuant to the algorithm set forth in Exchange Rules 1014(g)(vii)(B)(1)(b) and (d) at each price point;

b. next, to quotes, orders and PAN responses at prices at the Initiating Member's NWT price and better than the Initiating Member's stop price, beginning with the NWT price. The Initiating Member shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point, except that the Initiating Member shall be entitled to receive up to 40% (if there are multiple competing quotes, orders or PAN responses) or 50% (if there is only one competing quote, order or PAN response) of the contracts remaining at the final price point (including situations where the final price is the stop price) after public customer interest has been satisfied but before remaining interest. In the case of an Initiating Order with a NWT price at the market, the Initiating Member shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at all price points, except that the Initiating Member shall be entitled to receive up to 40% (if there are multiple competing quotes, orders or PAN responses) or 50% (if there is only one competing quote, order or PAN response) of the contracts remaining at the final price point (including situations where the final price is the stop price) after public customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to the algorithm set forth in Exchange Rules 1014(g)(vii)(B)(1)(b) and (d). Any remaining contracts shall be allocated to the Initiating Member.

(iv) In the case of a Complex Order PIXL, if the Initiating Member selected the single stop price option of the PIXL Auction, PIXL executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after public customer complex interest is satisfied being allocated to the Initiating Member at the stop price. If only one other participant matches the stop price, then the Initiating Member may be allocated up to 50% of the contracts executed at such price. Complex Orders on the PHLX Complex Order Book, PAN responses, and quotes and orders which comprise the cPBBO at the end of the Auction will be considered for allocation against the Complex PIXL order. Such

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interest will be allocated at a given price in the following order: a) to public customer Complex Orders and PAN responses in time priority; b) to SQT, RSQT, and non-SQT ROT Complex Orders and PAN responses on a size pro-rata basis; c) to nonmarket maker off-floor broker-dealer Complex Orders and PAN responses on a size pro-rata basis, and d) to quotes and orders which comprise the cPBBO at the end of the Auction with public customer interest being satisfied first in time priority, then to SQT, RSQT, and non-SQT ROT interest satisfied on a size pro-rata basis, and lastly to non-market maker offfloor broker-dealers on a size pro-rata basis. If the final price point is equal to the stop price, the Initiating Member will be allocated 40% (or 50% if matching only one other participant) after public customer Complex Orders and PAN responses have been satisfied, thereafter the allocation will continue as stipulated in b) through d) of this sub-paragraph. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Member. The allocation will account for Surrender, if applicable.

(v) In the case of a Complex Order PIXL, if the Initiating Member selected the "stop and NWT" option of the PIXL Auction, contracts shall be allocated as follows:

a. First to Complex Orders and PAN responses at prices better than the NWT price, as well as to quotes and orders which comprise the cPBBO at the end of the Auction, if such cPBBO is better than the NWT price, pursuant to the algorithm set forth above in (b)(5)(B)(iv)a) through d) of this rule;

b. Next, to Complex Orders and PAN responses, as well as to quotes and orders which comprise the cPBBO at the end of the Auction, at the Initiating Member's NWT price and at prices better than or equal to the Initiating Member's stop price, beginning with the NWT price. The Initiating Member shall be allocated an equal number of contracts as the aggregate size of all other interest at each price point, except that the Initiating Member shall be entitled to receive up to 40% (or 50% if matching only one other participant) of the contracts remaining, after public customer Complex Orders and PAN responses have been satisfied, at the final price point (including situations where the final price is the stop price). In the case of an Initiating Order with a NWT price at the market, the Initiating Member shall be allocated an equal number of contracts as the aggregate size of all other interest at all price points, except that the Initiating Member shall be entitled to receive up to 40% (or 50% if matching only one other participant) of the contracts remaining, after public customer Complex Orders and PAN responses have been satisfied, at the final price point (including situations where the final price is the stop price). If there is other interest at the final price point the contracts will be allocated to such interest pursuant to the algorithm set forth in (b)(5)(B)(iv)a) through d) of this rule. Any remaining contracts shall be allocated to the Initiating Member.

(vi) A single quote, order or PAN response shall not be allocated a number of contracts that is greater than its size. Where the allocation of contracts

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results in remaining amounts, the number of contracts to be allocated shall be rounded down to the nearest integer. If rounding would result in an allocation of less than one contract, then one contract will be allocated to the Initiating Member only if the Initiating Member did not otherwise receive an allocation. If there are contracts remaining, such contracts shall be allocated for simple interest after rounding by randomly assigning all ROTs an order of allocation each trading day, and allocating orders, quotes and sweeps in accordance with the trading day's order assignment, provided the ROT is at the best price at which the order, quote or sweep is being traded, except with respect to Complex Orders, which allocation is described in Rule 1098 In the event that there are remaining contracts to be allocated for interest after rounding, such remaining contacts will be allocated in time priority, provided the off-floor broker-dealers are at the best price at which the order is being traded. Remaining shares will be allocated in time priority for Complex Orders. The allocation will account for Surrender, if applicable.

(vii) A Complex PIXL Order consisting of a stock/ETF component will not execute against interest comprising the cPBBO at the end of the Auction.

(6) If there are PAN responses (except if it is a Complex Order) that cross the thenexisting better of the Reference BBO and NBBO (provided such NBBO is not crossed) or Complex Order PAN responses that cross the then-existing cPBBO at the time of the conclusion of the Auction, such PAN responses will be executed, if possible, at their limit price(s).

(7) If the PIXL Auction price (except if it is a Complex Order) is the same as that of an order on the limit order book represented in the PBBO on the same side of the market as the PIXL Order, the PIXL Order may only be executed at a price that is at least one minimum price improvement increment better than the resting order's limit price or, if such resting order's limit price is equal to or crosses the stop price, then the entire PIXL Order will trade at the stop price with all better priced interest being considered for execution at the stop price.

(8) If the Complex Order PIXL Auction price is the same as that of a Complex Order on the Complex Order Book on the same side of the market as the PIXL Order, the PIXL Order may only be executed at a price that is at least one minimum price improvement increment better than the resting order's limit price; or if such resting order's limit price is equal to or crosses the stop price, then the entire PIXL Order will trade at the stop price with all better priced interest being considered for execution at the stop price.

(9) Any unexecuted PAN responses will be cancelled.

(10) Complex PIXL Orders with stock/ETF components.

(i) Member organizations may only submit Complex PIXL Orders, Initiating Orders, Complex Orders, and/or PAN responses with a stock/ETF component if such orders/responses comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS. Member organizations submitting such orders with a stock/ETF component represent that such orders comply with the Qualified Contingent Trade Exemption. Members of FINRA or The Nasdaq Stock Market ("Nasdaq") are required to have a Uniform Service Bureau/Executing Broker Agreement ("AGU") with Nasdaq Execution Services, LLC ("NES") in order to trade orders containing a stock/ETF component; firms that are not members of FINRA or Nasdaq are required to have a Qualified Special Representative ("QSR") arrangement with NES in order to trade orders containing a stock/ETF component.

(ii) Where one component of a Complex PIXL Order, Initiating Order, Complex Order, or PAN response is the underlying security, the Exchange shall electronically communicate the underlying security component of a Complex PIXL Order

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(together with the Initiating Order, Complex Order, or PAN response, as applicable) to NES, its designated broker-dealer, for immediate execution. Such execution and reporting will occur otherwise than on the Exchange and will be handled by NES pursuant to applicable rules regarding equity trading.

(iii) When the short sale price test in Rule 201 of Regulation SHO is triggered for a covered security, NES will not execute a short sale order in the underlying covered security component of a Complex PIXL Order, Initiating Order, Complex Order, or PAN response if the price is equal to or below the current national best bid. However, NES will execute a short sale order in the underlying covered security component of a Complex PIXL Order, Initiating Order, Complex Order, or PAN response if such order is marked "short exempt," regardless of whether it is at a price that is equal to or below the current national best bid. If NES cannot execute the underlying covered security component of a Complex PIXL Order, Initiating Order, Complex Order, or PAN response in accordance with Rule 201 of Regulation SHO, the Exchange will cancel back the Complex PIXL Order, Initiating Order, Complex Order, and/or PAN response to the entering member organization. For purposes of this paragraph, the term "covered security" shall have the same meaning as in Rule 201(a)(1) of Regulation SHO.

(11) *PIXL ISO Order*. A PIXL ISO order (PIXL ISO) is the transmission of two orders for crossing pursuant to Rule 1087 without regard for better priced Protected Bids/Offers (as defined in Rule 1083) because the member transmitting the PIXL ISO to the Exchange has, simultaneously with the routing of the PIXL ISO, routed one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid/Offer that is superior to the starting PIXL Auction price and has swept all interest in the Exchange's book priced better than the proposed Auction starting price. Any execution(s) resulting from such sweeps shall accrue to the PIXL Order.

(c) The PIXL Auction may be used only where there is a genuine intention to execute a bona fide transaction. It will be considered a violation of this Rule 1087 and will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 707 if an Initiating Member submits a PIXL Order (initiating an Auction) and also submits its own PAN response in the same Auction.

(d) A pattern or practice of submitting multiple orders in response to a PAN at a particular price point that exceed, in the aggregate, the size of the PIXL Order, will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 707.

(e) A pattern or practice of submitting unrelated orders or quotes that cross the stop price, causing a PIXL Auction to conclude before the end of the PIXL Auction period will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 707. It will also be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 707 to engage in a pattern of conduct where the Initiating Member breaks up a PIXL Order into separate orders for the purpose of gaining a higher allocation percentage than the Initiating Member would have otherwise received in accordance with the allocation procedures contained in subparagraph (b)(5) above.

(f) In lieu of the procedures in paragraphs (a) - (b) above, an Initiating Member may enter a PIXL Order for the account of a public customer paired with an order for the account of a public customer and such paired orders will be automatically executed without a PIXL Auction, provided there is not currently an Auction in progress in the same series or same strategy, in which case the orders will be rejected. The execution price for such a PIXL Order (except if it is a Complex Order) must be expressed in the quoting increment applicable to the affected series. Such an execution may not trade through the better of the NBBO or Reference BBO or at the same price as any resting customer order. The execution

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price for such a Complex Order PIXL may be in .01 increments and may not trade at a price equal to or through the cPBBO or at the same price as a resting customer Complex Order.

Rule 1080(c)(ii)(C) prevents an Order Entry Firm from executing agency orders to increase its economic gain from trading against the order without first giving other trading interests on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the member was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for a firm to establish a relationship with a customer or other person to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It would be a violation of Rule 1080(c)(ii)(C) for a firm to circumvent Rule 1080(c)(ii)(C) by providing an opportunity for (i) a customer affiliated with the firm, or (ii) a customer with whom the firm has an arrangement that allows the firm to realize similar economic benefits from the transaction as the firm would achieve by executing agency orders as principal, to regularly execute against agency orders handled by the firm immediately upon their entry as PIXL customer-to-customer immediate crosses.

(g) There will be no minimum size requirement for orders to be eligible for the Auction.

Adopted.
January 31, 2003 (02-67).
Amendments.
August 26, 2005 (05-33).
August 20, 2009 (09-61).
April 25, 2011 (11-13).
January 8, 2018 (18-06).

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Nasdaq PHLX Rules, Regulation, Rule 1088. Reserved

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Reserved.

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February 19, 2010 (10-23).
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Nasdaq PHLX Rules, Regulation, Rule
1091. Cancellation of Orders and Error Account

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(a) The Exchange or NES may cancel orders as either deems to be necessary to maintain fair and orderly markets if a technical or systems issue occurs at the Exchange, NES, or a routing destination. The Exchange or NES shall provide notice of the cancellation to affected member organizations as soon as practicable.

(b) NES shall maintain an error account for the purpose of addressing positions that result from a technical or systems issue at NES, the Exchange, a routing destination, or a nonaffiliate third-party Routing Broker that affects one or more orders ("error positions").

(i) For purposes of this rule, an error position shall not include any position that results from an order submitted by a member organization to the Exchange that is executed on the Exchange and automatically processed for clearance and settlement on a locked-in basis.

(ii) Except as provided in subparagraph (iii) below, NES shall not (i) accept any positions in its error account from an account of a member organization, or (ii) permit any member organization to transfer any positions from the member organization's account to NES' error account.

(iii) If a technical or systems issue results in the Exchange not having valid clearing instructions for a member organization to a trade, NES may assume that member organization's side of the trade so that the trade can be automatically processed for clearance and settlement on a locked-in basis.

(c) In connection with a particular technical or systems issue, NES or the Exchange shall either (i) assign all resulting error positions to member organizations in accordance with subparagraph (1) below, or (ii) have all resulting error positions liquidated in accordance with subparagraph (ii) below. Any determination to assign or liquidate error positions, as well as any resulting assignments, shall be made in a nondiscriminatory fashion.

(i) NES or the Exchange shall assign all error positions resulting from a particular technical or systems issue to the member organizations affected by that technical or systems issue if NES or the Exchange:

(A) determines that it has accurate and sufficient information (including valid clearing information) to assign the positions to all of the member organizations affected by that technical or systems issue;

(B) determines that it has sufficient time pursuant to normal clearance and settlement deadlines to evaluate the information necessary to assign the positions to all of the member organizations affected by that technical or systems issue; and

(C) has not determined to cancel all orders affected by that technical or systems issue in accordance with paragraph (a) above.

(ii) If NES or the Exchange is unable to assign all error positions resulting from a particular technical or systems issue to all of the affected member organizations in accordance with subparagraph (c)(i) above, or if NES or the Exchange determines to cancel all orders affected by the technical or systems issue in accordance with paragraph (a) above, then NES shall liquidate the error positions as soon as practicable. NES shall:

(A) provide complete time and price discretion for the trading to liquidate the error positions to a third-party broker-dealer and shall not attempt to exercise any influence or control over the timing or methods of such trading; and

(B) establish and enforce policies and procedures that are reasonably designed to restrict the flow of confidential and proprietary information between the third-party broker-dealer and NES/the Exchange associated with the liquidation of the error positions.

(d) NES and the Exchange shall make and keep records to document all determinations to treat positions as error positions and all determinations for the assignment of error positions to member organizations or the

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liquidation of error positions, as well as records associated with the liquidation of error positions through the third-party broker-dealer.

Adopted.
April 4, 2019 (19-06).

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Nasdaq PHLX Rules, Regulation, Rule 1092. Nullification and Adjustment of Options Transactions including Obvious Errors

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The Exchange may nullify a transaction or adjust the execution price of a transaction in accordance with this Rule. However, the determination as to whether a trade was executed at an erroneous price may be made by mutual agreement of the affected parties to a particular transaction. A trade may be nullified or adjusted on the terms that all parties to a particular transaction agree, provided, however, that such agreement to nullify or adjust must be conveyed to the Exchange in a manner prescribed by the Exchange prior to 8:30 a.m. Eastern Time on the first trading day following the execution. It is considered conduct inconsistent with just and equitable principles of trade for any member or member organization to use the mutual adjustment process to circumvent any applicable Exchange rule, the Act or any of the rules and regulations thereunder.

(a) *Definitions*.

(1) *Customer*. For purposes of this Rule, a Customer shall not include any broker-dealer or professional.
(2) *Erroneous Sell/Buy Transaction*. For purposes of this Rule, an "erroneous sell transaction" is one in which the price received by the person selling the option is erroneously low, and an "erroneous buy transaction" is one in which the price paid by the person purchasing the option is erroneously high.
(3) *Official*. For purposes of this Rule, an Official is an Options Exchange Official as defined in Rule 1(w).
(4) *Size Adjustment Modifier*. For purposes of this Rule, the Size Adjustment Modifier will be applied to individual transactions as follows:

Number of Contracts per Execution	Adjustment – Theoretical Prices TP Plus/Minus
1-50	N/A
51-250	2 times adjustment amount
251-1000	2.5 times adjustment amount
1001 or more	3 times adjustment amount

(b) *Theoretical Price*. Upon receipt of a request for review and prior to any review of a transaction execution price, the "Theoretical Price" for the option must be determined. For purposes of this Rule, if the applicable option series is traded on at least one other options exchange, then the Theoretical Price of an option series is the last NBB just prior to the trade in question with respect to an erroneous sell transaction or the last NBO just prior to the trade in question with respect to an erroneous buy transaction unless one of the exceptions in sub-paragraphs (b)(1) through (3) below exists. For purposes of this provision, when a single order received by the Exchange is executed at multiple price levels, the last NBB and last NBO just prior to the trade in question would be the last NBB and last NBO just prior to Exchange's receipt of the order. The Exchange will rely on this paragraph (b) and Commentary .05 of this Rule when determining Theoretical Price.

(1) *Transactions at the Open*. For a transaction occurring as part of the Opening Process (as defined in Rule 1017) the Exchange will determine the Theoretical Price if there is no NBB or NBO for the affected series just prior to the erroneous transaction or if the bid/ask differential of the NBB and NBO just prior to the erroneous transaction is equal to or greater than the Minimum Amount set forth in the chart contained in sub-paragraph (b)(3) below. If the bid/ask differential is less than the Minimum Amount, the Theoretical Price is the NBB or NBO just prior to the erroneous transaction.

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(2) *No Valid Quotes*. The Exchange will determine the Theoretical Price if there are no quotes or no valid quotes for comparison purposes. Quotes that are not valid are:

(A) all quotes in the applicable option series published at a time where the last NBB is higher than the last NBO in such series (a "crossed market");
(B) quotes published by the Exchange that were submitted by either party to the transaction in question;
(C) quotes published by another options exchange if either party to the transaction in question submitted the quotes in the series representing such options exchange's best bid or offer, provided that the Exchange will only consider quotes invalid on other options exchanges in up to twenty-five (25) total options series that the party identifies to the Exchange the quotes which were submitted by such party and published by other options exchanges; and
(D) quotes published by another options exchange against which the Exchange has declared self-help.

(3) *Wide Quotes*. The Exchange will determine the Theoretical Price if the bid/ask differential of the NBB and NBO for the affected series just prior to the erroneous transaction was equal to or greater than the Minimum Amount set forth below and there was a bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction. If there was no bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction then the Theoretical Price of an option series is the last NBB or NBO just prior to the transaction in question, as set forth in paragraph (b) above.

Bid Price at Time of Trade	**Minimum Amount**
Below $2.00	$0.75
$2.00 to $5.00	$1.25
Above $5.00 to $10.00	$1.50
Above $10.00 to $20.00	$2.50
Above $20.00 to $50.00	$3.00
Above $50.00 to $100.00	$4.50
Above $100.00	$6.00

(c) *Obvious Errors.*

(1) *Definition*. For purposes of this Rule, an Obvious Error will be deemed to have occurred when the Exchange receives a properly submitted filing where the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

Theoretical Price	**Minimum Amount**
Below $2.00	$0.25
$2.00 to $5.00	$0.40
Above $5.00 to $10.00	$0.50
Above $10.00 to $20.00	$0.80
Above $20.00 to $50.00	$1.00
Above $50.00 to $100.00	$1.50
Above $100.00	$2.00

(2) *Time Deadline*. A party that believes that it participated in a transaction that was the result of an Obvious Error must notify an Official in the manner specified from time to time by the Exchange in a

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notice distributed to members and member organizations. Such notification must be received by an Official within the timeframes specified below:

(A) *Customer Orders*. For an execution of a Customer order, a filing must be received by the Exchange within thirty (30) minutes of the execution, subject to sub-paragraph (C) below; and

(B) *"Non-Customer" Orders*. For an execution of any order other than a Customer order, a filing must be received by the Exchange within fifteen (15) minutes of the execution, subject to sub-paragraph (C) below.

(C) *Linkage Trades*. Any other options exchange will have a total of forty-five (45) minutes for Customer orders and thirty (30) minutes for non-Customer orders, measured from the time of execution on the Exchange, to file with the Exchange for review of transactions routed to the Exchange from that options exchange and executed on the Exchange ("linkage trades"). This includes filings on behalf of another options exchange filed by a third-party routing broker if such third-party broker identifies the affected transactions as linkage trades. In order to facilitate timely reviews of linkage trades the Exchange will accept filings from either the other options exchange or, if applicable, the third-party routing broker that routed the applicable order(s). The additional fifteen (15) minutes provided with respect to linkage trades shall only apply to the extent the options exchange that originally received and routed the order to the Exchange itself received a timely filing from the entering participant (i.e., within 30 minutes if a Customer order or 15 minutes if a non- Customer order).

(3) *Acting on Own Motion*. The President or designee thereof, who is an officer of the Exchange (collectively "Exchange officer") may review a transaction believed to be erroneous on his/her own motion in the interest of maintaining a fair and orderly market and for the protection of investors. A transaction reviewed pursuant to this paragraph may be nullified or adjusted only if it is determined by the Exchange officer that the transaction is erroneous in accordance with the provisions of this Rule, provided that the time deadlines of sub-paragraph (c)(2) above shall not apply. The Exchange officer shall act as soon as possible after becoming aware of the transaction, and ordinarily would be expected to act on the same day that the transaction occurred. In no event shall the Exchange officer act later than 8:30 a.m. Eastern Time on the next trading day following the date of the transaction in question. A party affected by a determination to nullify or adjust a transaction pursuant to this provision may appeal such determination in accordance with paragraph (l) below; however, a determination by an Exchange officer not to review a transaction or determination not to nullify or adjust a transaction for which a review was conducted on an Exchange officer's own motion is not appealable. If a transaction is reviewed and a determination is rendered pursuant to another provision of this Rule, no additional relief may be granted under this provision.

(4) *Adjust or Bust*. If it is determined that an Obvious Error has occurred, the Exchange shall take one of the actions listed below. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone.

(A) *Non-Customer Transactions*. Where neither party to the transaction is a Customer, the execution price of the transaction will be adjusted by the Official pursuant to the table below. Any non-Customer Obvious Error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in sub-paragraph (a)(4) above.

Theoretical Price (TP)	**Buy Transaction Adjustment – TP Plus**	**Sell Transaction Adjustment – TP Minus**
Below $3.00	$0.15	$0.15
At or above $3.00	$0.30	$0.30

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(B) *Customer Transactions*. Where at least one party to the Obvious Error is a Customer, the trade will be nullified, subject to subparagraph (C) below.

(C) If any member or member organization submits requests to the Exchange for review of transactions pursuant to this rule, and in aggregate that member or member organization has 200 or more Customer transactions under review concurrently and the orders resulting in such transactions were submitted during the course of 2 minutes or less, where at least one party to the Obvious Error is a non-Customer, the Exchange will apply the non-Customer adjustment criteria set forth in sub-paragraph (A) above to such transactions.

(d) *Catastrophic Errors*.

(1) *Definition*. For purposes of this Rule, a Catastrophic Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

Theoretical Price	Minimum Amount
Below $2.00	$0.50
$2.00 to $5.00	$1.00
Above $5.00 to $10.00	$1.50
Above $10.00 to $20.00	$2.00
Above $20.00 to $50.00	$2.50
Above $50.00 to $100.00	$3.00
Above $100.00	$4.00

(2) *Time Deadline*. A party that believes that it participated in a transaction that was the result of a Catastrophic Error must notify an Official in the manner specified from time to time by the Exchange in a notice distributed to members and member organizations. Such notification must be received by an Official by 8:30 a.m. Eastern Time on the first trading day following the execution. For transactions in an expiring options series that take place on an expiration day, a party must notify an Official within 45 minutes after the close of trading that same day.

(3) *Adjust or Bust*. If it is determined that a Catastrophic Error has occurred, the Exchange shall take action as set forth below. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone. In the event of a Catastrophic Error, the execution price of the transaction will be adjusted by the Official pursuant to the table below. Any Customer order subject to this sub-paragraph will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price.

Theoretical Price (TP)	Buy Transaction Adjustment – TP Plus	Sell Transaction Adjustment – TP Minus
Below $2.00	$0.50	$0.50
$2.00 to $5.00	$1.00	$1.00
Above $5.00 to $10.00	$1.50	$1.50
Above $10.00 to $20.00	$2.00	$2.00
Above $20.00 to $50.00	$2.50	$2.50
Above $50.00 to $100.00	$3.00	$3.00
Above $100.00	$4.00	$4.00

(e) *Significant Market Events*.

(1) *Definition*. For purposes of this Rule, a Significant Market Event will be deemed to have occurred when: criterion (A) below is met or exceeded or the sum of all applicable event statistics, where each is expressed as a percentage of the relevant threshold in criteria (A) through (D) below, is greater than or equal to 150% and 75% or more of at least one category is reached, provided that no single category

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can contribute more than 100% to the sum and any category contributing more than 100% will be rounded down to 100%. All criteria set forth below will be measured in aggregate across all exchanges.

(A) Transactions that are potentially erroneous would result in a total Worst-Case Adjustment Penalty of $30,000,000, where the Worst- Case Adjustment Penalty is computed as the sum, across all potentially erroneous trades, of:

(i) $0.30 (i.e., the largest Transaction Adjustment value listed in sub-paragraph (e)(3)(A) below); times
(ii) the contract multiplier for each traded contract; times
(iii) the number of contracts for each trade; times
(iv) the appropriate Size Adjustment Modifier for each trade, if any, as defined in sub-paragraph (e)(3)(A) below.

(B) Transactions involving 500,000 options contracts are potentially erroneous;
(C) Transactions with a notional value (i.e., number of contracts traded multiplied by the option premium multiplied by the contract multiplier) of $100,000,000 are potentially erroneous;
(D) 10,000 transactions are potentially erroneous.

(2) *Coordination with Other Options Exchanges*. To ensure consistent application across options exchanges, in the event of a suspected Significant Market Event, the Exchange shall initiate a coordinated review of potentially erroneous transactions with all other affected options exchanges to determine the full scope of the event. When this paragraph is invoked, the Exchange will promptly coordinate with the other options exchanges to determine the appropriate review period as well as select one or more specific points in time prior to the transactions in question and use one or more specific points in time to determine Theoretical Price. Other than the selected points in time, if applicable, the Exchange will determine Theoretical Price in accordance with paragraph (b) above.

(3) *Adjust or Bust*. If it is determined that a Significant Market Event has occurred then, using the parameters agreed as set forth in sub-paragraph (e)(2) above, if applicable, an Official will determine whether any or all transactions under review qualify as Obvious Errors. The Exchange shall take one of the actions listed below with respect to all transactions that qualify as Obvious Errors pursuant to sub-paragraph (c)(1) above. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone.

(A) The execution price of each affected transaction will be adjusted by an Official to the price provided below unless both parties agree to adjust the transaction to a different price or agree to bust the trade. In the context of a Significant Market Event, any error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in subparagraph (a)(4) above.

Theoretical Price (TP)	Buy Transaction Adjustment – TP Plus	Sell Transaction Adjustment – TP Minus
Below $3.00	$0.15	$0.15
At or above $3.00	$0.30	$0.30

(B) Where at least one party to the transaction is a Customer, the trade will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price.

(4) *Nullification of Transactions*. If the Exchange, in consultation with other options exchanges, determines that timely adjustment is not feasible due to the extraordinary nature of the situation, then the Exchange will nullify some or all transactions arising out of the Significant Market Event during the review period selected by the Exchange and other options exchanges consistent with this paragraph. To the extent the Exchange, in consultation with other options exchanges, determines to nullify less than all transactions arising out of the Significant Market Event, those transactions subject to

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nullification will be selected based upon objective criteria with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

(5) *Final Rulings*. With respect to rulings made pursuant to this paragraph, the number of affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. Accordingly, rulings by the Exchange pursuant to this paragraph are non-appealable.

(f) *Trading Halts*. The Exchange shall nullify any transaction that occurs during a trading halt in the affected option on the Exchange pursuant to Commentary .03 of this Rule.

(g) *Erroneous Print in Underlying*. A trade resulting from an erroneous print(s) disseminated by the underlying market that is later nullified by that underlying market shall be adjusted or busted as set forth in sub-paragraph (c)(4) of this Rule, provided a party notifies an Official in a timely manner as set forth below. For purposes of this paragraph, a trade resulting from an erroneous print(s) shall mean any options trade executed during a period of time for which one or more executions in the underlying security are nullified and for one second thereafter. If a party believes that it participated in an erroneous transaction resulting from an erroneous print(s) pursuant to this paragraph it must notify an Official within the timeframes set forth in sub-paragraph (c)(2) above, with the allowed notification timeframe commencing at the time of notification by the underlying market(s) of nullification of transactions in the underlying security. If multiple underlying markets nullify trades in the underlying security, the allowed notification timeframe will commence at the time of the first market's notification.

(h) *Erroneous Quote in Underlying*. A trade resulting from an erroneous quote(s) in the underlying security shall be adjusted or busted as set forth in subparagraph (c)(4) this Rule, provided a party notifies an Official in a timely manner as set forth below. An erroneous quote occurs when the underlying security has a width of at least $1.00 and has a width at least five times greater than the average quote width for such underlying security during the time period encompassing two minutes before and after the dissemination of such quote. For purposes of this paragraph, the average quote width shall be determined by adding the quote widths of sample quotations at regular 15- second intervals during the four-minute time period referenced above (excluding the quote(s) in question) and dividing by the number of quotes during such time period (excluding the quote(s) in question). If a party believes that it participated in an erroneous transaction resulting from an erroneous quote(s) pursuant to this paragraph it must notify an Official in accordance with sub-paragraph (c)(2) above.

(i) *Stop (and Stop-Limit) Order Trades Triggered by Erroneous Trades*. Transactions resulting from the triggering of a stop or stop-limit order by an erroneous trade in an option contract shall be nullified by the Exchange, provided a party notifies an Official in a timely manner as set forth below. If a party believes that it participated in an erroneous transaction pursuant to this paragraph it must notify an Official within the timeframes set forth in sub-paragraph (c)(2) above, with the allowed notification timeframe commencing at the time of notification of the nullification of transaction(s) that triggered the stop or stop-limit order.

(j) *Linkage Trades*. If the Exchange routes an order pursuant to the Plan (as defined in Rule 1083(n)) that results in a transaction on another options exchange (a "Linkage Trade") and such options exchange subsequently nullifies or adjusts the Linkage Trade pursuant to its rules, the Exchange will perform all actions necessary to complete the nullification or adjustment of the Linkage Trade.

(k) *Verifiable Disruption or Malfunction of Exchange Systems*. Parties to a trade may have a trade nullified or its price adjusted if it resulted from a verifiable disruption or malfunction of Exchange execution, dissemination, or communication systems that caused a quote/order to trade in excess of its disseminated size (e.g. a quote/order that is frozen, because of an Exchange system error, and repeatedly traded). Parties to a trade may have a trade nullified or its price adjusted if it resulted from a verifiable disruption or malfunction of an Exchange dissemination or communication system that prevented a member from updating or canceling a quote/order for which the member is responsible where there is Exchange documentation providing that the member sought to update or cancel the quote/order.

(l) *Appeals*. If a party affected by a determination made under this Rule so requests within the time permitted, the Exchange Review Council will review decisions made under this Rule. A request for review under this paragraph

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must be made within 30 minutes after a party receives verbal notification of a final determination by an Official under this Rule, except that if such notification is made after 3:30 p.m. Eastern Time, either party has until 9:30 a.m. Eastern Time on the next trading day to request a review. Such a request for review must be in writing or otherwise documented. The Exchange Review Council shall review the facts and render a decision on the day of the transaction, or the next trade day in the case where a request is properly made after 3:30 p.m. on the day of the transaction or where the request is properly made the next trade day. Any determination by an Official or the Exchange Review Council shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration. The party initiating the appeal shall be assessed a $500.00 fee if the Exchange Review Council upholds the decision of the Official. In addition, in instances where the Exchange, on behalf of a member or member organization, requests a determination by another market center that a transaction is clearly erroneous, the Exchange will pass any resulting charges through to the relevant member or member organization.

Commentary:

.01 Complex Order Executions. If both parties to a trade that is one component of a complex order execution are parties to all of the trades that together comprise the execution of a complex order at a single net debit or credit, then if one of those component trades can be nullified under this Rule 1092, all component trades that were part of the same complex order shall be nullified as well.

.02 For the purposes of this Rule, to the extent the provisions of this Rule would result in the Exchange applying an adjustment of an erroneous sell transaction to a price lower than the execution price or an erroneous buy transaction to a price higher than the execution price, the Exchange will not adjust or nullify the transaction, but rather, the execution price will stand.

.03 Trading Halts. Trades on the Exchange will be nullified when: (A) The trade occurred during a trading halt in the affected option on the Exchange; (B) with respect to equity options (including options overlying ETFs), the trade occurred during a regulatory halt as declared by the primary market for the underlying security; (C) Respecting index options, the trade occurred during a trading halt on the primary market in (y) underlying securities representing more than 10 percent of the current index value for stock index options, or (z) either component security of an Alpha Index for Alpha Index options; or

(D) Respecting Treasury security options, the trade occurred during a trading halt of the underlying Treasury security instituted by the United States Government.

.04 Complex Orders and Stock-Option Orders.

(a) If a complex order executes against individual legs and at least one of the legs qualifies as an Obvious Error under paragraph (c)(1) or a Catastrophic Error under paragraph (d)(1), then the leg(s) that is an Obvious or Catastrophic Error will be adjusted in accordance with paragraphs (c)(4)(A) or (d)(3), respectively, regardless of whether one of the parties is a Customer. However, any Customer order subject to this paragraph (a) will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price on the complex order or individual leg(s). If any leg of a complex order is nullified, the entire transaction is nullified.

(b) If a complex order executes against another complex order and at least one of the legs qualifies as an Obvious Error under paragraph (c)(1) or a Catastrophic Error under paragraph (d)(1), then the leg(s) that is an Obvious or Catastrophic Error will be adjusted or busted in accordance with paragraph (c)(4) or (d)(3), respectively, so long as either: (i) the width of the National Spread Market for the complex order strategy just prior to the erroneous transaction was equal to or greater than the amount set forth in the wide quote table of paragraph (b)(3) or (ii) the net execution price of the complex order is higher (lower) than the offer (bid) of the National Spread Market for the complex order strategy just prior to the erroneous transaction by an amount equal to at least the amount shown in the table in paragraph (c)(1). If any leg of a complex order is nullified, the entire transaction is nullified. For purposes of Rule

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1092, the National Spread Market for a complex order strategy is determined by the National Best Bid/ Offer of the individual legs of the strategy.

(c) If the option leg of a stock-option order qualifies as an Obvious Error under paragraph (c)(1) or a Catastrophic Error under paragraph (d)(1), then the option leg that is an Obvious or Catastrophic Error will be adjusted in accordance with paragraph (c)(4)(A) or (d)(3), respectively, regardless of whether one of the parties is a Customer. However, the option leg of any Customer order subject to this paragraph (c) will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price on the stock-option order, and the Exchange will attempt to nullify the stock leg. Whenever a stock trading venue nullifies the stock leg of a stock option order or whenever the stock leg cannot be executed, the Exchange will nullify the option leg upon request of one of the parties to the transaction or in accordance with paragraph (c)(3).

.05 Exchange Determining Theoretical Price. For purposes of this Rule, when the Exchange must determine Theoretical Price pursuant to sub-paragraphs (b)(1)-(3) of this Rule (i.e., at the open, when there are no valid quotes or when there is a wide quote), then the Exchange will determine Theoretical Price as follows.

(a) The Exchange will request Theoretical Price from the third party vendor defined in paragraph (d) below ("TP Provider") to which the Exchange and all other options exchanges have subscribed. The Exchange will apply the Theoretical Price provided by the TP Provider, except as otherwise described below.

(b) To the extent an Official of the Exchange believes that the Theoretical Price provided by the TP Provider is fundamentally incorrect and cannot be used consistent with the maintenance of a fair and orderly market, the Official shall contact the TP Provider to notify the TP Provider of the reason the Official believes such Theoretical Price is inaccurate and to request a review and correction of the calculated Theoretical Price. The Exchange shall also promptly provide electronic notice to other options exchanges that the TP Provider has been contacted consistent with this paragraph and include a brief explanation of the reason for the request.

(c) An Official of the Exchange may determine the Theoretical Price if the TP Provider has experienced a systems issue that has rendered its services unavailable to accurately calculate Theoretical Price and such issue cannot be corrected in a timely manner.

(d) The current TP Provider to which the Exchange and all other options exchanges have subscribed is: CBOE Livevol, LLC. Neither the Exchange, the TP Provider, nor any affiliate of the TP Provider (the TP Provider and its affiliates are referred to collectively as the "TP Provider"), makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of the TP Provider pursuant to this Commentary .05. The TP Provider does not guarantee the accuracy or completeness of the calculated Theoretical Price. The TP Provider disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to such Theoretical Price. Neither the Exchange nor the TP Provider shall have any liability for any damages, claims, losses (including any indirect or consequential losses), expenses, or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the use of such Theoretical Price or arising out of any errors or delays in calculating such Theoretical Price.

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Adopted.
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Amendments.
June 16, 2006 (05-42).
June 29, 2006 (05-73).
June 7, 2007 (06-87).
July 10, 2007 (07-34).
April 24, 2008 (07-69).
June 23, 2008 (08-42).
January 30, 2009 (09-03).
May 14, 2009 (09-23).
June 24, 2009 (09-40).
September 18, 2009 (09-59).
January 28, 2010 (10-13).
January 11, 2011 (10-163).
February 7, 2011 (10-176).
April 25, 2011 (11-13).
May 25, 2011 (11-69).
October 4, 2012 (12-105).
April 4, 2013 (13-05).
October 11, 2013 (13-104), operative November 10, 2013.
May 8, 2015 (15-43).
July 15, 2015 (15-65).
April 3, 2017 (17-27).
August 3, 2017 (17-66), operative October 18, 2017.
November 15, 2017 (17-92), operative January 2, 2018.
February 5, 2018 (18-15), operative March 7, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 1093. Away Markets and Order Routing

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(a) Phlx offers two routing strategies, FIND and SRCH. Each of these routing strategies will be explained in more detail below. An order may in the alternative be marked Do Not Route or "DNR". The Exchange notes that for purposes of this rule the System will route FIND and SRCH Orders with no other contingencies. Immediate or Cancel ("IOC") Orders will be cancelled immediately if not executed, and will not be routed. The System checks the Order Book for available contracts for potential execution against the FIND or SRCH orders. After the System checks the Order Book for available contracts, orders are sent to other available market centers for potential execution. When checking the Order Book, the System will seek to execute at the price at which it would send the order to an away market. For purposes of this rule, the Phlx's best bid or offer or "PBBO" does not include All-or-None Orders or stop orders which have not been triggered and the "internal PBBO" shall refer to the actual better price of an order resting on Phlx's Order Book, which is not displayed, but available for execution, excluding Allor- None Orders. For purposes of this rule, a Route Timer shall not exceed one second and shall begin at the time orders are accepted into the System, and the System will consider whether an order can be routed at the conclusion of each Route Timer. Finally, for purposes of this rule, "exposure" or "exposing" an order shall mean a notification sent to participants with the price, size, and side of interest that is available for execution. An order exposure alert is sent if the order size is modified. Exposure notifications will be sent to participants in accordance with the routing procedures described in Rule 1093(a)(iii) below except if an incoming order is joining an already established PBBO price when the ABBO is locked or crossed with the PBBO, in which case such order will join the established PBBO price and no exposure notification will be sent. For purposes of this rule Phlx's opening process is governed by Rule 1017 and includes an opening after a trading halt ("Opening Process"). For purposes of this rule, the term "Public Customer" means a person or entity that is not a broker or dealer in securities and is not a professional as defined within Rule 1000(b)(14).

(i) **Priority of Routed Orders**. Orders sent to other markets do not retain time priority with respect to other orders in the System and the System shall continue to execute other orders while routed orders are away at another market center. Once routed by the System, an order becomes subject to the rules and procedures of the destination market including, but not limited to, order cancellation. A routed order can be for less than the original incoming order's size. If a routed order is subsequently returned, in whole or in part, that routed order, or its remainder, shall receive a new time stamp reflecting the time of its return to the System, unless any portion of the original order remains on the System, in which case the routed order shall retain its timestamp and its priority.

(ii) Entering member organizations whose orders are routed to away markets shall be obligated to honor such trades that are executed on away markets to the same extent they would be obligated to honor a trade executed on the Exchange.

(A) The Exchange shall route orders in options via Nasdaq Execution Services, LLC ("NES"), a broker-dealer that is a member of an unaffiliated SRO which is the designated examining authority for the broker-dealer. NES serves as the Routing Facility of the Exchange (the "Routing Facility"). The sole use of the Routing Facility by the System will be to route orders in options listed and open for trading on the System to away markets either directly or through one or more third-party unaffiliated routing broker-dealers pursuant to Exchange rules on behalf of the Exchange and, in addition, where one component of a Complex Order is the underlying security, to execute and report such component otherwise than on the Exchange, pursuant to Rule 1098(h). The Routing Facility is subject to regulation as a facility of the

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Exchange, including the requirement to file proposed rule changes under Section 19 of the Securities Exchange Act of 1934, as amended.

(B) Use of NES to route orders to other market centers is optional. Parties that do not desire to use NES must designate orders as not available for routing (a DNR Order, as described in subparagraph (iii)(A) below).

(C) The Exchange shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and the Routing Facility, and any other entity, including any affiliate of the Routing Facility; or, where there is a routing broker, the Exchange, the Routing Facility and any routing broker, and any other entity, including any affiliate of the routing broker (and if the routing broker or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of the routing broker or affiliate that provides the other business activities and the segment of the routing broker that provides the routing services).

(D) The books, records, premises, officers, directors, agents, and employees of the Routing Facility, as a facility of the Exchange, shall be deemed to be the books, records, premises, officers, directors, agents, and employees of the Exchange for purposes of and subject to oversight pursuant to the Act. The books and records of the Routing Facility, as a facility of the Exchange, shall be subject at all times to inspection and copying by the Exchange and the Commission.

(E) *Market Access*. In addition to the Exchange Rules regarding routing to away trading centers, NES as defined above, has, pursuant to Rule 15c3-5 under the Act, implemented certain tests designed to mitigate risks associated with providing the Exchange's Members with access to such away trading centers. Pursuant to the policies and procedures developed by NES to comply with Rule 15c3-5, if an order or series of orders are deemed to be violative of applicable pre-trade requirements of Rule 15c3- 5, the order will be rejected prior to routing and/or NES will seek to cancel any orders that have been routed.

(F) The Exchange and NES may not use a routing broker for which the Exchange or any affiliate of the Exchange is the designated examining authority.

(G) The Exchange will determine the logic that provides when, how, and where orders are routed away to other exchanges. Except as provided in subparagraph (E) above, the routing broker(s) cannot change the terms of an order or the routing instructions, nor does the routing broker have any discretion about where to route an order.

(iii) The following order types are available:

(A) ***DNR Order.*** A DNR Order will never be routed outside of Phlx regardless of the prices displayed by away markets. A DNR Order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR Order will remain in the Phlx Order Book and be displayed at a price one minimum price variation ("MPV") inferior to that away best bid/offer. If the DNR Order is locking or crossing the ABBO, the DNR Order shall be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. The Exchange shall immediately expose the order at the ABBO to participants, provided the option series has opened for trading. Any incoming order interacting with such a resting DNR order will execute at the ABBO price, unless the ABBO is improved to a price which crosses the DNR's displayed price, in which case the incoming order will execute at the previous ABBO price. Should the best away market change its price to an inferior price level, the DNR Order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the ABBO to participants only if the re-priced order locks or crosses the ABBO. Once priced at its original limit price, it will remain at that price

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until executed or cancelled. Should the best away market improve its price such that it locks or crosses the DNR Order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR Order limit price.

(B) ***FIND Order.*** A FIND Order is an order that is: (i) routable at the conclusion of an Opening Process; and (ii) routable upon receipt during regular trading, after an option series is open. FIND Orders submitted after an Opening Process initiate their own Route Timers and are routed in the order in which their Route Timers end. FIND Orders that are not marketable with the ABBO upon receipt will be treated as DNR for the remainder of the trading day.

(1) With respect to an Opening Process, only a Public Customer and professional FIND Order on the Order Book, whether it is received prior to the opening or it is a GTC FIND Order from a prior day, may be routed at the conclusion of an Opening Process. Non-Public Customer and nonprofessional FIND Orders are not eligible for routing at the conclusion of an Opening Process. At the end of an Opening Process, any FIND Order that is priced through the Opening Price, pursuant to Phlx Rule 1017(a)(iii), will be cancelled, and any FIND Order that is at or inferior to the Opening Price will be executed pursuant to Rule 1017(k). Such FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

(2) With respect to an Opening Process, if during a route timer at the conclusion of an Opening Process pursuant to Rule 1017(k) markets move such that the FIND Order is executable against Exchange interest, the FIND Order will immediately execute. If during a route timer, ABBO markets move such that the FIND Order is no longer marketable against the ABBO nor marketable against the PBBO, the FIND Order will post at its limit price. If the FIND Order is locked or crossed by away quotes, it will route at the completion of the route timer. If the ABBO worsens but remains better than the PBBO, the FIND Order will reprice and be reexposed at the new price(s) without interrupting the route timer.

(3) A FIND Order received after an Opening Process that is not marketable against the PBBO or the ABBO will be entered into the Order Book at its limit price. The FIND Order will be treated as DNR for the remainder of the trading day.

(4) A FIND Order received after an Opening Process that is marketable against the internal PBBO when the ABBO is inferior to the internal PBBO will be traded at the Exchange at or better than the PBBO price. If the FIND Order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, (2) be entered into the Order Book at its limit price, or (3) if locking or crossing the ABBO, be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. The FIND Order will be treated as DNR for the remainder of the trading day.

(5) A FIND Order received after an Opening Process that is marketable against the internal PBBO when the ABBO is equal to the internal PBBO will be traded at the Exchange at the internal PBBO. If the FIND Order has size remaining after exhausting the PBBO, it will initiate a Route Timer, and expose the FIND Order at the ABBO to allow market participants an opportunity to interact with the remainder of the FIND Order. During the Route Timer, the FIND Order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price. If during the Route Timer, the ABBO moves and crosses the FIND Order, any new

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interest arrives opposite the FIND Order that is marketable against the FIND Order will trade at the FIND Order price.

(6) If, at the end of the Route Timer pursuant to subparagraph (5) above, the FIND Order is still marketable with the ABBO, the FIND Order will route to an away market up to a size equal to the lesser of either (1) an away market's size or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after routing, it will (i) trade at the next PBBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the PBBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size still remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process. The remaining size of a non-Public Customer and non-professional FIND Order will be cancelled upon an intra-day trading halt.

(7) A FIND Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the internal PBBO will initiate a Route Timer, and expose the FIND Order at the ABBO to allow participants and other market participants an opportunity to interact with the FIND Order. During the Route Timer, the FIND Order will be included in the PBBO at a price that is the better of one MPV away from the ABBO or the PBBO. If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price.

(8) If, at the end of the Route Timer pursuant to subparagraph (7) above, the ABBO is still the best price and is marketable with the FIND Order, the order will route to the away market(s) whose disseminated price(s) is better than the PBBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after such routing, it will (i) trade at the PBBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the PBBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process. The remaining size of a non-Public Customer and non-professional FIND Order will be cancelled upon an intra-day trading halt.

(9) A FIND Order that is routed to an away market(s) will be marked as an Intermarket Sweep Order "ISO" and designed as an IOC order.

(C) ***SRCH Order.*** A SRCH Order is a Public Customer order that is routable at any time. A SRCH Order on the Order Book during an Opening Process (including a re-opening following a trading halt), whether it is received prior to an Opening Process or it is a GTC SRCH Order from a prior day, may be routed as part of an Opening Process. Orders initiate their own Route Timers and are routed in the order in which their Route Timers end.

(1) At the end of an Opening Process, any SRCH Order that is priced through the Opening Price will be cancelled, and any SRCH Order that is at or inferior to the Opening Price will be executed pursuant to Rule 1017(k). If during a Route Timer, ABBO markets move such that the SRCH Order is no longer marketable against the ABBO nor marketable against the PBBO, the SRCH Order will book at its limit price. If the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the

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PBBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer.

(2) A SRCH Order received after an Opening Process that is not marketable against the PBBO or the ABBO will be entered into the Order Book. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.

(3) A SRCH Order received after an Opening Process that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the Exchange at or better than the PBBO price. If the SRCH Order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the price equal to the ABBO price, and/or (2) be routed, subject to a Route Timer, to away markets if all Phlx interest at better or equal prices has been exhausted, and/or (3) be entered into the Order Book at its limit price if not locking or crossing the PBBO, including All-or-None Orders which can be satisfied, or the ABBO. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.

(4) A SRCH Order received after an Opening Process that is marketable against the PBBO when the ABBO is equal to the internal PBBO will be traded at the Exchange at the internal PBBO price. If the SRCH Order has size remaining after exhausting the PBBO, it will initiate a Route Timer and expose the SRCH Order at the ABBO to allow participants and other market participants an opportunity to interact with the SRCH Order. During the timer, the SRCH Order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at the ABBO price. If during the Route Timer, the ABBO moves and crosses the SRCH Order, any new interest arrives opposite the SRCH Order that is marketable against the SRCH Order will trade at the SRCH Order price.

(5) If, at the end of the Route Timer pursuant to subparagraph (4) above, the SRCH Order is still marketable with the ABBO, the SRCH Order will route up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the PBBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. If the SRCH Order still has remaining size after such routing, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the book at its limit price if not locking or crossing the PBBO, including All-or-None Orders which can be satisfied, or the ABBO. The System will route and execute contracts contemporaneously at the end of the Route Timer. Once on the book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.

(6) A SRCH Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the PBBO will initiate a Route Timer, and expose the SRCH Order at the ABBO to allow participants and other market participants an opportunity to interact with the SRCH Order. During the Route Timer, the SRCH Order will be included in the PBBO at a price that is the better of one MPV inferior to the ABBO or at the PBBO. If, during the Route Timer, any new

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interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at the ABBO price.

(7) If, at the end of the Route Timer pursuant to subparagraph (6) above, the ABBO is still the best price and is marketable with the SRCH Order, the order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the Order Book at its limit price if not locking or crossing the PBBO including All-or-None Orders which can be satisfied or the ABBO. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.

(8) A SRCH Order on the Order Book may be routed to an away market if it is locked or crossed by an away market. If an ABBO locks or crosses the SRCH Order during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer. If, during such Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at its SRCH Order price.

(9) If, at the end of the Route Timer pursuant to subparagraph (8) above, the ABBO is still the best price, the SRCH Order will route to the away market(s) up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, it may: (i) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the PBBO, including All-or-None Orders which can be satisfied, or the ABBO.

(10) A SRCH Order that is routed to an away market(s) will be marked as an ISO and designated as an IOC order.

Adopted.
January 23, 2006 (06-05).
Amendments.
September 30, 2008 (08-69).
April 25, 2011 (11-13).
June 8, 2012 (12-40).
October 14, 2015 (15-83).
April 4, 2019 (19-06).

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Nasdaq PHLX Rules, Regulation, Rule 1094. Sponsored Participants

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(a) The Exchange shall be available for entry and execution of orders by Sponsored Participants with authorized access. Sponsored Access shall mean an arrangement whereby a member organization permits its customers to enter orders into the Exchange's trading system that bypass the member organization's trading system and are routed directly to the Exchange, including routing through a service bureau or other third party technology provider.

(b) A Sponsored Participant may obtain authorized access to the Exchange only if such access is authorized in advance by one or more Sponsoring Member Organizations as follows:

(i) Sponsored Participants must enter into and maintain participant agreements with one or more Sponsoring Member Organizations establishing a proper relationship(s) and account(s) through which the Sponsored Participant may trade on the Exchange ("Customer Agreement"). Such Customer Agreement(s) must incorporate sponsorship provisions set forth in sub-paragraph (ii) below.

(ii) For a Sponsored Participant to obtain and maintain authorized access to the Exchange, a Sponsored Participant and its Sponsoring Member Organization must agree in writing to the following sponsorship provisions:

(A) The authorized access must comply with Rule 15c3-5 under the Securities Exchange Act of 1934.

(B) The Sponsoring Member Organization acknowledges and agrees that:

(1) All orders entered by the Sponsored Participant and any person acting on behalf of or in the name of such Sponsored Participant and any executions occurring as a result of such orders are binding in all respects on the Sponsoring Member Organization;

(2) Sponsoring Member Organization is responsible for any and all actions taken by such Sponsored Participant and any person acting on behalf of or in the name of such Sponsored Participant.

(C) Sponsoring Member Organization shall comply with the Exchange's Limited Liability Company Agreement, By-Laws, Rules and procedures with regard to the Exchange and Sponsored Participant shall comply with the Exchange's Limited Liability Company Agreement, By-Laws, Rules and procedures with regard to the Exchange, as if Sponsored Participant were an Exchange member organization.

(D) Sponsored Participant shall maintain, keep current and provide to the Sponsoring Member Organization a list of individuals authorized to obtain access to the Exchange on behalf of the Sponsored Participant.

(E) Sponsored Participant shall familiarize its authorized individuals with all of the Sponsored Participant's obligations under this Rule and will assure that they receive appropriate training prior to any use or access to the Exchange.

(F) Sponsored Participant may not permit anyone other than authorized individuals to use or obtain access to the Exchange.

(G) Sponsored Participant shall take reasonable security precautions to prevent unauthorized use or access to the Exchange, including unauthorized entry of information into the Exchange, or the information and data made available therein. Sponsored Participant understands and agrees that Sponsored Participant is responsible for any and all orders, trades and other

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messages and instructions entered, transmitted or received under identifiers, passwords and security codes of authorized individuals, and for the trading and other consequences thereof.

(H) Sponsored Participant acknowledges its responsibility to establish adequate procedures and controls that permit it to effectively monitor its employees', agents' and Participants' use and access to the Exchange for compliance with the terms of this agreement.

(I) Sponsored Participant shall pay when due all amounts, if any, payable to Sponsoring Member Organization, Exchange, or any other third parties that arise from the Sponsored Participant's access to and use of the Exchange. Such amounts include, but are not limited to applicable exchange and regulatory fees.

Adopted.
February 5, 2009 (09-10).
Amendments.
August 7, 2009 (09-63).
November 12, 2009 (09-93).
January 15, 2010 (10-04).
March 17, 2010 (10-44).
July 28, 2010 (10-107), operative August 27, 2010.
April 25, 2011 (11-13).
Nov. 4, 2015 (15-93), operative Dec. 4, 2015.

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Adopted.
June 22, 2015 (15-52).
Amendments.
July 21, 2015 (15-67).
October 14, 2015 (15-83).
June 9, 2016 (16-67).
May 16, 2018 (18-41).

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Nasdaq PHLX Rules, Regulation, Rule 1098. Complex Orders on the System

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(a) Definitions

(i) Complex Order. For purposes of the electronic trading of Complex Orders, a Complex Order is an order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, priced as a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy. With respect to Mini Options, a Complex Order is an order involving the simultaneous purchase and/or sale of two or more different Mini Options series in the same underlying security, priced as a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy. Mini Options may only be part of a Complex Order that includes other Mini Options.

Except respecting Mini Options, a Complex Order can also be a stock-option order, which is an order to buy or sell a stated number of units of an underlying security (stock or Exchange Traded Fund Share ("ETF")) coupled with the purchase or sale of options contract(s). The underlying security must be the deliverable for the options component of that Complex Order and represent exactly 100 shares per option for regular way delivery. Stock-option orders can only be executed against other stock-option orders and cannot be executed by the System against orders for the individual components. Member organizations may only submit Complex Orders with a stock/ETF component if such orders comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS. Member organizations submitting such Complex Orders with a stock/ETF component represent that such orders comply with the Qualified Contingent Trade Exemption. Members of FINRA or The Nasdaq Stock Market ("Nasdaq") are required to have a Uniform Service Bureau/Executing Broker Agreement ("AGU") with Nasdaq Execution Services, LLC (“NES”) in order to trade Complex Orders containing a stock/ETF component; firms that are not members of FINRA or Nasdaq are required to have a Qualified Special Representative ("QSR") arrangement with NES in order to trade Complex Orders containing a stock/ETF component.

The maximum number of components of a Complex Order is six. A stock-option order may include up to five options components (legs).

(ii) Complex Order Strategy. The term "Complex Order Strategy" means a particular combination of components of a Complex Order and their ratios to one another. The Exchange will calculate both a bid price and an offer price for each Complex Order Strategy based on the current PBBO (as defined below) for each component of the Complex Order. Each Complex Order Strategy will be assigned a strategy identifier by the System.

(iii) PBBO. The term "PBBO" means the Phlx Best Bid and/or Offer for individual option series.

(iv) cPBBO. The term "cPBBO" means the best net debit or credit price for a Complex Order Strategy based on the PBBO for the individual options components of such Complex Order Strategy, and, where the underlying security is a component of the Complex Order, the National Best Bid and/or Offer for the underlying security.

(v) NBBO. The term "NBBO" means the National Best Bid and/or Offer for an individual option series.

(vi) cNBBO. The term "cNBBO" means the best net debit or credit price for a Complex Order Strategy based on the NBBO for the individual options components of a Complex Order Strategy, and, where the underlying security is a component of the Complex Order, the National Best Bid and/or Offer for the underlying security.

(vii) Participant, Phlx market maker and Phlx electronic market maker. The term "participant" means SQTs, RSQTs, non-SQT ROTs, specialists and non-Phlx market makers on another exchange; non-broker-

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dealer customers, Firms and non-market-maker off-floor broker-dealers; and Floor Brokers using the Options Floor Based Management System. The term "Phlx market maker" means SQTs, RSQTs, specialists and non-SQT ROTs. The term "Phlx electronic market maker" means SQTs, RSQTs and specialists.

(viii) Do Not Auction. The term "Do Not Auction" means that this Complex Order is not "COLA-eligible," as defined in (d)(ii)(B) below and thus prevents it from triggering a Complex Order Live Auction, pursuant to paragraph (e) below, or joining one that is in progress.

(A) DNA Orders received prior to the opening or when the Complex Order Strategy is not available for trading will be cancelled.

(B) DNA Orders are cancelled if not immediately executed.

(C) DNA Orders will initially only be available for Complex Orders consisting of more than two options components or where the underlying security is a component; once the Exchange has fully rolled out its enhanced Complex Order System, which will be announced in an Options Trader Alert, DNA Orders will also become available for Complex Orders consisting of two options components.

(ix) Conforming ratio. The term "conforming ratio" is where the ratio between the sizes of the options components of a Complex Order is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00). For example, a one-to-two (.5) ratio, a two-to-three (.667) ratio, or a two-to-one (2.00) ratio is a conforming ratio, whereas a one-to-four (.25) ratio or a four-to-one (4.0) ratio is not; where one component of the Complex Order is the underlying security, the ratio between any options component and the underlying security component must be less than or equal to eight contracts to 100 shares of the underlying security.

(x) Firm. The term "Firm" means a broker-dealer trading for its own (proprietary) account that is: a member of The Options Clearing Corporation ("OCC") or maintains a Joint Back Office ("JBO") arrangement with an OCC member. Unless otherwise specified, Firms are included in the category of non-market-maker offfloor broker-dealer.

(b) Complex orders may be entered in increments of $0.01 with certain "time in force" designations and as certain order types with certain contingencies as follows:

(i) Non-broker-dealer customers and non-market-maker off-floor broker-dealers may enter the Complex Orders listed in paragraph (a) above as Day, Good Til Cancelled ("GTC") or Immediate or Cancel ("IOC").

(ii) SQTs, RSQTs, non-SQT ROTs, specialists and non-Phlx market makers on another exchange may enter the Complex Orders listed in paragraph (a) above as IOC only. In addition, for Complex Orders consisting of more than two options components or where the underlying security is a component, SQTs, RSQTs, non- SQT ROTs, specialists and non-Phlx market makers on another exchange may enter the Complex Orders listed in paragraph (a) above as Day orders; once the Exchange has fully rolled out its enhanced Complex Order System, which will be announced in an Options Trader Alert, Day orders will also become available for Complex Orders consisting of two options components.

(iii) Floor Brokers using the Options Floor Based Management System may enter the Complex Orders listed in paragraph (a) above as Day, GTC or IOC on behalf of non-broker- dealer customers and non-market-maker off-floor broker-dealers, and as IOC only on behalf of SQTs, RSQTs, non-SQT ROTs, specialists, non- Phlx market makers on another exchange and Firms.

(iv) Member organizations must mark the stock/ETF component of a Complex Order "long," "short," or "short exempt" in compliance with Regulation SHO under the Exchange Act.

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(v) Complex Orders may be submitted as:

All-or-none orders - to be executed in its entirety or not at all. These orders can only be submitted for non-broker-dealer customers.

Cancel-replacement orders - require the immediate cancellation of a previously received order prior to the replacement of a new order with new terms and conditions. If the previously placed order is already filled partially or in its entirety the replacement order is automatically canceled or reduced by such number.

Limit orders - to be executed at a specified price or better.

Market orders - to be executed at the best price available at the time of execution.

(c)(i) A Complex Order is eligible to trade on the System only when each options component of the Complex Order is open for trading on the Exchange, and where the underlying security is a component of the Complex Order, such underlying security is open for trading on its primary market. Complex Orders may be executed against the Complex Order Book (as defined below) or placed on the Complex Order Book. Certain Complex Orders will be entered into a Complex Order Live Auction (as defined below) either following a Complex Order Opening Process (as defined below) or when a Complex Order improves the cPBBO.

(ii) Complex Orders will not trade on the System under the following conditions:

(A) the Complex Order is received prior to the opening on the Exchange of any options component of the Complex Order;
(B) during an opening rotation for any options component of the Complex Order;
(C) during a trading halt for any options component of the Complex Order;
(D) Reserved.
(E) when an automatic removal of quotes occurs in any options component of the Complex Order that represents all or a portion of the PBBO; or
(F) when the Exchange's market for any options component of the Complex Order is disseminated pursuant to Rule 1082(a)(ii)(B).

Once the condition(s) set forth in sub-paragraphs (A) - (F) above have terminated, the System will begin a Complex Order Opening Process.

(iii) Spread Priority. (A) Complex Orders consisting of a conforming ratio may be executed at a total credit or debit price without giving priority to individual bids or offers established in the marketplace that are not better than the bids or offers comprising such total credit or debit, provided that if any of the bids or offers established in the marketplace consist of a non-broker- dealer customer order, at least one option leg is executed at a better price than the established bid or offer for that option contract by the minimum trading increment and no option leg is executed at a price outside of the established bid or offer for that option contract.

(B) Where a Complex Order in a conforming ratio consists of the underlying security (stock or ETF) and one options leg, such options leg has priority over bids or offers established in the marketplace, except over bids or offers established by non-broker-dealer customer orders. However, where a Complex Order in a conforming ratio consists of the underlying stock or ETF and more than one options leg, the options legs have priority over bids and offers established in the marketplace, including non-broker-dealer customer orders, if at least one options leg improves the existing market for that option.
(C) Rule 1084 shall apply to all Complex Order executions. Accordingly, Complex Orders with conforming ratios are eligible for the exception contained in Rule 1084(b)(viii) and therefore may trade through the NBBO for that option.
(D) This paragraph (c) shall apply to all Complex Order executions, whether executed in a Complex Order Live Auction or otherwise.

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(d) Complex Order Opening Process ("COOP").

(i) The System will accept pre-opening Complex Orders, and will accept Complex Orders prior to re-opening following a halt in trading on the Exchange. Complex Orders received prior to the opening or during a trading halt will reside on the CBOOK (as defined below). There will be one such COOP per Complex Order Strategy.

(ii) Once trading in each option component of a Complex Order Strategy has opened or reopened following a trading halt for a certain configurable time not to exceed 60 seconds (and none of the conditions described in paragraph (c)(ii) above exist), the System will initiate the COOP for that Complex Order Strategy, provided that a COOP will only be conducted for any Complex Order Strategy that has a Complex Order received before the opening of that Complex Order Strategy, unless that Complex Order Strategy is already open as a result of another electronic auction process or another electronic auction involving the same Complex Order Strategy is in progress. Following a trading halt, a COOP will be conducted for any Complex Order Strategy that has a Complex Order present or had previously opened prior to the trading halt. The COOP will be conducted in two phases, the "COOP Timer" (as defined below) and the "COOP Evaluation" (as defined below).

(A) COOP Timer.

(1) The Exchange will send a broadcast message indicating that a COOP has been initiated for that Complex Order Strategy. The broadcast message will identify the Complex Order Strategy, the opening price (based on the maximum number of contracts that can be executed at one particular price, except if there is no price at which any orders can be executed), and the imbalance side and volume, if any ("Complex Order Opening Auction Notification").

The Complex Order Opening Auction Notification starts a COOP Timer ("COOP Timer"), which will begin counting a number of seconds during which the Complex Order, if any, may not be traded. The COOP Timer is configurable to a period ranging from 0 to 600 seconds as determined by the Exchange and communicated to Exchange membership on the Exchange's website. The COOP Timer will be configured for the same number of seconds for all options trading on the Exchange. Participants can submit responses to the Complex Order Opening Auction Notification pursuant to subparagraph (B) below.

(2) Reserved.

(3) Complex Orders in such a Complex Order Strategy that are received during the COOP Timer and COOP Evaluation (as described below) will reside on the CBOOK (as defined below).

(4) Complex Orders received prior to the COOP Timer and Complex Orders received during the COOP Timer (other than COOP Sweeps and Complex Order Responses marked as a response) will be visible to participants upon receipt.

(5) Complex Orders in a Complex Order Strategy marked as IOC received during a COOP will join the COOP and be treated like any other Complex Order, except such orders will be cancelled at the end of the COOP Timer if not executed. DNA Orders received during a COOP will be cancelled and will not participate in the COOP. Complex Orders marked as IOC and DNA Orders received before the initiation of the COOP in that Complex Order Strategy will be cancelled and will

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not participate in the COOP; however, a COOP will occur in that Complex Order Strategy.

(B) Responses. In response to a Complex Order Opening Auction Notification, participants may bid and/or offer on either or both side(s) of the market during the COOP Timer by submitting one or more Complex Orders in increments of $0.01 ("Complex Order Response").

Phlx electronic market makers may also bid and/or offer on either or both side(s) of the market during the COOP Timer by submitting one or more bids and/or offers known as COOP Sweeps. A COOP Sweep is a one-sided electronic quotation at a particular price submitted for execution against opening trading interest in a particular Complex Order Strategy.

(1) A Phlx electronic market maker may submit multiple COOP Sweeps at different prices (but not multiple COOP Sweeps at the same price, except as provided in sub-paragraph (2) below) in increments of $0.01 in response to a Complex Order Opening Auction Notification, regardless of the minimum trading increment applicable to the specific series.

(2) Phlx electronic market makers may change the size of a previously submitted COOP Sweep during the COOP Timer. The System will use the Phlx electronic market maker's most recently submitted COOP Sweep at each price level as that market maker's response at that price level, unless the COOP Sweep has a size of zero. A COOP Sweep with a size of zero will remove a Phlx electronic market maker's COOP Sweep from that COOP at that price level.

(3) COOP Sweeps and Complex Order Responses marked as a response will not be visible to any participant and will not be disseminated by the Exchange. Any COOP Sweeps which remain unexecuted at the end of the COOP Timer once all executions are complete will expire. A Complex Order Response will expire if unexecuted at the end of the COOP Timer once all executions are complete, but a Complex Order submitted during the COOP Timer which is not marked as a response will be available to be traded after the opening of a Complex Order Strategy unless it is marked IOC. Such Complex Order will be placed on the CBOOK if not executed during the opening.

(C) COOP Evaluation. Upon expiration of the COOP Timer, the System will conduct a COOP Evaluation to determine, for a Complex Order Strategy, the price at which the maximum number of contracts can trade, taking into account Complex Orders marked all-or-none (which will be executed if possible) unless the maximum number of contracts can only trade without including all-or-none orders. The Exchange will open the Complex Order Strategy at that price, executing marketable trading interest, in the following order: first, to nonbroker-dealer customers in time priority; next to Phlx electronic market makers on a pro rata basis; and then to all other participants on a pro rata basis. The imbalance of Complex Orders that are unexecutable at that price are placed on the CBOOK.

(1) No trade possible. If at the end of the COOP Timer the System determines that no market or marketable limit Complex Orders or COOP Sweeps, Complex Orders or COOP Sweeps that are equal to or improve the cPBBO, and/or Complex Orders or COOP Sweeps that cross within the cPBBO exist in the System, all Complex Orders received during the COOP Timer will be placed on the CBOOK, as described in paragraph (f) below.

(2) Trade is possible. If at the end of the COOP Timer the System determines that there are market or marketable limit Complex Orders or COOP Sweeps, Complex Orders or COOP Sweeps that are equal to or improve the cPBBO, and/or Complex Orders or COOP Sweeps that cross within the cPBBO in the System, the System will do the following: if such interest crosses and does not match in size, the

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execution price is based on the highest (lowest) executable offer (bid) price when the larger sized interest is offering (bidding), provided, however, that if there is more than one price at which the interest may execute, the execution price when the larger sized interest is offering (bidding) is the midpoint of the highest (lowest) executable offer (bid) price and the next available executable offer (bid) price rounded, if necessary, down (up) to the closest minimum trading increment. If the crossing interest is equal in size, the execution price is the midpoint of lowest executable bid price and the highest executable offer price, rounded, if necessary, up to the closest minimum trading increment. Executable bids/offers include any interest which could be executed at the net price without trading through residual interest or the cPBBO or without trading at the cPBBO where there is non-broker-dealer customer interest at the best bid or offer for any leg, consistent with Rule 1098(c)(iii).

If there is any remaining interest and there is no component that consists of the underlying security and provided that the order is not marked all-or-none, such interest may "leg" whereby each options component may trade at the PBBO with existing quotes and/or limit orders on the limit order book for the individual components of the Complex Order; provided that remaining interest may execute against any eligible Complex Orders received before legging occurs. If the remaining interest has a component that consists of the underlying security, such Complex Order will be placed on the CBOOK (as defined below).

(3) The Complex Order Strategy will be open after the COOP even if no executions occur.

(e) Process for Complex Order Live Auction ("COLA"). Complex Orders on the Complex Order Book ("CBOOK," as defined below) may be subject to an automated auction process.

(i) For purposes of paragraph (e):

(A) COLA is the automated Complex Order Live Auction process. A COLA may take place upon identification of the existence of a COLA-eligible order during normal trading if the System receives a Complex Order that improves the cPBBO.

(B) (1) A "COLA-eligible order" means a Complex Order that is not for a market maker, as specified in Rule 1098(b)(ii) or for a Firm, as defined in Rule 1098(a)(x). If the System identifies the existence of a COLA-eligible order, such COLA-eligible order will initiate a COLA, during which participants may bid and offer against the COLA-eligible order pursuant to this rule. COLAeligible orders will be executed without consideration of any prices that might be available on other exchanges trading the same options contracts.

(2) Notwithstanding the foregoing, a Complex Order that would otherwise be a COLA-eligible order that is received in a strategy where there is currently a Complex Order PIXL auction in progress or by the System during the final seconds of any trading session shall not be COLA-eligible. The Exchange shall establish the number of seconds, not to exceed 10 seconds, in an Options Trader Alert.

(ii) Initiation of a COLA. Upon the identification of the COLA-eligible order by the System, the Exchange will send a broadcast message to participants indicating that a COLA has been initiated. The broadcast message will identify the Complex Order Strategy, and the size, side and price of the COLA-eligible order.

(iii) COLA Timer. The COLA will begin with a timing mechanism (a "COLA Timer"), which is a counting period not to exceed five (5) seconds during which participants may submit bids or offers that improve the cPBBO. The COLA Timer will be set for the same number of seconds for all options trading on

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the Exchange as determined by the Exchange and communicated to membership on the Exchange's website. Complex Orders may be cancelled at any time prior to the commencement of a COLA.

(iv) Bidding and Offering in Response to a COLA. Participants may bid and/or offer on either or both side(s) of the market during the COLA Timer by submitting one or more Complex Orders in increments of $0.01. Electronic market makers may also bid and/or offer on either or both side(s) of the market during the COLA Timer by submitting one or more bids or offers, known as a "COLA Sweep." A COLA Sweep is a one-sided electronic quotation submitted for execution against other trading interest in a particular Complex Order Strategy. Any COLA Sweeps which remain unexecuted at the end of the COLA Timer once all executions are complete will expire.

(A) COLA Sweep Price. A single participant may submit multiple COLA Sweeps at different prices (but not multiple COLA Sweeps at the same price, except as provided in sub-paragraph (B) below) in increments of $0.01 in response to a COLA broadcast, regardless of the minimum trading increment applicable to the specific series.

(B) Participants may change the size of a previously submitted COLA Sweep at the previously submitted COLA price during the COLA Timer. The System will use the participant's most recently submitted COLA Sweep at each price level as that participant's response at that price level, unless the COLA Sweep has a size of zero. A COLA Sweep with a size of zero will remove a participant's COLA Sweep from the COLA at that price level.

(C) COLA Sweeps and Complex Orders marked as a response will not be visible to any participant and will not be disseminated by the Exchange. A Complex Order marked as a response will expire if unexecuted at the end of the COLA Timer once all executions are complete, but a Complex Order submitted during the COLA Timer which is not marked as a response will be available to be traded unless it is marked IOC. Such Complex Order will be placed on the CBOOK if not executed in the COLA.

(D) The provisions of Rule 1080(c)(ii)(C) shall apply to Complex Orders and COLA Sweeps submitted under this rule.

(v) Execution of COLA-Eligible Orders. Upon the expiration of the COLA Timer, COLA Sweeps and/or any Complex Orders received during the COLA Timer that improve the cPBBO may be executed against the COLA-eligible order. The COLA-eligible order will receive the best price or prices available for the Complex Order Strategy represented by the COLA-eligible order. The components of a COLA-eligible order may be executed in one cent increments, regardless of the minimum quoting increments otherwise appropriate to the individual legs of the order. Executions in the COLA will comply with the requirements of Exchange Rule 1033(d).

(vi) Allocation and Priority. As stated above, COLA-eligible orders, COLA Sweeps, and responsive Complex Orders will trade first based on the best price or prices available at the end of the COLA Timer.

(A) (1) "Legging." If no COLA Sweeps or responsive Complex Orders for the same Complex Order Strategy as the COLA-eligible order were received during the COLA Timer and there is no component that consists of the underlying security, each options component of the COLA-eligible order may trade at the PBBO with existing quotes and/or limit orders on the limit order book for the individual components of the Complex Order, provided that each component is executed such that the components comprise the Complex Order Strategy with the correct ratio for the desired net debit or credit and provided that the Complex Order is not marked all-or-none; all-or-none orders that are not executed during the COLA are placed on the CBOOK. Trades pursuant to this paragraph will be allocated in accordance with Exchange Rule 1014(g)(vii).

(2) If the markets for the individual components of a Complex Order Strategy independently improve during the COLA Timer and match the best price of COLA

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Sweep(s) and/or responsive Complex Order(s), the System will execute such COLA Sweep(s) and/or responsive Complex Orders before executing the individual components of the Complex Order Strategy.

(3) A non-broker-dealer customer Complex Order will have priority over specialists, SQTs and RSQTs and off-floor broker-dealers bidding for and/or offering any options component(s) of the Complex Order Strategy at the same price, but not over non-broker-dealer customer orders representing any options component(s) of the Complex Order Strategy at the same price.

(B) If multiple Complex Orders and COLA Sweeps are eligible for execution against the COLA-eligible order at the same price, the trade will be allocated among participants submitting electronic Complex Orders and COLA Sweeps as set forth below. Executions in the COLA will comply with the requirements of Exchange Rule 1098(c)(iii) above.

(1) First, to customer marketable Complex Orders on the CBOOK (as defined below) in the order in which they were received;

(2) Second, to COLA Sweeps and SQTs, RSQTs, and non-SQT ROTs who have submitted Complex Orders that are marketable against the COLAeligible order, on a size pro-rata basis; and

(3) Third, to non-market maker off-floor broker-dealers on a size pro-rata basis.

(C) Notwithstanding the foregoing, if the specialist submits a COLA Sweep during the COLA Timer and such COLA Sweep is for the same price as other COLA Sweeps that are eligible for execution against the COLA-eligible order, after customer marketable Complex Orders have been executed against the COLA-eligible order, the specialist shall be entitled to receive the greater of:

(1) the proportion of the aggregate size associated with such specialist's COLA Sweep, SQT and RSQT COLA Sweeps, and non-SQT ROT Complex Orders on the CBOOK; or

(2) the Enhanced Specialist Participation as described in Rule 1014(g)(ii).

(3) The specialist is not entitled to receive an allocation that would exceed the size of the specialist's COLA Sweep.

(D) If a COLA-eligible order cannot be filled in its entirety, any remaining balance will be placed on the CBOOK, subject to other instructions (i.e., cancel balance).

(vii) Firm Quote Requirement for COLA-Eligible Orders. COLA Sweeps in response to a COLA broadcast represent non-firm interest that can be modified at any time prior to the end of the COLA Timer. At the end of the COLA Timer, COLA Sweeps shall be firm only with respect to the COLA-eligible order for which it is submitted, provided that COLA Sweeps that exceed the size of a COLA-eligible order are also eligible to trade with other incoming COLA-eligible orders, COLA Sweeps and any other interest received during the COLA Timer after the initial COLA-eligible order has been executed to the fullest extent possible. Remaining interest trades as described in subparagraph (viii)(C)(3). Any COLA Sweeps not accepted in whole or in a permissible ratio will expire at the end of the COLA Timer once all executions are complete.

(viii) Complex Orders resting on the CBOOK, and incoming electronic Complex Orders and COLA Sweeps that are received prior to the expiration of the COLA Timer, (collectively, for purposes of this rule, "incoming Complex Orders") representing the same Complex Order Strategy as a COLA-eligible order will impact the original COLA as follows:

(A) At the end of the COLA Timer, the System will determine the price and size of COLA Sweeps and any orders that were received during the COLA Timer that are unrelated to the COLA but

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nonetheless are eligible to participate in the COLA in the priority determined in Rule 1098(e)(vi) above and based on the price determined as set forth below.

(B) Incoming Complex Orders on the same side of the market as the COLAeligible order. Incoming Complex Orders that were received during the COLA Timer for the same Complex Order Strategy as the COLA-eligible order that are on the same side of the market will join the COLA. The original COLAeligible order has priority at all price points (i.e., multiple COLA Sweep Prices) over the incoming Complex Order(s), regardless of the price of the incoming Complex Order. The incoming Complex Order shall not be eligible for execution against interest on the opposite side of the market from the COLAeligible order until the COLA-eligible order is executed to the fullest extent possible. If the incoming Complex Order is not executed in its entirety, the System will not initiate a new COLA. Any remaining contracts, other than COLA Sweeps, will be placed on the CBOOK, subject to other instructions.

(C) Incoming Complex Orders on the opposite side of the market from the COLA-eligible order.

(1) Incoming customer (non-broker-dealer customer and non-market-maker off-floor broker-dealer (other than Firms)) Complex Orders that are received during the COLA Timer on the opposite side of the market from the COLAeligible order with a price equal to or better than the best priced Complex Order or COLA Sweep will be executed against the COLA eligible order (which will be executed to the fullest extent possible first as described in sub-paragraph (B) above) or other Complex Orders or COLA Sweeps as follows:

(a) If such incoming customer Complex Order is a limit order at the same price as the best priced Complex Order or COLA Sweep, the incoming Complex Order will be executed at such price.

(b) If such incoming Complex Order is a limit order that improved the best priced Complex Order or COLA Sweep, the incoming customer Complex Order will be executed at the mid-point of the best priced Complex Order or COLA Sweep and the limit order price, rounded, if necessary, to the closest minimum trading increment to the benefit of the COLA-eligible order.

(c) If such incoming customer Complex Order is a market order or a limit order that crosses the cPBBO, the incoming Complex Order will be executed at the mid-point of the cPBBO on the same side of the market as the COLA-eligible order and the best priced Complex Order or COLA Sweep, rounded, if necessary, to the closest minimum trading increment to the benefit of the COLA-eligible order.

(d) If multiple customer Complex Orders are received on the opposite side of the market from the COLA-eligible order, non-broker-dealer customer orders at the same price will be executed in the order in which they were received, whereas non-market-maker off-floor broker-dealer orders will be executed on a pro-rata basis at each price level.

(e) If the COLA-eligible order is executed to the fullest extent possible and there are remaining bids or offers from the incoming Complex Order(s), the System will execute such interest against other Complex Orders or COLA Sweeps in the COLA and subsequently place residual bids or offers, other than COLA Sweeps, onto the CBOOK, subject to other instructions.

(2) Incoming non-customer (Phlx market makers, Firms and non-Phlx market makers) Complex Orders that are received during the COLA Timer on the opposite side of the market from the COLA-eligible order with a price equal to or better than the

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best priced Complex Order or COLA Sweep will be executed against the COLA eligible order (which will be executed to the fullest extent possible first as described in subparagraph (B) above) or other Complex Orders or COLA Sweeps as follows:

(a) If such incoming non-customer Complex Order is a limit order at the same price as the best priced Complex Order or COLA Sweep, the incoming non-customer Complex Order will be executed at such price, subject to the provisions set forth sub-paragraph (e) above.

(b) If such incoming non-customer Complex Order is a limit order that improved the best priced Complex Order or COLA Sweep, the incoming non-customer Complex Order will be executed at the limit order price.

(c) If such incoming non-customer Complex Order is a market order or a limit order that crosses the cPBBO, the incoming non-customer Complex Order will be executed at a price of $0.01 better than the cPBBO on the same side of the market as the COLA-eligible order.

(d) If multiple non-customer Complex Orders are received on the opposite side of the market from the COLA-eligible order, Phlx market maker orders will be executed on a pro-rata basis and Firm and non-Phlx market maker orders will be executed on a pro-rata basis, at each price level.

(e) If the COLA-eligible order is executed to the fullest extent possible and there are remaining bids or offers from the incoming non-customer Complex Order(s), the System will execute such interest against other Complex Orders or COLA Sweeps in the COLA and subsequently place residual bids or offers, other than COLA Sweeps, onto the CBOOK, subject to other instructions.

(3) Incoming Complex Orders that were received during the COLA Timer on the opposite side of the market from the COLA-eligible order with a price inferior to any other COLA Sweep or Complex Order will be executed against the COLA-eligible order after all interest at the better price(s) has/have been executed. After the initial COLA-eligible order has been executed to the fullest extent possible, incoming Complex Orders remaining unexecuted shall be eligible to trade with other Complex Orders and COLA Sweeps at their entered price. If, after the COLA-eligible order has been executed, there exist Complex Orders and/or COLA Sweeps on the opposite side of the market from the COLA-eligible order which cross the price of other Complex Orders or COLA Sweeps on the same side of the market from the COLA-eligible order, and if such interest crosses and does not match in size, the execution price is based on the highest (lowest) executable offer (bid) price when the larger sized interest is offering (bidding), provided, however, that if there is more than one price at which the interest may execute, the execution price when the larger sized interest is offering (bidding) is the midpoint of the highest (lowest) executable offer (bid) price and the next available executable offer (bid) price rounded, if necessary, down (up) to the closest minimum trading increment. If the crossing interest is equal in size, the execution price is the midpoint of lowest executable bid price and the highest executable offer price, rounded, if necessary, up to the closest minimum trading increment. Executable bids/offers include any interest which could be executed without trading through residual Complex interest or the cPBBO, or without trading at the cPBBO where there is nonbroker- dealer customer interest.

If there is any remaining interest and there is no component that consists of the underlying security and provided that the order is not marked all-or-none, such

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interest may "leg" whereby each options component may trade at the PBBO with existing quotes and/or limit orders on the limit order book for the individual components of the Complex Order; provided that remaining interest may execute against any eligible Complex Orders received before legging occurs. If the remaining interest has a component that consists of the underlying security, such Complex Order will be placed on the CBOOK.

The System will treat any unexecuted remaining contracts in the incoming Complex Order as a new Complex Order, and will not initiate a new COLA. Such unexecuted remaining contracts, other than COLA Sweeps, will be placed on the CBOOK, subject to other instructions.

(ix) Exchange members and participants quoting and trading in open outcry shall not be eligible to participate in the electronic Complex Order System. In order to participate, such members and participants must submit COLA Sweeps and/or responsive Complex Orders electronically.

(f) Complex Limit Order Book ("CBOOK")

(i) Complex Orders must be entered onto the CBOOK in increments of $0.01. The individual components of a Complex Order may be executed in minimum increments of $0.01, regardless of the minimum increments applicable to such components. Such orders will be placed on the CBOOK by the System when the following conditions exist:

(A) When the Complex Order does not price-improve upon the cPBBO upon receipt;
(B) When the order is received before the expiration of the Complex Order Opening Process;
(C) When the Complex Order is received during a trading halt on the Exchange for any component of the Complex Order;
(D) When the Complex Order is received while the Exchange's automated execution System is disengaged for any options component of such Complex Order;
(E) When any options component of the Complex Order is a pre-opening order; or
(F) When the Complex Order is received during the final configurable number of seconds of the trading session after any marketable portion of the Complex Order is executed.

(ii) Phlx electronic market makers may submit one or more bids and/or offers known as Sweeps. A Sweep is a one-sided electronic quotation at a particular price submitted for execution against existing interest in a particular Complex Order Strategy, including against interest on the CBOOK ("CBOOK Sweep"). Any CBOOK Sweeps which do not execute immediately will expire.

(iii) Execution of Complex Orders in the CBOOK. Complex orders in the CBOOK will be executed without consideration of any prices that might be available on other exchanges trading the same contracts.

(A) A Complex Order resting on the CBOOK will execute automatically against: (1) quotes, orders on the limit order book for the individual options components of the order, or sweeps, except if any of the components is the underlying security or if the Complex Order is marked all-or-none, and provided that the Complex Order can be executed in full or in a permissible ratio by such quotes or orders (allocated in accordance with Exchange Rule 1014(g)(vii)); or (2) an incoming marketable Complex Order(s) that do(es) not trigger a COLA Timer, whichever arrives first.

(B) An incoming marketable Complex Order that does not trigger a COLA Timer will execute in the following order:

(1) First, against quotes or orders on the limit order book for the individual components of the order (provided that the Complex Order can be executed in full or in a permissible ratio by such quotes or orders), except if any of the components is the

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underlying security. Trades pursuant to this subparagraph (B)(1) will be allocated in accordance with Exchange Rule 1014(g)(vii); and

(2) Second, against non-broker-dealer customer Complex Orders and nonmarket maker broker-dealer Complex Orders resting in the CBOOK in price priority and, at the same price, against (i) non-broker-dealer customer Complex Orders in the order in which they were received; (ii) SQTs, RSQTs, non-SQT ROTs, specialists and non-Phlx market makers on another exchange on a size pro rata basis; and (iii) non-market-maker broker-dealer Complex Orders on a size pro rata basis, provided that any execution pursuant to this paragraph (f)(iii)(B)(2) complies with the requirements of subparagraph (c)(iii) above.

(3) A non-broker-dealer customer Complex Order will have priority over specialists, SQTs and RSQTs and off-floor broker-dealers bidding for and/or offering any options component(s) of the Complex Order Strategy at the same price, but not over non-broker-dealer customer orders representing any options component(s) of the Complex Order Strategy at the same price.

(C) Legging Orders. Legging Orders may be automatically generated on behalf of Complex Orders resting on the top of the CBOOK at a price that improves the cPBBO so that they are represented at the best bid and/or offer on the Exchange for the individual legs. The System will evaluate the CBOOK when a Complex Order enters the CBOOK and at a regular time interval, to be determined by the Exchange (which interval shall not exceed 1 second), following a change in the national best bid and/or offer ("NBBO") or Phlx best bid and/or offer ("PBBO") in any component of a Complex Order eligible to generate Legging Orders, to determine whether Legging Orders may be generated. The Exchange may determine to limit the number of Legging Orders generated on an objective basis and may determine to remove existing Legging Orders in order to maintain a fair and orderly market in times of extreme volatility or uncertainty.

A Legging Order is a limit order on the regular order book in an individual series that represents one leg of a two-legged Complex Order (which improves the cPBBO) that is to buy or sell an equal quantity of two options series resting on the CBOOK. Legging Orders are firm orders that are included in the Exchange's displayed best bid or offer. Legging Orders are not routable and are limit orders with a time-in-force of DAY, as they represent an individual component of a Complex Order.

(1) A Legging Order may be automatically generated for one leg of a Complex Order at a price: (i) that matches or improves upon the best Phlx displayed bid or offer; and (ii) at which the net price can be achieved when the other leg is executed against the best displayed bid or offer (other than Legging Orders). Legging Orders will not be generated if the Exchange or a particular option has not opened, is halted or is otherwise not available for trading. Similarly, the particular Complex Order Strategy must be available for trading.

(2) A Legging Order will not be created: (i) at a price that locks or crosses the best bid or offer of another exchange, (ii) if there is an auction on either side or a Posting Period under Rule 1099 regarding Acceptable Trade Range on the same side in progress in the series, (iii) the price of the Complex Order is outside of the ACE Parameter of Rule 1098(i), (iv) if there is already a Legging Order in that series on the same side of the market at the same price (unless it has priority based on the participant type, under existing Exchange rules), (v) the Complex Order is an All-or-None Order, or (vi) for a Complex Order if the generated Legging Order would immediately cause resting Legging Orders to be removed pursuant to section (f)(iii)(C)(4)(ix) below. Legging Orders may be generated and executed in an increment

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other than the minimum increment for that series and will be ranked on the order book at its generated price and displayed at a price that is rounded to the nearest minimum increment for that series. Two Legging Orders relating to the same Complex Order can be generated, but only one of those can execute as part of the execution of a particular Complex Order.

(3) A Legging Order is executed only after all other executable orders (including any non-displayed size) and quotes at the same price are executed in full. When a Legging Order is executed, the other leg of the Complex Order will be automatically executed against the displayed best bid or offer on the Exchange and any other Legging Order based on that Complex Order will be removed.

(4) A Legging Order is automatically removed from the regular order book : (i) if the price of the Legging Order is no longer at the Exchange's displayed best bid or offer on the regular limit order book, (ii) if execution of the Legging Order would no longer achieve the net price of the Complex Order when the other leg is executed against the Exchange's best displayed bid or offer on the regular limit order book (other than another Legging Order), (iii) if the Complex Order is executed in full or in part, (iv) if the Complex Order is cancelled or modified, (v) if the price of the Complex Order is outside the ACE Parameter of Rule 1098(i), (vi) upon receipt of a Qualified Contingent Cross Order which includes a component in which there is a Legging Order, an order that will trigger an auction under Exchange rules in a component in which there is a Legging Order (whether a buy order or a sell order), or pursuant to Rule 1087(f) a PIXL Order for the account of a public customer paired with an order for the account of a public customer, (vii) if a Legging Order is generated by a different Complex Order in the same leg at a better price or the same price for a participant with a higher priority, (viii) if a Complex Order is marketable against the cPBBO where a Legging Order is present and has more than one leg in common with the existing Complex Order that generated the Legging Order, (ix) if a Complex Order becomes marketable against multiple Legging Orders, (x) if a Complex Order consisting of an unequal quantity of components is marketable against the cPBBO where a Legging Order is present but cannot be executed due to insufficient size in at least one of the components in the cPBBO, (xi) if an incoming all-or-none order is entered onto the order book at a price which is equal to or crosses the price of a Legging Order, or (xii) when the Legging Order is on the book at a price which is not at the minimum price increment and which is more aggressive than the same side PBBO, and an away market moves to lock the PBBO (which is also the NBBO).

(g) Strategy Price Protection ("SPP"). SPP is a feature of the System that prevents certain Complex Order Strategies from trading at prices outside of pre-set standard limits. SPP will apply only to Vertical Spreads (defined below) and Time Spreads (defined below).

(i) Vertical Spread. A Vertical Spread is a Complex Order Strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have the same expiration but different strike prices.

(A) The SPP will calculate the maximum possible value of a Vertical Spread by subtracting the value of the lower strike price from the value of the higher strike price as between the two components. For example, a Vertical Spread consisting of the purchase of one January 30

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call and the sale of one January 35 call would have a maximum value of $5.00. The minimum possible value of a Vertical Spread is always zero.

(B) The SPP will ensure that a Vertical Spread will not trade at a net price of less than the minimum possible value (minus a pre-set value setting an acceptable range) or greater than the maximum possible value (plus a pre-set value setting an acceptable range).

(C) The pre-set value and acceptable range will be uniform for all options traded on the Exchange as determined by the Exchange and communicated to membership on the Exchange's website.

(ii) Time Spread. A Time Spread is a Complex Order Strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have different expirations but the same strike price.

(A) The maximum possible value of a Time Spread is unlimited. The minimum possible value of a Time Spread is zero.

(B) The SPP will ensure that a Time Spread will not trade at a price of less than zero (minus a pre-set value setting an acceptable range).

(iii) Protection. If the limits (on either side of the market) set forth in sub-paragraphs (i)(B) and (ii)(B) above would be violated by an execution, the System will cancel the order.

(h) Where one component of a Complex Order is the underlying security, the Exchange shall electronically communicate the underlying security component of a Complex Order to Nasdaq Execution Services, LLC ("NES"), its designated brokerdealer, for immediate execution. Such execution and reporting will occur otherwise than on the Exchange and will be handled by NES pursuant to applicable rules regarding equity trading. The execution price must be within the high-low range for the day in that stock at the time the Complex Order is processed and within a certain price from the current market, which the Exchange will establish in an Options Trader Alert. If the stock price is not within these parameters, the Complex Order is not executable.

When the short sale price test in Rule 201 of Regulation SHO is triggered for a covered security, NES will not execute a short sale order in the underlying covered security component of a Complex Order if the price is equal to or below the current national best bid. However, NES will execute a short sale order in the underlying covered security component of a Complex Order if such order is marked "short exempt," regardless of whether it is at a price that is equal to or below the current national best bid. If NES cannot execute the underlying covered security component of a Complex Order in accordance with Rule 201 of Regulation SHO, the Exchange will cancel back the Complex Order to the entering member organization. For purposes of this paragraph, the term "covered security" shall have the same meaning as in Rule 201(a)(1) of Regulation SHO.

(i) Acceptable Complex Execution ("ACE") Parameter. The ACE Parameter defines a price range outside of which a Complex Order will not be executed. The ACE Parameter is either a percentage or number defined by the Exchange and may be set at a different percentage or number for Complex Orders where one of the components is the underlying security. The ACE Parameter price range is based on the cNBBO at the time an order would be executed. A Complex Order to sell will not be executed at a price that is lower than the cNBBO bid by more than the ACE Parameter. A Complex Order to buy will not be executed at a price that is higher than the cNBBO offer by more than the ACE Parameter. A Complex Order or a portion of a Complex Order that cannot be executed within the ACE Parameter pursuant to this rule will be placed on the CBOOK. The Exchange will issue an Options Trader Alert ("OTA") to membership indicating the issue-by-issue ACE Parameters. The Exchange will also maintain a list of ACE Parameters on its website.

(i) Butterfly Spread Protection. The Butterfly Spread Protection will apply to a butterfly spread. A butterfly spread is a three legged Complex Order with the following: (1) two legs to buy (sell) the same number of calls (puts); (2) one leg to sell (buy) twice the number of calls (puts) with a strike price at mid-point of the two legs to buy (sell); (3) all legs have the same expiration; and (4) each leg strike price is equidistant from the next sequential strike price.

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(i) A Butterfly Spread including an order being auctioned and auction responses, that is priced higher than the Maximum Value or lower than the Minimum Value will be cancelled. A Butterfly Spread entered as a Market Order will be accepted but will be restricted from trading at a price higher than the Maximum Value or lower than the Minimum Value.

(a) The Initial Maximum Value is the distance between the strike price of the leg with the mid-point strike and either of the outer leg strike prices. The Maximum Value Buffer is the lesser of a configurable absolute dollar value or percentage of the Initial Maximum Value set by the Exchange and announced via a notice to members. The Maximum Value is calculated by adding the Initial Maximum Value and Maximum Value Buffer.

(b) The Initial Minimum Value is zero. The Minimum Value Buffer is a configurable absolute dollar value set by the Exchange and announced via a notice to members. The Minimum Value is calculated by subtracting the Minimum Value Buffer from the Initial Minimum Value of zero.

(ii) The Butterfly Spread Protection applies throughout the trading day, including pre-market, during the Opening Process and during Halts.

(j) Box Spread Protection. The Box Spread Protection will apply to a box spread. A box spread is a four legged Complex Order with the following: (1) one pair of legs with the same strike price with one leg to buy a call (put) and one leg to sell a put (call); (2) a second pair of legs with a different strike price from the pair described in (1) with one leg to sell a call (put) and one leg to buy a put (call); (3) all legs have the same expiration; and (4) all legs have equal volume.

(i) A Box Spread including an order being auctioned and auction responses, that is priced higher than the Maximum Value or lower than the Minimum Value will be cancelled. A Box Spread entered as a Market Order will be accepted but will be restricted from trading at a price higher than the Maximum Value or lower than the Minimum Value.

(a) The Initial Maximum Value is the distance between the strike prices of each pair of leg strike prices. The Maximum Value Buffer is the lesser of a configurable absolute dollar value or percentage of the Initial Maximum value set by the Exchange and announced via a notice to members. The Maximum Value is calculated by adding the Initial Maximum Value and Maximum Value Buffer.

(b) The Initial Minimum Value is zero. The Minimum Value Buffer is a configurable absolute dollar value set by the Exchange and announced via a notice to members. The Minimum Value is calculated by subtracting the Minimum Value Buffer from the Initial Minimum Value of zero.

(ii) The Box Spread Protection applies throughout the trading day, including premarket, during the Opening Process and during Halts.

Adopted.
May 27, 2016 (16-63), operative June 26, 2016.
Amendments.
October 18, 2017 (17-82).
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Nasdaq PHLX Rules, Regulation, Rule 1099. Risk Protections

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The following order protections apply to simple orders.

(a) The following are order protections on Phlx:

(1) **Order Price Protection ("OPP")**. OPP is a feature of the System that prevents certain day limit, good til cancelled, immediate or cancel, and all-or-none orders at prices outside of pre-set standard limits from being accepted by the System. OPP applies to all options but does not apply to market orders, stop limit orders, Intermarket Sweep Orders or complex orders.

(A) OPP is operational each trading day after the opening until the close of trading, except during trading halts.

(B) OPP will reject incoming orders that exceed certain parameters according to the following algorithm.

(i) If the better of the NBBO or the internal market BBO (the "Reference BBO") on the contra-side of an incoming order is greater than $1.00, orders with a limit more than 50% through such contra-side Reference BBO will be rejected by the System upon receipt.

(ii) If the Reference BBO on the contra-side of an incoming order is less than or equal to $1.00, orders with a limit more than 100% through such contra-side Reference BBO will be rejected by the System upon receipt.

(C) For purposes of this rule, the NBBO is defined as the PBBO for singly-listed issues.

(2) **Market Order Spread Protection**. Market Orders will be rejected if the best of the NBBO and the internal market PBBO (the "Reference PBBO") is wider than a preset threshold at the time the Market Order is received by the System. Market Order Spread Protection shall not apply to the Opening Process or during a trading halt. The Exchange may establish different thresholds for one or more series or classes of options.

(b) The following are order and quote protections on Phlx:

(1) **Acceptable Trade Range.**

(A) After the opening, the System will calculate an Acceptable Trade Range to limit the range of prices at which an order or quote (except an All-or-None Order) will be allowed to execute. The Acceptable Trade Range is calculated by taking the Reference Price, plus or minus a value to be determined by the Exchange. (i.e., the Reference Price - (x) for sell orders/quotes and the Reference Price + (x) for buy orders/quotes). Upon receipt of a new order/quote, the Reference Price is the National Best Bid ("NBB") for sell orders and the National Best Offer ("NBO") for buy orders/quotes or the last price at which the order/quote is posted whichever is higher for a buy order/quote or lower for a sell order/quote.

(B) If an order/quote reaches the outer limit of the Acceptable Trade Range (the "Threshold Price") without being fully executed, it will be posted at the Threshold Price for a brief period, not to exceed one second ("Posting Period"), to allow more liquidity to be collected, unless a Quote Exhaust has occurred, in which case the Quote Exhaust process in Rule 1082(a)(ii)(B)(3) will ensue, triggering a new Reference Price. Upon posting, either the current Threshold Price of the order or an updated NBB for buy orders or the NBO for sell orders (whichever is higher for a buy order/lower for a sell order) then becomes the Reference Price for calculating a new Acceptable Trade Range. If the order/quote remains unexecuted, a New Acceptable Trade Range will be calculated and the order/quote will execute, route, or post up to the new Acceptable Trade Range Threshold Price, unless a member organization has requested that their orders be returned if posted at the outer limit of the Acceptable Trade Range (in which case, the order will be returned). This process will repeat until either (i) the

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order/quote is executed, cancelled, or posted at its limit price or (ii) the order has been subject to a configurable number of instances of the Acceptable Trade Range as determined by the Exchange (in which case it will be returned).

(C) During the Posting Period, the Exchange will disseminate as a quotation: (i) the Threshold Price for the remaining size of the order triggering the Acceptable Trade Range and (ii) on the opposite side of the market, the best price will be displayed using the “non-firm” indicator message in accordance with the specifications of the network processor. Following the Posting Period, the Exchange will return to a normal trading state and disseminate its best bid and offer.

(c) The following protections apply to Specialists and Registered Options Traders on Phlx:

(1) **Anti-Internalization** - Quotes and orders entered by Specialists and Registered Options Traders (as defined in Rule 1014) using the same market participant identifier will not be executed against quotes and orders entered on the opposite side of the market by the same Specialist or Registered Options Trader using the same identifier. In such a case, the System will cancel the resting quote or order back to the entering party prior to execution. This functionality shall not apply in any auction or with respect to complex order transactions.

(2) **Automated Quotation Adjustments.**

(A) A specialist, Streaming Quote Trader or Remote Streaming Quote Trader (collectively "Market Maker") may provide a specified time period and a specified percentage (as these terms are defined below) by which the Exchange's Phlx XL system ("System") will automatically remove a Market Maker's quotes in all series of an underlying security submitted through designated Phlx protocols, as specified by the Exchange, during a specified time period established by the Market Maker not to exceed 15 seconds ("Percentage-Based Specified Time Period"). For each series in an option, the System will determine: (i) the percentage that the number of contracts executed in that series represents relative to the disseminated size, the original size quoted by the Market Maker, of each side in that series ("Series Percentage"); and (ii) the sum of the Series Percentage in the option issue ("Issue Percentage"). The System tracks and calculates the net impact of positions in the same option issue; long call percentages are offset by short call percentages, and long put percentages are offset by short put percentages in the Issue Percentage. If the Issue Percentage, rounded to the nearest integer, equals or exceeds a percentage established by a Market Maker, not less than 1% ("Specified Percentage"), the System will automatically remove a Market Maker's quotes in all series of the underlying security submitted through designated Phlx protocols, as specified by the Exchange, during the Percentage-Based Specified Time Period ("Percentage- Based Threshold"). A Percentage-Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System removes quotes as described in (iv) or (v) or the Percentage-Based Specified Time Period expires. A Percentage -Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Percentage-Based Specified Time Periods occurring simultaneously and such Percentage-Based Specified Time periods may overlap.

(B) A specialist, Streaming Quote Trader or Remote Streaming Quote Trader (collectively "Market Maker") may provide a specified time period and a volume threshold by which the Exchange's Phlx XL system ("System") will automatically remove a Market Maker's quotes in all series of an underlying security submitted through designated Phlx protocols, as specified by the Exchange, during a specified time period established by the Market Maker not to exceed 15 seconds ("Volume-Based Specified Time Period") when the Market Maker executes a number of contracts which equals or exceeds the designated number of contracts in all options series in an underlying security ("Volume-Based Threshold"). The Market Maker's Volume-Based Specified Time Period must be the same length of time as designated

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for purposes of the Percentage-Based Threshold. A Volume- Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System removes quotes as described in (iv) or (v) or the Volume-Based Specified Time Period expires. A Volume-Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Volume- Based Specified Time Periods occurring simultaneously and such Volume-Based Specified Time periods may overlap.

(C) A Market Maker or Market Maker Group (multiple affiliated Market Makers is a "Group"as defined by a Phlx member and provided by such member to the Exchange) may provide a Specified Time Period and number of allowable triggers by which the Exchange will automatically remove quotes in all options series in all underlying issues submitted through designated Phlx protocols, as specified by the Exchange ("Multi-Trigger Threshold"). During a specified time period(s) established by the Market Maker not to exceed 15 seconds ("Multi-Trigger Specified Time Period"), the number of times the System automatically removes the Market Maker's or Group's quotes in all options series will be based on the number of triggers of the Percentage-Based Threshold, described in (i) above, as well as the Volume-Based Threshold described in (ii) above. Once the System determines that the number of triggers equals or exceeds a number established by either the Market Maker or Group, during a Multi-Trigger Specified Time Period, the System will automatically remove all quotes in all options series in all underlying issues for that Market Maker or Group. A trigger is defined as the event which causes the System to automatically remove in all options series in an underlying issue. A Multi- Trigger Specified Time Period will commence after every trigger of either the Percentage-Based Threshold or the Volume-Based Threshold and will continue until the System removes quotes as described in (iv) or the Multi-Trigger Specified Time Period expires. The System counts triggers within the Multi-Trigger Specified Time Period across all triggers for the Market Maker or Group. A Multi-Trigger Specified Time Period operates on a rolling basis in that there may be multiple Multi-Trigger Specified Time Periods occurring simultaneously and such Multi-Trigger Specified Time Periods may overlap.

(D) The System will automatically remove quotes in all options in an underlying security when the Percentage-Based Threshold or Volume-Based Threshold has been reached. The System will automatically remove quotes in all options in all underlying securities when the Multi-Trigger Threshold has been reached. The System will send a Purge Notification Message to the Market Maker for all affected options when the above thresholds have been reached.

  (i) The Percentage-Based Threshold or Volume-Based Threshold and Multi-Trigger Threshold, are considered independently of each other.
  (ii) Quotes will be automatically executed up to the Market Maker's size regardless of whether the execution exceeds the Percentage-Based Threshold or Volume-Based Threshold.

(E) If a Market Maker requests the System to remove quotes in all options series in an underlying issue, the System will automatically reset the Percentage-Based Specified Time Period(s) or Volume-Based Specified Time Period(s). The Multi- Trigger Specified Time Period(s) will not automatically reset for the Multi-Trigger Threshold.

(F) When the System removes quotes as a result of the Percentage-Based Threshold or Volume-Based Threshold, the Market Maker must send a re-entry indicator to re-enter the System. When the System removes quotes as a result of the Multi- Trigger Threshold, the System will not accept quotes through designated protocols until the Market Maker manually requests re-entry. After quotes are removed as a result of the Multi-Trigger Threshold, Exchange staff must set a re-entry indicator in this case to enable re-entry, which will cause the System to send a Reentry Notification Message to the Market Maker for all options series in all underlying issues. The Market Maker's Clearing Firm will be notified regarding the trigger and

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re-entry into the System after quotes are removed as a result of the Multi-Trigger Threshold, provided the Market Maker's Clearing Firm has requested to receive such notification.

(G) The Exchange will require Market Makers to utilize either the Percentage- Based Threshold or the Volume-Based Threshold. The Multi-Trigger Threshold is optional.

Adopted.
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Nasdaq PHLX Rules, Regulation, Rule 1210. Registration Requirements

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Each person engaged in the securities business of a member shall be registered with the Exchange as a representative or principal in each category of registration appropriate to his or her functions and responsibilities as specified in Rule 1220, unless exempt from registration pursuant to Rule 1230. Such person shall not be qualified to function in any registered capacity other than that for which the person is registered, unless otherwise stated in the rules. The term “member” when used in this rule shall mean “member organization.”

• • • ***Supplementary Material:***

.01 Minimum Number of Registered Principals. Each member, except a member with only one associated person, shall have at least two officers or partners who are registered as General Securities Principals pursuant to Rule 1220(a)(2), provided that a member that is limited in the scope of its activities may instead have two officers or partners who are registered in a principal category under Rule 1220(a) that corresponds to the scope of the member's activities; and provided further that a proprietary trading firm with 25 or fewer registered representatives shall only be required to have one officer or partner who is registered as a principal. The requirement that a member have a minimum of two principals shall apply to persons seeking admission as members and existing members.

Pursuant to the 9600 Series, the Exchange may waive the requirement that a member have a minimum of two principals in situations that indicate conclusively that only one person associated with an applicant for membership or existing member should be required to register as a principal.

.02 Permissive Registrations. A member may make application for or maintain the registration as a representative or principal, pursuant to Rule 1220, of any associated person of the member and any individual engaged in the securities business of a foreign securities affiliate or subsidiary of the member. Individuals maintaining such permissive registrations shall be considered registered persons and subject to all Exchange rules, to the extent relevant to their activities.

Consistent with the requirements of the Exchange’s supervision rules, members shall have adequate supervisory systems and procedures reasonably designed to ensure that individuals with permissive registrations do not act outside the scope of their assigned functions. With respect to an individual who solely maintains a permissive registration(s), the individual's direct supervisor shall not be required to be a registered person. However, for purposes of compliance with the Exchange’s supervision rules, a member shall assign a registered supervisor who shall be responsible for periodically contacting such individual's direct supervisor to verify that the individual is not acting outside the scope of his or her assigned functions. If such individual is permissively registered as a representative, the registered supervisor shall be registered as a representative or principal. If the individual is permissively registered as a principal, the registered supervisor shall be registered as a principal. Moreover, the registered supervisor of an individual who solely maintains a permissive registration(s) shall not be required to be registered in the same representative or principal registration category as the permissively-registered individual.

.03 Qualification Examinations and Waivers of Examinations. Before the registration of a person as a representative can become effective under Rule 1210, such person shall pass the Securities Industry Essentials ("SIE") and an appropriate representative qualification examination as specified in Rule 1220(b). Before the registration of a person as a principal can become effective under Rule 1210, such person shall pass an appropriate principal qualification examination as specified in Rule 1220(a).

If the job functions of a registered representative, other than an individual registered as an Order Processing Assistant Representative, change so as to require the person to register in another representative category, the person shall not be required to pass the SIE. Rather, the registered person would need to pass only an appropriate representative qualification examination as specified in Rule

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1220(b). All associated persons shall be eligible to take the SIE. In addition, individuals who are not associated persons shall be eligible to take the SIE. However, passing the SIE alone shall not qualify an individual for registration with the Exchange. To be eligible for registration with the Exchange, an individual shall pass an applicable representative or principal qualification examination as specified in Rule 1220 and satisfy all other applicable prerequisite registration requirements.

Pursuant to the Rule 9600 Series, the Exchange may, in exceptional cases and where good cause is shown, waive the applicable qualification examination(s) and accept other standards as evidence of an applicant's qualifications for registration. Age or disability will not individually of themselves constitute sufficient grounds to waive a qualification examination. Experience in fields ancillary to the securities business may constitute sufficient grounds to waive a qualification examination. The Exchange shall only consider waiver requests submitted by a member for individuals associated with the member who are seeking registration in a representative or principal registration category. Moreover, the Exchange shall consider waivers of the SIE alone or the SIE and the applicable representative and principal examination(s) for such individuals. The Exchange shall not consider a waiver of the SIE for individuals who are not associated persons or for associated persons who are not registering with the Exchange as representatives or principals.

.04 Requirements for Registered Persons Functioning as Principals for a Limited Period. Subject to the requirements of Rule 1220.03, a member may designate any person currently registered, or who becomes registered, with the member as a representative to function as a principal for a period of 120 calendar days prior to passing an appropriate principal qualification examination as specified under Rule 1220(a), provided that such person has at least 18 months of experience functioning as a registered representative within the five-year period immediately preceding the designation and has fulfilled all applicable prerequisite registration, fee and examination requirements prior to designation as a principal. However, in no event may such person function as a principal beyond the initial 120 calendar day period without having successfully passed an appropriate principal qualification examination as specified under Rule 1220(a). The requirements above apply to designations to any principal category, including those categories that are not subject to a prerequisite representative registration requirement. Further, a person registered as an Order Processing Assistant Representative shall not be eligible to be designated as a principal under Supplementary Material .04 of this rule.

Subject to the requirements of Rule 1220.03, a member may designate any person currently registered, or who becomes registered, with the member as a principal to function in another principal category for a period of 120 calendar days prior to passing an appropriate qualification examination as specified under Rule 1220. However, in no event may such person function in such other principal category beyond the initial 120 calendar day period without having successfully passed an appropriate qualification examination as specified under Rule 1220.

.05 Rules of Conduct for Taking Examinations and Confidentiality of Examinations. Associated persons taking the SIE shall be subject to the SIE Rules of Conduct. Associated persons taking any representative or principal examination shall be subject to the Rules of Conduct for representative and principal examinations. A violation of the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations by an associated person shall be deemed to be a violation of Exchange rules requiring observance of high standards of commercial honor or just and equitable principles of trade. If the Exchange determines that an associated person has violated the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations, the associated person may forfeit the results of the examination and may be subject to disciplinary action by the Exchange. The Exchange considers all of the qualification examinations content to be highly confidential. The removal of examination content from an examination center, reproduction, disclosure, receipt from or passing to any person, or use for study purposes of any portion of such qualification examination or any other use that would compromise the effectiveness of the examinations and the use in any manner and at any time of the questions or answers to the examinations shall be prohibited and shall

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be deemed to be a violation of Exchange rules requiring observance of high standards of commercial honor or just and equitable principles of trade. An applicant cannot receive assistance while taking the examination and shall certify that no assistance was given to or received by him or her during the examination.

.06 Waiting Periods for Retaking a Failed Examination. Any person who fails to pass a qualification examination prescribed by the Exchange shall be permitted to take that examination again after a period of 30 calendar days has elapsed from the date of such person's last attempt to pass that examination, except that any person who fails to pass an examination three or more times in succession within a two-year period shall be prohibited from again taking that examination until a period of 180 calendar days has elapsed from the date of such person's last attempt to pass that examination

The waiting periods for retaking a failed examination shall apply to the SIE and the representative and principal examinations specified under Rule 1220.

.07 All Registered Persons Must Satisfy the Regulatory Element of Continuing Education. All "covered persons" as defined in Rule 1240(a)(5), including those individuals who solely maintain permissive registrations pursuant to Rule 1210.02, shall satisfy the Regulatory Element of continuing education as specified in Rule 1240(a).

If a person registered with a member has a continuing education deficiency with respect to that registration as provided under Rule 1240(a), such person shall not be permitted to be registered in another registration category with the Exchange under Rule 1220 with that member or to be registered in any registration category with the Exchange under Rule 1220 with another member, until the person has satisfied the deficiency.

.08 Lapse of Registration and Expiration of SIE. Any person who was last registered as a representative two or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a representative shall be required to pass a representative qualification examination appropriate to his or her category of registration as specified in Rule 1220(b). Any person who last passed the SIE or who was last registered as a representative, whichever occurred last, four or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a representative shall be required to pass the SIE in addition to a representative qualification examination appropriate to his or her category of registration as specified in Rule 1220(b).

Any person who was last registered as a principal two or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a principal shall be required to pass a principal qualification examination appropriate to his or her category of registration as specified in Rule 1220(a).

Any person whose registration has been revoked pursuant to Rule 8310 shall be required to pass a principal or representative qualification examination appropriate to his or her category of registration as specified in Rule 1220(a) or Rule 1220(b), respectively, to be eligible for registration with the Exchange.

For purposes of Supplementary Material .08 of this Rule, an application shall not be considered to have been received by the Exchange if that application does not result in a registration.

.09 Waiver of Examinations for Individuals Working for a Financial Services Industry Affiliate of a Member. Upon request by a member, the Exchange shall waive the applicable qualification examination(s) for an individual designated with the Exchange as working for a financial services industry affiliate of a member if the following conditions are met:

(a) Prior to the individual's initial designation, the individual was registered as a representative or principal for a total of five years within the most recent 10- year period, including for the most recent year with the member that initially designated the individual;
(b) The waiver request is made within seven years of the individual's initial designation;

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(c) The initial designation and any subsequent designation(s) were made concurrently with the filing of the individual's related Form U5;

(d) The individual continuously worked for the financial services industry affiliate(s) of a member since the individual's last Form U5 filing;

(e) The individual has complied with the Regulatory Element of continuing education as specified in Rule 1240(a); and

(f) The individual does not have any pending or adverse regulatory matters, or terminations, that are reportable on the Form U4, and has not otherwise been subject to a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act while the individual was designated as eligible for a waiver.

As used in Supplementary Material .09 of this Rule, a "financial services industry affiliate of a member" is a legal entity that controls, is controlled by or is under common control with a member and is regulated by the SEC, Commodity Futures Trading Commission, state securities authorities, federal or state banking authorities, state insurance authorities, or substantially equivalent foreign regulatory authorities.

.10 Status of Persons Serving in the Armed Forces of the United States. The following provisions address the status of current and former registered persons serving in active duty in the Armed Forces of the United States:

(a) Inactive Status of Currently Registered Persons

A registered person of a member who volunteers for or is called into active duty in the Armed Forces of the United States shall be placed, after proper notification to the Exchange, on inactive status and need not be re-registered by such member upon his or her return to active employment with the member. Such person shall remain eligible to receive transaction-related compensation, including continuing commissions. The employing member also may allow such person to enter into an arrangement with another registered person of the member to take over and service the person's accounts and to share transaction-related compensation based upon the business generated by such accounts. However, because such persons are inactive, they may not perform any of the functions and responsibilities performed by a registered person.

A registered person who is placed on inactive status pursuant to this paragraph (a) shall not be included within the scope of fees, if any, charged by the Exchange with respect to registered persons. In addition, a registered person who is placed on inactive status pursuant to this paragraph (a) shall not be required to complete either the Regulatory Element or Firm Element set forth in Rule 1240 during the pendency of such inactive status.

The relief provided in this paragraph (a) shall be available to a registered person who is placed on inactive status pursuant to this paragraph (a) during the period that such person remains registered with the member with which he or she was registered at the beginning of active duty in the Armed Forces of the United States, regardless of whether the person returns to active employment with another member upon completion of his or her active duty in the Armed Forces of the United States.

The relief described in this paragraph (a) shall be provided only to a person registered with a member and only while the person remains on active military duty. Further, the member with which such person is registered shall promptly notify the Exchange in such manner as the Exchange may specify of such person's return to active employment with the member.

(b) Inactive Status of Sole Proprietorships

A member that is a sole proprietor who temporarily closes his or her business by reason of volunteering for or being called into active duty in the Armed Forces of the United States,

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shall be placed, after proper notification to the Exchange, on inactive status while the member remains on active military duty.

A sole proprietor member placed on inactive status as set forth in this paragraph (b) shall not be required to pay dues or assessments during the pendency of such inactive status and shall not be required to pay an admission fee upon return to active participation in the securities business.

The relief described in this paragraph (b) shall be provided only to a sole proprietor member and only while the person remains on active military duty. Further, the sole proprietor shall promptly notify the Exchange in such manner as the Exchange may specify of his or her return to active participation in the securities business.

(c) Status of Formerly Registered Persons

If a person who was formerly registered with a member volunteers for or is called into active duty in the Armed Forces of the United States at any time within two years after the date the person ceased to be registered with a member, the Exchange shall defer the lapse of registration requirements set forth in Rule 1210.08 (i.e., toll the two-year expiration period for representative and principal qualification examinations) and the lapse of the SIE (i.e., toll the four-year expiration period for the SIE). The Exchange shall defer the lapse of registration requirements and the SIE commencing on the date the person begins actively serving in the Armed Forces of the United States, provided that the Exchange is properly notified of the person's period of active military service within 90 days following his or her completion of active service or upon his or her reregistration with a member, whichever occurs first. The deferral will terminate 90 days following the person's completion of active service in the Armed Forces of the United States. Accordingly, if such person does not re-register with a member within 90 days following his or her completion of active service in the Armed Forces of the United States, the amount of time in which the person must become re-registered with a member without being subject to a representative or principal qualification examination or the SIE shall consist of the standard two-year period for representative and principal qualification examinations or the standard four-year period for the SIE, whichever is applicable, as provided in Rule 1210.08 reduced by the period of time between the person's termination of registration and beginning of active service in the Armed Forces of the United States.

If a person placed on inactive status while serving in the Armed Forces of the United States ceases to be registered with a member, the Exchange shall defer the lapse of registration requirements set forth in Rule 1210.08 (i.e., toll the two-year expiration period for representative and principal qualification examinations) and the lapse of the SIE (i.e., toll the four-year expiration period for the SIE) during the pendency of his or her active service in the Armed Forces of the United States. The Exchange shall defer the lapse of registration requirements based on existing information in the CRD system, provided that the Exchange is properly notified of the person's period of active military service within two years following his or her completion of active service or upon his or her re-registration with a member, whichever occurs first. The deferral shall terminate 90 days following the person's completion of active service in the Armed Forces of the United States. Accordingly, if such person does not re-register with a member within 90 days following his or her completion of active service in the Armed Forces of the United States, the amount of time in which the person must become re-registered with a member without being subject to a representative or principal qualification examination or the SIE shall consist of the standard two-year period for representative and principal qualification examinations or the standard four-year period for the SIE, whichever is applicable, as provided in Rule 1210.08.

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.11 Impermissible Registrations. Members shall not register or maintain the registration of any person unless consistent with the requirements of Rule 1210.

.12 Application for Registration and Jurisdiction

(a) **Application for Registration**

(1) Application by any person for registration with the Exchange, properly signed by the applicant, shall be made to the Exchange on Form U4 via the CRD system, and shall contain:

(A) an agreement to comply with the federal securities laws, the rules and regulations thereunder, the Exchange Rules, and all rulings, orders, directions, and decisions issued and sanctions imposed under the Exchange Rules; and

(B) such other reasonable information with respect to the applicant as the Exchange may require.

(2) The Exchange shall not approve an application for registration of any person who is not eligible to be an associated person of an Exchange member under Exchange rules.

(3) Every application for registration filed with the Exchange shall be kept current at all times by supplementary amendments to Form U4 via the CR D system. Such amendments to the application shall be filed with the Exchange not later than 30 days after the applicant learns of the facts or circumstances giving rise to the amendment. If such amendment involves a statutory disqualification, such amendment shall be filed not later than ten days after such disqualification occurs.

(b) Notification by Member to the Exchange and Associated Person of Termination; Amendment to Notification

(1) Following the termination of the association with an Exchange member of a person who is registered with it, such Exchange member shall, not later than 30 days after such termination, give notice of the termination of such association to the Exchange via the CRD system using Form U5, and concurrently shall provide to the person whose association has been terminated a copy of said notice as filed with the Exchange . An Exchange member that does not submit such notification and provide a copy to the person whose association has been terminated, within the time period prescribed, shall be assessed any late filing fee that is specified by Exchange Rules. Termination of registration of such person associated with an Exchange member shall not take effect so long as any complaint or action under the Exchange Rules is pending against an Exchange member and to which complaint or action such person associated with an Exchange member is also a respondent, or so long as any complaint or action is pending against such person individually under the Exchange Rules. The Exchange, however, may in its discretion declare the termination effective at any time.

(2) The Exchange member shall notify the Exchange, via the CRD system, by means of an amendment to the notice filed pursuant to paragraph (1) in the event that the Exchange member learns of facts or circumstances causing any information set forth in said notice to become inaccurate or incomplete. Such amendment shall be filed with the Exchange via the CRD system, and a copy provided to the person whose association with the Exchange member has been terminated not later than 30 days after the Exchange member learns of the facts or circumstances giving rise to the amendment.

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(c) No Exchange member shall permit any person associated with the Exchange member to engage in the securities business unless the Exchange member determines that such person satisfies the qualification requirements established by the Exchange Board and is not subject to statutory disqualification.

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Nasdaq PHLX Rules, Regulation, Rule 1220. Registration Categories

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The term “member” when used in this rule shall mean “member organization.”

(a) **Definition of Principal and Principal Registration Categories**

(1) **Definition of Principal**

A “principal” is any person associated with a member, including, but not limited to, sole proprietor, officer, partner, manager of office of supervisory jurisdiction, director or other person occupying a similar status or performing similar functions, who is actively engaged in the management of the member’s securities business, such as supervision, solicitation, conduct of business in securities or the training of persons associated with a member for any of these functions. Such persons shall include, among other persons, a member’s chief executive officer and chief financial officer (or equivalent officers).

A “principal” also includes any other person associated with a member who is performing functions or carrying out responsibilities that are required to be performed or carried out by a principal under Exchange rules.

The term “actively engaged in the management of the member’s securities business” includes the management of, and the implementation of corporate policies related to, such business. The term also includes managerial decision-making authority with respect to the member’s securities business and management-level responsibilities for supervising any aspect of such business, such as serving as a voting member of the member’s executive, management or operations committees.

(2) **General Securities Principal**

(A) **Requirement**

Each principal as defined in paragraph (a)(1) of this Rule shall be required to register with the Exchange as a General Securities Principal, subject to the following exceptions:

(i) if a principal’s activities are limited to the functions of a Compliance Official, a Financial and Operations Principal, a Securities Trader Principal, a Securities Trader Compliance Officer, or a Registered Options Principal as specified in paragraphs (a)(3) through (a)(8) of this Rule, then such person shall appropriately register in one or more of those categories;

(ii) Reserved.

(iii) if a principal’s activities are limited solely to the functions of a General Securities Sales Supervisor as specified in paragraph (a)(10) of this Rule, then such person may appropriately register in that category in lieu of registering as a General Securities Principal, provided, however, that if such person is engaged in options sales activities, such person shall be required to register with the Exchange as a Registered Options Principal

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as specified in paragraph (a)(8) of this Rule or as a General Securities Sales Supervisor as specified in paragraph (a)(10) of this Rule; and

(iv) Reserved.

(B) **Qualifications**

Subject to the lapse of registration provisions in Rule 1210.08, each person registered as a Corporate Securities Representative on the Exchange and a General Securities Principal on October 1, 2018 and each person who was registered as a Corporate Securities Representative on the Exchange and a General Securities Principal within two years prior to October 1, 2018 shall be qualified to register as a General Securities Principal without passing any additional qualification examinations, provided that his or her supervisory responsibilities in the securities business of a member are limited to corporate securities activities of the member.

All other individuals registering as General Securities Principals after October 1, 2018 shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and pass the General Securities Principal qualification exam.

(3) **Compliance Official**

(A) **Requirement**

Subject to the exception in paragraph (a)(3)(C) of this Rule, each person designated as a Chief Compliance Officer on Schedule A of Form BD shall be required to register with the Exchange as a General Securities Principal, provided that such person may instead register as a Compliance Official if his or her duties do not include supervision of trading.

(B) **Qualifications**

All individuals registering as Compliance Official shall, prior to or concurrent with such registration, pass the Compliance Official qualification examination.

(C) Exception - Principals

An individual designated as a Chief Compliance Officer on Schedule A of Form BD of a member that is engaged in limited securities business may be registered in a principal category under Rule 1220(a) that corresponds to the limited scope of the member's business.

(D) **Exception - Securities Trader Compliance Officer**

An individual designated as a Chief Compliance Officer on Schedule A of Form BD may register and qualify as a Securities Trader Compliance Officer if, with respect to transactions in equity, preferred or convertible debt securities, or options such person is engaged in proprietary trading, the execution of transactions on an agency basis, or the direct supervision of such activities other than a person associated with a member whose trading activities are conducted principally on behalf of an investment company that is registered with the SEC pursuant to the Investment Company Act and that controls, is controlled by, or is under common control with a member. All individuals registering as Securities Trader Compliance

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Officers shall become registered pursuant to paragraph (b)(4) of this Rule as a Securities Trader and pass the Compliance Official qualification exam.

(4) **Financial and Operations Principal**

(A) **Requirement.**

Every member of the Exchange that is operating pursuant to the provisions of SEC Rule 15c3-1(a)(1)(ii), (a)(2)(i) or (a)(8), shall designate at least one Financial and Operations Principal who shall be responsible for performing the duties described in subparagraph (B) hereof. Each person associated with a member who performs

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such duties shall be required to register as a Financial and Operations Principal with the Exchange.

(B) The term Financial and Operations Principal shall mean a person associated with a member whose duties include:

(i) final approval and responsibility for the accuracy of financial reports submitted to any duly established securities industry regulatory body;
(ii) final preparation of such reports;
(iii) supervision of individuals who assist in the preparation of such reports;
(iv) supervision of and responsibility for individuals who are involved in the actual maintenance of the member's books and records from which such reports are derived;
(v) supervision and/or performance of the member's responsibilities under all financial responsibility rules promulgated pursuant to the provisions of the Act;
(vi) overall supervision of and responsibility for the individuals who are involved in the administration and maintenance of the member's back office operations; and
(vii) any other matter involving the financial and operational management of the member.

The requirements of paragraph (a)(4)(A) of this Rule shall not apply to a member that is exempt from the requirement to designate a Financial and Operations Principal.

(C) **Qualifications**

All individuals registering as a Financial and Operations Principal shall pass the Financial and Operations Principal qualification examination before such registration may become effective.

(D) A person registered solely as a Financial and Operations Principal shall not be qualified to function in a principal capacity with responsibility over any area of business activity not described in subparagraph (2) hereof.

(5) **Investment Banking Principal.** Reserved.

(6) **Research Principal**. Reserved.

(7) **Securities Trader Principal**

(A) **Requirement**

Each principal as defined in paragraph (a)(1) of this Rule who is responsible for supervising the securities trading activities specified in paragraph (b)(4) of this Rule shall be required to register with the Exchange as a Securities Trader Principal.

(B) **Qualifications**

Each person seeking to register as a Securities Trader Principal shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(4) of this Rule as a Securities Trader and pass the General Securities Principal qualification examination.

(8) **Registered Options Principal**

(A) **Requirement**

Each member that is engaged in transactions in options with the public shall have at least one Registered Options Principal. In addition, each principal as defined in paragraph (a)(1) of this Rule who is responsible for supervising a member's options

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sales practices with the public shall be required to register with the Exchange as a Registered Options Principal, subject to the following exception. If a principal's options activities are limited solely to those activities that may be supervised by a General Securities Sales Supervisor, then such person may register as a General Securities Sales Supervisor pursuant to paragraph (a)(10) of this Rule in lieu of registering as a Registered Options Principal.

(B) **Qualifications**

Subject to the lapse of registration provisions in Rule 1210.08, each person registered as a Registered Options Principal on October 1, 2018 and each person who was registered as a Registered Options Principal within two years prior to October 1, 2018 shall be qualified to register as a Registered Options Principal without passing any additional qualification examinations. All other individuals registering as Registered Options Principals after October 1, 2018 shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and pass the Registered Options Principal qualification examination.

(9) **Government Securities Principal.**

Reserved.

(10) **General Securities Sales Supervisor**

(A) **Principals Engaged in Limited Activities**

Each principal as defined in paragraph (a)(1) of this Rule may register with the Exchange as a General Securities Sales Supervisor if his or her supervisory responsibilities in the securities business of a member are limited to the securities sales activities of the member, including the approval of customer accounts, training of sales and sales supervisory personnel and the maintenance of records of original entry or ledger accounts of the member required to be maintained in branch offices by Exchange Act record-keeping rules.

A person registered solely as a General Securities Sales Supervisor shall not be qualified to perform any of the following activities:

(i) Reserved;
(ii) supervision of market making commitments;
(iii) supervision of the custody of broker-dealer or customer funds or securities for purposes of Exchange Act Rule 15c3-3; or
(iv) supervision of overall compliance with financial responsibility rules for broker-dealers promulgated pursuant to the provisions of the Exchange Act.

(B) **Qualifications**

Each person seeking to register as a General Securities Sales Supervisor shall, prior to or concurrent with such registration become registered pursuant to

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paragraph (b)(2) of this Rule as a General Securities Representative and pass the General Securities Sales Supervisor qualification examinations.

(11) **Investment Company and Variable Contracts Products Principal.**

Reserved.

(12) **Direct Participation Programs Principal.**

Reserved.

(13) **Private Securities Offerings Principal.**

Reserved.

(14) **Supervisory Analyst.**

Reserved.

(b) **Definition of Representative and Representative Registration Categories**

(1) **Definition of Representative**

A "representative" is any person associated with a member, including assistant officers other than principals, who is engaged in the member's securities business, such as supervision, solicitation, conduct of business in securities or the training of persons associated with a member for any of these functions.

(2) **General Securities Representative**

(A) **Requirement**

Each representative as defined in paragraph (b)(1) of this Rule shall be required to register with the Exchange as a General Securities Representative, subject to the following exception: if a representative's activities include the functions of a Securities Trader, as specified in this Rule, then such person shall appropriately register as a Securities Trader.

(B) **Qualifications**

Subject to the lapse of registration provisions in Rule 1210.08, each person registered as a General Securities Representative on October 1, 2018 and each person who was registered as a General Securities Representative within two years prior to October 1, 2018 shall be qualified to register as a General Securities Representative without passing any additional qualification examinations. All other individuals registering as General Securities Representatives after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the General Securities Representative qualification examination.

(3) **Operations Professional.**

Reserved.

(4) **Securities Trader**

(A) **Requirement**

Each representative as defined in paragraph (b)(1) of this Rule shall be required to register with the Exchange as a Securities Trader if, with respect to transactions in equity, preferred or convertible debt securities, or options such person is engaged in proprietary trading, the execution of transactions on an agency basis, or the direct supervision of such activities other than a person associated with a member whose trading activities are conducted principally on behalf of an investment company that is registered with the SEC pursuant to the Investment Company Act and that controls, is controlled by, or is under common control with a member. In

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addition, each person associated with a member who is: (i) primarily responsible for the design, development or significant modification of an algorithmic trading strategy relating to equity, preferred or convertible debt securities or options; or (ii) responsible for the day-to-day supervision or direction of such activities shall be required to register with the Exchange as a Securities Trader. For purposes of paragraph (b)(4) of this Rule, an "algorithmic trading strategy" is an automated system that generates or routes orders (or order-related messages) but shall not include an automated system that solely routes orders received in their entirety to a market center.

(B) **Qualifications**

Subject to the lapse of registration provisions in Rule 1210.08, each person registered as a Securities Trader on October 1, 2018 and each person who was registered as a Securities Trader within two years prior to October 1, 2018 shall be qualified to register as a Securities Trader without passing any additional qualification examinations. All other individuals registering as Securities Traders after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the Securities Trader qualification examination.

(5) **Investment Banking Representative** – Reserved

(6) **Research Analyst** – Reserved.

(7) **Investment Company and Variable Products Representative** – Reserved.

(8) **Direct Participation Programs Representative** – Reserved.

(9) **Private Securities Offerings Representative** - Reserved.

• • • ***Supplementary Material:***

.01. Foreign Registrations. Persons who are in good standing as a representative with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator shall be exempt from the requirement to pass the SIE.

.02 Additional Qualification Requirements for Persons Engaged in Security Futures Activities. Each person who is registered with the Exchange as a General Securities Representative, Options Representative, Registered Options Principal or General Securities Sales Supervisor shall be eligible to engage in security futures activities as a representative or principal, as applicable, provided that such individual completes a Firm Element program as set forth in Rule 1240 that addresses security futures products before such person engages in security futures activities.

.03 Members With One Registered Options Principal. A member that has one Registered Options Principal shall promptly notify the Exchange in the event such person is terminated, resigns, becomes incapacitated or is otherwise unable to perform the duties of a Registered Options Principal. Following receipt of such notification, the Exchange shall require the member to agree, in writing, to refrain from engaging in any options-related activities that would necessitate the prior or subsequent approval of a Registered Options Principal until such time as a new Registered Options Principal has been qualified. Members failing to qualify a new Registered Options Principal within two weeks following the loss of their sole Registered Options Principal, or by the earliest available date for administration of the Registered Options Principal examination, whichever is longer, shall be required to cease doing an options business; provided, however, they may effect closing transactions in options to reduce or eliminate existing open options positions in their own account as well as the accounts of their customers.

.04 Scope of General Securities Sales Supervisor Registration Category. The General Securities Sales Supervisor category is an alternate category of registration designed to lessen the qualification burdens on principals of general securities firms who supervise sales. Without this category of limited registration, such principals would be required to separately qualify pursuant to the rules

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of multiple exchanges. While persons may continue to separately qualify with all relevant self-regulatory organizations, the General Securities Sales Supervisor examinations permit qualification as a supervisor of sales of all securities through one registration category. Persons registered as General Securities Sales Supervisors may also qualify in any other category of principal registration. Persons who are already qualified in one or more categories of principal registration may supervise sales activities of all securities by also qualifying as General Securities Sales Supervisors. Any person required to be registered as a principal who supervises sales activities in corporate, municipal and option securities, investment company products, variable contracts, direct participation program securities and security futures may be registered solely as a General Securities Sales Supervisor. In addition to branch office managers, other persons such as regional and national sales managers may also be registered solely as General Securities Sales Supervisors as long as they supervise only sales activities.

.05 Scope of Operations Professional Requirement. Reserved.

.06 Eliminated Registration Categories. Subject to the lapse of registration provisions in Rule 1210.08, each person who is registered with the Exchange in any capacity recognized by the Exchange immediately prior to October 1, 2018, and each person who was registered with the Exchange in such categories within two years prior to October 1, 2018, shall be eligible to maintain such registrations with the Exchange. However, if persons registered in such categories subsequently terminate such registration(s) with the Exchange and the registration remains terminated for two or more years, they shall not be eligible to re-register in such categories.

Persons registered as Order Processing Assistant Representatives shall be subject to the following conditions: (a) An Assistant Representative—Order Processing may not solicit transactions or new accounts on behalf of the member, render investment advice, make recommendations to customers regarding the appropriateness of securities transactions, or effect transactions in securities markets on behalf of the member. Persons registered in this category may not be registered concurrently in any other capacity. (b) Compensation--Members may only compensate Assistant Representatives—Order Processing on an hourly wage or salaried basis and may not in any way, directly or indirectly, relate their compensation to the number or size of transactions effected for customers. This provision shall not prohibit persons registered in this capacity from receiving bonuses or other compensation based on a member's profit sharing plan or similar arrangement. (c) Supervision--The activities of Assistant Representatives—Order Processing may only be conducted at a business location of the member that is under the direct supervision of an appropriately registered principal.

.07 Summary of Qualification Requirements. The following sets forth the qualification requirements for each of the required registration categories described in Rule 1220:

CATEGORY OF REGISTRATION	**QUALIFICATION BEGINNING OCTOBER 1, 2018**
General Securities Principal (GP) *	Registration as a General Securities Representative and pass the General Securities Principal qualification examination (Series 24)
Compliance Official (CO) *	Pass the Compliance Official Exam (Series 14)
Financial and Operations Principal (FN) *	Pass the Financial and Operations Principal qualification examination (Series 27)
Securities Trader Principal (TP) *	Registration as a Securities Trader and pass the General Securities Principal qualification examination (Series 24)
Registered Options Principal (OP) *	Registration as General Securities Representative and pass the Registered

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	Options Principal qualification examination (Series 4)
General Securities Sales Supervisor (SU)	Registration as a General Securities Representative and pass the General Securities Sales Supervisor qualification examinations (Series 9 and Series 10)
General Securities Representative (GS)	Pass the SIE and the General Securities Representative qualification examination (Series 7)
Securities Trader (TD)	Pass the SIE and the Securities Trader qualification examination (Series 57)
Securities Trader Compliance Officer (CT)	Registration as a Securities Trader and pass the Compliance Official Exam (Series 14)

* A member may designate a person registered with the member as a representative to function as a principal for a period of 120 calendar days prior to passing an appropriate principal qualification examination subject to the conditions of Rule 1210.04

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Nasdaq PHLX Rules, Regulation, Rule
1230. Associated Persons Exempt from Registration

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The term “member” when used in this rule shall mean “member organization.” The following persons associated with a member are not required to be registered with the Exchange:

(1) persons associated with a member whose functions are solely and exclusively clerical or ministerial;
(2) persons associated with a member whose functions are related solely and exclusively to:

- (A) effecting transactions on the floor of another national securities exchange and who are appropriately registered with such exchange;
- (B) transactions in municipal securities;
- (C) transactions in commodities;
- (D) transactions in security futures, provided that any such person is registered with FINRA or a registered futures association; or
- (E) transactions in variable contracts and insurance premium funding programs and other contracts issued by an insurance company;
- (F) transactions in direct participation programs;
- (G) Reserved
- (H) transactions in government securities; or
- (I) effecting sales as part of a primary offering of securities not involving a public offering pursuant to Section 3(b), 4(2), or 4(6) of the Securities Act of 1933 and the rules and regulations thereunder.

(3) Persons associated with a member that are not citizens, nationals, or residents of the United States or any of its territories or possessions and that will conduct all of their securities activities in areas outside the jurisdiction of the United States and will not engage in any securities activities with or for any citizen, national or resident of the United States.

• • • ***Supplementary Material:***

01. Registration Requirements for Associated Persons Who Accept Customer Orders. The function of accepting customer orders is not considered a clerical or ministerial function. Each person associated with a member who accepts customer orders under any circumstances shall be registered in an appropriate registration category pursuant to Rule 1220. An associated person shall not be considered to be accepting a customer order where occasionally, when an appropriately registered person is unavailable, the associated person transcribes order details submitted by a customer and the registered person contacts the customer to confirm the order details before entering the order.

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Nasdaq PHLX Rules, Regulation, Rule 1240. Continuing Education Requirements

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The term “member” when used in this Rule shall mean “member organization.” This Rule prescribes requirements regarding the continuing education of specified persons subsequent to their initial registration with the Exchange. The requirements shall consist of a Regulatory Element and a Firm Element as set forth below.

(a) **Regulatory Element**

(1) **Requirements**

All covered persons shall comply with the requirement to complete the Regulatory Element.

Each covered person shall complete the Regulatory Element on the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within 120 days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle of anniversary dates for purposes of this Rule. The content of the Regulatory Element shall be appropriate to either the registered representative or principal status of the person subject to the Rule. The content of the Regulatory Element for a person designated as eligible for a waiver pursuant to Rule 1210.09 shall be determined based on the person’s most recent registration status and the Regulatory Element shall be completed based on the same cycle had the person remained registered.

(2) **Failure to Complete**

Unless otherwise determined by the Exchange, any covered persons who have not completed the Regulatory Element within the prescribed time frames will have their registrations deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity requiring registration. Further, such person may not accept or solicit business or receive any compensation for the purchase or sale of securities. However, such person may receive trail or residual commissions resulting from transactions completed before the inactive status, unless the member with which such person is associated has a policy prohibiting such trail or residual commissions. A registration that is inactive for a period of two years will be administratively terminated. A person whose registration is so terminated may reactivate the registration only by reapplying for registration and meeting the qualification requirements of the applicable provisions of Rules 1210 and 1220. The Exchange may, upon application and a showing of good cause, allow for additional time for a covered person to satisfy the program requirements. If a person designated as eligible for a waiver pursuant to

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Rule 1210.09 fails to complete the Regulatory Element within the prescribed time frames, the person shall no longer be eligible for such a waiver.

(3) **Disciplinary Actions**

Unless otherwise determined by the Exchange, a covered person other than a person designated as eligible for a waiver pursuant to Rule 1210.09 will be required to retake the Regulatory Element and satisfy all of its requirements in the event such person:

(A) is subject to any statutory disqualification as defined in Section 3(a)(39) of the Exchange Act;

(B) is subject to suspension or to the imposition of a fine of $5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(C) is ordered as a sanction in a disciplinary action to retake the Regulatory Element by any securities governmental agency or self-regulatory organization.

The retaking of the Regulatory Element shall commence with participation within 120 days of the covered person becoming subject to the statutory disqualification, in the case of (A) above, or the disciplinary action becoming final, in the case of (B) and (C) above. The date of the disciplinary action shall be treated as such person's new base date with the Exchange.

(4) **Reassociation in a Registered Capacity**

Any covered person who has terminated association with a member and who has, within two years of the date of termination, become reassociated in a registered capacity with a member shall participate in the Regulatory Element at such intervals that may apply (second anniversary and every three years thereafter) based on the initial registration anniversary date rather than based on the date of reassociation in a registered capacity.

(5) **Definition of Covered Person**

For purposes of this Rule, the term "covered person" means any person registered with the Exchange pursuant to Rule 1210, including any person who is permissively registered pursuant to Rule 1210.02, and any person who is designated as eligible for a waiver pursuant to Rule 1210.09.

(6) **Delivery of the Regulatory Element**

The continuing education Regulatory Element will be administered through Web-based delivery or such other technological manner and format as specified by the Exchange.

(7) **Regulatory Element Contact Person**

Each member shall designate and identify (by name and e-mail address) an individual or individuals responsible for receiving e-mail notifications provided via the Central Registration Depository regarding when a covered person is approaching the end of his or her Regulatory Element time frame and when a covered person is deemed inactive due to failure to complete the requirements of the Regulatory Element program. Each member shall identify, review, and, if necessary, update the information regarding its Regulatory Element contact person(s) in the manner prescribed by Exchange Rules.

(b) **Firm Element**

(1) **Persons Subject to the Firm Element**

The requirements of this subparagraph shall apply to any person registered with a member who has direct contact with customers in the conduct of the member's securities sales and trading activities, and to the immediate supervisors of such persons (collectively, "covered

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registered persons"). "Customer" shall mean any natural person and any organization, other than another broker or dealer, executing securities transactions with or through a member.

(2) **Standards for the Firm Element**

(A) Each member must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skill, and professionalism. At a minimum, each member shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the member's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If a member's analysis establishes the need for supervisory training for persons with supervisory responsibilities, such training must be included in the member's training plan.

(B) Minimum Standards for Training Programs — Programs used to implement a member's training plan must be appropriate for the business of the member and, at a minimum must cover training in ethics and professional responsibility and the following matters concerning securities products, services, and strategies offered by the member:

(i) General investment features and associated risk factors;
(ii) Suitability and sales practice considerations; and
(iii) Applicable regulatory requirements.

(C) Administration of Continuing Education Program — A member must administer its continuing education programs in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(3) **Participation in the Firm Element**

Covered registered persons included in a member's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the member.

(4) **Specific Training Requirements**

The Exchange may require a member, individually or as part of a larger group, to provide specific training to its covered registered persons in such areas as the Exchange deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

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Nasdaq PHLX Rules, Regulation, Rule 1250. Electronic Filing Requirements for Uniform Forms

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The term “member” when used in this rule shall mean “member organization.”

(a) Filing Requirement

All forms required to be filed under the Exchange’s registration rules including the Rule 1200 Series shall be filed through an electronic process or such other process as the Exchange may prescribe to the Central Registration Depository.

(b) Supervisory Requirements

(1) In order to comply with the supervisory procedures requirements in the Exchange’s rules, each member shall identify a Registered Principal(s) or corporate officer(s) who has a position of authority over registration functions, to be responsible for supervising the electronic filing of appropriate forms pursuant to this Rule.

(2) The Registered Principal(s) or corporate officer(s) who has or have the responsibility to review and approve the forms filed pursuant to this Rule shall be required to acknowledge, electronically, that he is filing this information on behalf of the member and the member's associated persons.

(c) Form U4 Filing Requirements

(1) Except as provided in paragraphs (c)(2) and (c)(3) below, every initial and transfer electronic Form U4 filing and any amendments to the disclosure information on Form U4 shall be based on a manually signed Form U4 provided to the member or applicant for membership by the person on whose behalf the Form U4 is being filed. As part of the member's recordkeeping requirements, it shall retain the person's manually signed Form U4 or amendments to the disclosure information on Form U4 in accordance with Exchange Act Rule 17a-4(e)(1) and make them available promptly upon regulatory request. An applicant for membership also shall retain in accordance with Exchange Act Rule 17a-4(e)(1) every manually signed Form U4 it receives during the application process and make them available promptly upon regulatory request.

(2) A member may file electronically amendments to the disclosure information on Form U4 without obtaining the subject associated person's manual signature on the form, provided that the member shall use reasonable efforts to:

  (A) provide the associated person with a copy of the amended disclosure information prior to filing; and

  (B) obtain the associated person's written acknowledgment (which may be electronic) prior to filing that the information has been received and reviewed. As part of the member's recordkeeping requirements, the member shall retain this acknowledgment in accordance with Exchange Act Rule 17a-4(e)(1) and make it available promptly upon regulatory request

(3) In the event a member is not able to obtain an associated person's manual signature or written acknowledgement of amended disclosure information on Form U4 prior to filing of such information pursuant to paragraph (c)(1) or (2), the member is obligated to file the disclosure information as to which it has knowledge in accordance with Exchange Rule 1220. The member shall use reasonable efforts to provide the associated person with a copy of the amended disclosure information that was filed.

(4) A member may file electronically amendments to administrative data on Form U4 without obtaining the subject associated person's signature on the form. The member shall use reasonable efforts to provide the associated person with a copy of the amended administrative information that was filed.

(d) Fingerprint Information

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Upon filing an electronic Form U4 on behalf of a person applying for registration, a member shall promptly submit fingerprint information for that person. The Exchange may make a registration effective pending receipt of the fingerprint information. If a member fails to submit the fingerprint information within 30 days after filing of an electronic Form U4, the person's registration shall be deemed inactive. In such case, the person must immediately cease all activities requiring registration and is prohibited from performing any duties and functioning in any capacity requiring registration. The Exchange shall administratively terminate a registration that is inactive for a period of two years. A person whose registration is administratively terminated may reactivate the registration only by reapplying for registration and meeting the qualification requirements of the applicable provisions of Exchange Rule 1220. Upon application and a showing of good cause, the Exchange may extend the 30-day period.

(e) Form U5 Filing Requirements.

Initial filings and amendments of Form U5 shall be submitted electronically. As part of the member's recordkeeping requirements, it shall retain such records for a period of not less than three years, the first two years in an easily accessible place, in accordance with Exchange Act Rule 17a-4, and make such records available promptly upon regulatory request.

• • • ***Supplementary Material:***

01. Delegation of Filing Functions. The designated registered principal(s) or corporate officer(s) required by paragraph (b)(1) to supervise the member's electronic filings may delegate to an associated person (who need not be registered) the electronic filing of the member's appropriate forms via Web CRD. The registered principal(s) or corporate officer(s) responsible for supervising the member's electronic filings may also delegate to the associated person making the electronic filings the requirement in paragraph (b)(2) to acknowledge, electronically, that he is making the filing on behalf of the member and the member's associated persons. However, the registered principal(s) or corporate officer(s) may not delegate any of the supervision, review, and approval responsibilities mandated in paragraphs (b)(1) and (2) and shall take reasonable and appropriate action to ensure that all delegated electronic filing functions are properly executed and supervised.

.02 Third Party Agreements. A member may enter into an agreement with a third party pursuant to which the third party agrees to file the required forms electronically on behalf of the member and the member's associated persons. Notwithstanding the existence of such an agreement, the member remains responsible for complying with the requirements of this Rule.

.03 Filing of Amendments Involving Disclosure Information. In the event a member is not able to obtain an associated person's manual signature or written acknowledgement of amended disclosure information on that person's Form U4 prior to filing of such amendment reflecting the information pursuant to paragraph (c)(3) (examples of reasons why a member may not be able to obtain the manual signature or written acknowledgement may include, but are not limited to, the associated person refuses to acknowledge such information, is on active military service or otherwise is unavailable during the period provided for filing of such amendments under Exchange Rule 1220), the member shall enter "Representative Refused to Sign/Acknowledge" or "Representative Not Available" or a substantially similar entry in the electronic Form U4 field for the associated person's signature.

.04 Filing of Amendments Involving Administrative Information. For purposes of paragraph (c)(4) of the Rule, administrative data includes such items as the addition of state or self regulatory organization registrations, exam scheduling, and updates to residential, business and personal history.

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Nasdaq PHLX Rules, Regulation, Rule 2000. Reserved

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Reserved.

Adopted.
August 11, 1978.
Amended.
April 2, 2007 (07-31).
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Nasdaq PHLX Rules, Regulation, Rule 2040. Nonregistered Foreign Finders

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(a) Member organizations, and persons associated with a member organization, may pay to nonregistered foreign persons transaction-related compensation based upon the business of customers they direct to member organizations if the following conditions are met:

(1) the member organization has assured itself that the nonregistered foreign person who will receive the compensation (the "finder") is not required to register in the U.S. as a broker/dealer nor is subject to a disqualification as defined in Exchange Rules, and has further assured itself that the compensation arrangement does not violate applicable foreign law;
(2) the finders are foreign nationals (not U.S. citizens) or foreign entities domiciled abroad;
(3) the customers are foreign nationals (not U.S. citizens) or foreign entities domiciled abroad transacting business in either foreign or U.S. securities;
(4) customers receive a descriptive document, similar to that required by Rule 206(4)- 3(b) of the Investment Advisers Act of 1940, that discloses what compensation is being paid to finders;
(5) customers provide written acknowledgment to the member organization of the existence of the compensation arrangement and that such acknowledgment is retained and made available for inspection by the Exchange;
(6) records reflecting payments to finders are maintained on the member organization's books and actual agreements between the member organization and persons compensated are available for inspection by the Exchange; and
(7) the confirmation of each transaction indicates that a referral or finders fee is being paid pursuant to an agreement.

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Nasdaq PHLX Rules, Regulation, Rule 1000A. Applicability and Definitions

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(a) **Applicability.** The Rules in this Section are applicable only to index options (options on indices of securities as defined below). In addition, except to the extent that specific rules in this Section govern, or unless the context otherwise requires, the provisions of the Option Rules applicable to stock options and of the By-Laws and all other Rules and Policies of the Board of Directors shall be applicable to the trading on the Exchange of index options.

(b) **Definitions.** The following terms as used in the Rules in this Section shall, unless the context otherwise indicates, have the meanings herein specified.

(1) The term "put" means an option contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Options Clearing Corporation the current index value times the index multiplier.

(2) The term "call" means an option contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Options Clearing Corporation the current index value times the index multiplier.

(3) The term "aggregate exercise price" means the exercise price of the option contract times the index multiplier.

(4) The term "exercise price" means the specific price per unit at which the current index value may be purchased in the case of a call or sold in the case of a put upon the exercise of the option.

(5) The term "underlying security" or "underlying securities" with respect to an index option contract means any of the securities that are the basis for the calculation of the index.

(6) The term "index multiplier" means the amount specified in the contract by which the current index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the contract.

(7) The term "current index value" in respect of a particular index means the level of the index that is derived from the reported prices of the underlying securities that are the basis of the index, as reported by the reporting authority for the index.

(8) The term "closing index value" in respect of a particular index means the last index value reported on a business day.

• • • ***Commentary:***

For any series of index options the Exchange may, in its discretion, provide that the calculation of the final index settlement value of any index on which options are traded at the Exchange will be determined by reference to the prices of the constituent stocks at a time other than the close of trading on the last trading day before expiration.

(9) The term "reporting authority" in respect of a particular index means the institutions or reporting service designated by the Exchange as the official source for calculating and determining the current value or the closing index value of the index.

(10) The term "covered" in respect of a short position in an index call option contract in an account means that the writer holds in the same account a long position in an index call option for the same underlying index with the same index multiplier as the short call and the expiration date of the long call is the same as or subsequent to the expiration date of the short call and the exercise price of the long call is equal to or less than the exercise price of the short call. The term "covered" in respect of a short position in an index put option contract in an

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account means that the writer holds in the same account a long position in an index put option for the same underlying index with the same index multiplier as the short put and the expiration date of the long put is the same as or subsequent to the expiration date of the short put and the exercise price of the long put is equal to or greater than the exercise price of the short put.

(11) The terms "market index" and "broad-based index" mean an index designed to be representative of a stock market as a whole or of a range of companies in unrelated industries.

(12) The terms "industry index" and "narrow-based index" mean an index designed to be representative of a particular industry or a group of related industries.

• • • *Commentary:*

The term “narrow-based index” includes indices the constituents of which are all headquartered within a single country.

(13) The term “European option” or "European-style index option" means an option on an industry or market index that can be exercised only on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last business day prior to the day it expires.

(14) The term "expiration date" means, in the case of options on stock indexes, the third Friday of the expiration month of such option contract, or if such Friday is a day on which the Exchange is not open for business, the preceding day on which the Exchange is open for business.

(15) The term "Quarterly Options Series" means a series in an index options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and expires at the close of business on the last business day of a calendar quarter.

(16) The term “Short Term Option Series” means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Thursday or Friday that is a business day and that expires on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively.

(17) The term “American option” or “American-style index option” means an option on an industry or market index that can be exercised on any business day prior to expiration.

(18) The term “A.M. settled index option” means an index option for which the current index value at expiration shall be determined as provided in Rule 1101A(e).

Adopted December 2, 1983. Amended April 17, 1987; amended May 22, 1987; amended June 17, 1994; amended June 8, 1995; amended October 13, 1995; amended February 4, 2000; amended July 14, 2006; amended February 13, 2007; amended June 19, 2009; amended June 14, 2010; amended April 25, 2011; amended August 21, 2013 , operative September 20, 2013; amended May 24, 2016 , operative June 23, 2016; amended May 25, 2016 , operative June 24, 2016; amended Nov. 1, 2017 (SR-Phlx-2017-89), operative Dec. 1, 2017.

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Nasdaq PHLX Rules, Regulation, Rule 1001A. Position Limits

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(a) The position limit for a broad-based (market) index option shall be 25,000 contracts on the same side of the market except as provided below. Certain positions must be aggregated in accordance with paragraph (d) or (e) below.

(i) Respecting the Full Value Russell 2000® Options and the Reduced Value Russell 2000® Options, there shall be no position limits.

(ii) Respecting the Full Value Nasdaq 100 Options and the Reduced Value Nasdaq 100 Options, there shall be no position limits.

(iii) Respecting the Full Value and Reduced Value Russell Indexes for the following products (collectively "Russell U.S. Indexes"): Russell 3000® Index, Russell 3000® Value Index, Russell 3000® Growth Index, Russell 2500 ™ Index, Russell 2500 ™ Value Index, Russell 2500™ Growth Index, Russell 2000® Value Index, Russell 2000® Growth Index, Russell 1000® Index, Russell 1000® Value Index, Russell 1000® Growth Index, Russell Top 200® Index, Russell Top 200® Value Index, Russell Top 200® Growth Index, Russell MidCap® Index, Russell MidCap® Value Index, Russell MidCap® Growth Index, Russell Small Cap Completeness® Index, Russell Small Cap Completeness® Value Index and Russell Small Cap Completeness® Growth Index, are subject to an aggregate position limit of 50,000 contracts on the same side of the market, provided that no more than 30,000 of such contracts are in the nearest expiration month series.

(b)(i) In determining compliance with Rule 1001, option contracts on a narrow-based (industry) index shall, subject to the procedures specified in subparagraph (iii) of this Rule, be subject to the following position limits:

- 18,000 contracts (or 54,000 contracts for options on the PHLX Oil Service Sector, PHLX Semiconductor Sector, PHLX Utility Sector, PHLX Gold/Silver Sector, PHLX Housing Sector, and SIG Oil Exploration & Production Index) if the Exchange determines, at the time of a review conducted pursuant to subparagraph (ii) of this paragraph (b), that any single underlying stock accounted, on average, for 30% or more of the index value during the 30-day period immediately preceding the review; or
- 24,000 contracts (or 72,000 contracts for options on the PHLX Oil Service Sector, PHLX Semiconductor Sector, PHLX Utility Sector, PHLX Gold/Silver Sector, PHLX Housing Sector, and SIG Oil Exploration & Production Index) if the Exchange determines, at the time of a review conducted pursuant to subparagraph (ii) of this paragraph (b), that any single underlying stock accounted, on average, for 20% or more of the index value or that any five underlying stocks together accounted, on average, for more than 50% of the index value, but that no single stock in the group accounted, on average, for 30% or more of the index value, during the 30-day period immediately preceding the review; or
- 31,500 contracts (or 94,500 contracts for options on the PHLX Oil Service Sector, PHLX Semiconductor Sector, PHLX Utility Sector, PHLX Gold/Silver Sector, PHLX Housing Sector, and SIG Oil Exploration & Production Index)) if the Exchange determines that the conditions specified above which would require the establishment of a lower limit have not occurred, or
- 44,000 contracts total with respect to the KBW Bank Index.

(ii) The Exchange shall make the determinations required by subparagraph (i) of this paragraph (b) with respect to options on each industry index at the commencement of trading of such options on the Exchange and thereafter review the determination semi-annually on January 1 and July 1.

(iii) If the Exchange determines, at the time of a semi-annual review, that the position limit in effect with respect to options on a particular industry index is lower than the maximum position limit permitted by the criteria set

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forth in subparagraph (i) of this paragraph (b), the Exchange may effect an appropriate position limit increase immediately. If the Exchange determines, at the time of a semi-annual review, that the position limit in effect with respect to options on a particular industry index exceeds the maximum position limit permitted by the criteria set forth in subparagraph (i) of this paragraph (b), the Exchange shall reduce the position limit applicable to such options to a level consistent with such criteria; provided, however, that such a reduction shall not become effective until after the expiration date of the most distantly expiring option series relating to such particular industry index, which is open for trading on the date of the review; and provided further that such a reduction shall not become effective if the Exchange determines, at the next succeeding semi-annual review, that the existing position limit applicable to such options is consistent with the criteria set forth in subparagraph (i) of this paragraph (b).

(c) *Reporting Requirements for Options on Market Indexes.*—Each member or member organization that maintains a position on the same side of the market in excess of 100,000 contracts for its own account or for the account of a customer in the Full Value Russell 2000® Options, RUT; or in excess of 100,000 contracts for its own account or for the account of a customer in Full Value Nasdaq 100 Options, NDX, must file a report with the Exchange that includes, but is not limited to, data related to the option positions, whether such positions are hedged and if applicable, a description of the hedge and information concerning collateral used to carry the positions. Registered Options Traders are exempt from this reporting requirement. For positions exceeding the position limit in paragraph (a), Commentary .01 contains the requirements for qualifying for the Index Hedge Exemption under this Rule.

(d) Except as provided in section (f) below with respect to options on Alpha Indexes, index option contracts shall not be aggregated with option contracts on any stocks whose prices are the basis for calculation of the index.

(e) *Aggregation*—Full value, reduced value, long term and quarterly expiring options based on the same index shall be aggregated. Reduced value or mini-size contracts shall be aggregated with full value or full-size contracts and counted by the amount by which they equal a full value contract (e.g. ten (10) one tenth (1/10th) value contracts equal one (1) full value contract). Positions in Short Term Options Series and Quarterly Options Series shall be aggregated with positions in options contracts of the same index. Nonstandard Expirations (as provided for in Rule 1101A(b)(vii)) on a broad-based index shall be aggregated with option contracts on the same broad-based index and shall be subject to the overall position limit.

(f) The position limit for an option on an Alpha Index shall be 60,000 contracts on the same side of the market unless the Target Component of the Alpha Index is an exchange traded fund share, in which case the position limit shall be 15,000 contracts on the same side of the market. Positions in Alpha Index options will be aggregated with positions in equity options on the underlying securities for purposes of determining compliance with position limits.

• • • ***Commentary:***

.01 Index Hedge Exemption.

(a) Index option positions may be exempt from established position limits for each option contract "hedged" by an equivalent dollar amount of the underlying component securities or securities convertible into such components; provided that, in applying such hedge, each option position to be exempted is hedged by a position in at least: (i) respecting industry index options, 75% of the number of component securities underlying the index, (ii) respecting market index options, 20 stocks in four industry groups comprising the index, of which no one component security accounts for more than 15% of the value of the portfolio hedging the index option position, or (iii) respecting Alpha Index options, each of the component securities underlying the index. In addition, the underlying value of the option position may not exceed the value of the underlying portfolio.

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(b) The value of the underlying portfolio is:

(1) the total market value of the net stock position; less
(2) the value of:

(A) any offsetting calls and puts in the respective index option; and
(B) any offsetting positions in related stock index futures or options; and
(C) any economically equivalent positions.

The portfolio must be previously established and the options must be carried in an account with an Exchange member. Securities used as a hedge pursuant to this provision may not be used to hedge other option positions.

(c) Prior Exchange approval on the appropriate form designated by the Exchange is required. In no event may position limits for any hedged industry index option exceed two times above the limits established under Rule 1001A(b)(i), in addition to that limit. In certain instances, the Exchange may determine to permit positions less than two times above the existing limits. An increase in the maximum number of contracts exempt from position limits may be requested periodically, as dollar values may warrant. This exemption is in addition to the position limit and any other exemptions available under Exchange Rules.

(d) This exemption requires that both the options and stock positions be initiated and liquidated in an orderly manner. Specifically, a reduction of the options position must occur at or before the corresponding reduction in the stock portfolio position. Initiating or liquidating positions should not be conducted in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes or with a view toward taking advantage of any differential in price between a group of securities and an overlying stock position. The Exchange's Regulatory staff must be notified in writing for approval in advance of liquidating or initiating any such position as well as of any material change in the portfolio or futures positions which materially effects the unhedged value of the qualified portfolio, as defined above.

(e) The Exchange's Regulatory staff will monitor daily that each option contract is hedged by the equivalent dollar amount of component securities. In addition, the hedge exemption form must be kept current, with information updated as warranted. Any information concerning the dollar value and composition of the stock portfolio, or its equivalent, the current hedged and aggregate option positions, any stock index futures positions must be promptly provided to the Exchange.

(f) If any member or member organization carrying an account which has received an exemption pursuant to this Rule has reason to believe that as a result of an opening transaction, the position telescoping provisions of this Rule, or the execution of CMTA transactions, that its customer, acting alone or in concert with others, directly or indirectly, violates this position limit exemption, then the member or member organization has violated this Rule. Violations of any of these provisions, absent reasonable justification or excuse, shall result in withdrawal of the hedge exemption and subsequent denial of an application for a hedge exemption thereunder.

.02 *Firm Facilitation Exemption*—A member organization may be exempt from established position limits for index option positions held in its proprietary account where such position will facilitate an order for a customer of that member organization, provided that such position satisfies the following:

(a) *Maximum limit*: the facilitating position may exceed the applicable position limit by two times that limit, in addition to the allowable amount. For example, where the position limit is 25,000 contracts, a firm facilitation exemption is available for an additional 50,000 contracts. This exemption is in addition to any other exemptions available under Exchange Rules.

(b) *Approval Procedure*: prior approval from an Options Exchange Official and the submission of a complete Firm Facilitation Form, which must be kept current, are required. Approval may be

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granted on the basis of verbal representations, in which case the member organization shall submit to the Exchange's Regulatory staff a completed form respecting such approval within two business days or the time specified when approval is granted. A member organization may request an exemption based on interest expressed by its customer, prior to obtaining an order. This exemption is not available where either the customer or facilitation order are all or none or fill or kill orders.

The facilitation firm shall promptly provide the Exchange with information or documents requested concerning the exempted and hedging positions. A copy of all applicable order tickets must be provided to the Exchange's Regulatory staff on the day of execution.

The facilitation firm shall establish and liquidate its own as well as its customer's option and stock positions in an orderly fashion, and not in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes nor with a view toward taking advantage of any differential in price between a group of securities and an overlying stock index option. The facilitation firm shall notify the Exchange of any material change in the exempted option position or hedge. The facilitation firm shall not increase the exempt option position once it is liquidated unless prior approval is again received pursuant to this Rule.

(c) *Facilitation Procedure*: compliance with the facilitation procedures of Options 8, Section 30(b) is required, such that the terms of the order are disclosed and the market quoted, with bidding/offering by the facilitation firm providing an opportunity for the trading crowd to participate.

(d) *Hedge*: to remain qualified, the facilitation firm must hedge all exempt option positions within five business days after the execution of the order and furnish the Exchange's Regulatory staff with documentation reflecting the resulting hedged positions.

(e) Violations of these requirements, absent reasonable justification or excuse, shall result, in addition to any disciplinary action, in withdrawal of the exemption and may form the basis for subsequent denial of an application for an exemption hereunder.

.03 *Exemptions Granted by Other Options Exchanges* - A member may rely upon any available exemptions from applicable position limits granted from time to time by another options exchange for any options contract traded on the Exchange provided that such member:

(a) provides the Exchange with a copy of any written exemption issued by another options exchange or a written description of any exemption issued by another options exchange other than in writing containing sufficient detail for Exchange Regulatory staff to verify the validity of that exemption with the issuing options exchange, and

(b) fulfills all conditions precedent for such exemption and complies at all times with the requirements of such exemption with respect to the member's trading on the Exchange.

.04 Delta-Based Index Hedge Exemption

The Delta-Based Index Hedge Exemption is in addition to the standard limit and other exemptions available under Exchange Rules. An index option position of a member or, non-member affiliate of a member that is delta neutral shall be exempt from established position limits as prescribed under this Rule 1001A, subject to the following:

(A) The term "delta neutral" refers to an index option position that is hedged, in accordance with a permitted pricing model, by a position in one or more correlated instruments, for the purpose of offsetting the risk that the value of the option position will change with incremental changes in the value of the underlying index. The term "correlated instruments" means securities and/or other instruments that track the performance of or are based on the same underlying index as the index underlying the option position (but not including baskets of securities).

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(B) An index option position that is not delta neutral shall be subject to position limits in accordance with this Rule 1001A (subject to the availability of other position limit exemptions). Only the options contract equivalent of the net delta of such position shall be subject to the appropriate position limit. The “options contract equivalent of the net delta” is the net delta divided by units of trade that equate to one option contract on a delta basis. The term “net delta” means, at any time, the number of shares and/or other units of trade (either long or short) required to offset the risk that the value of an index option position will change with incremental changes in the value of the underlying index, as determined in accordance with a permitted pricing model.

(C) A “permitted pricing model” shall have the meaning as defined in Exchange Rule 1001(n).

(D) Effect on Aggregation of Accounts

(1) Members and non-member affiliates who rely on this exemption must ensure that the permitted pricing model is applied to all positions in correlated instruments that are owned or controlled by such member or non-member affiliate.

(2) Notwithstanding subparagraph (D)(1), the net delta of an option position held by an entity entitled to rely on this exemption, or by a separate and distinct trading unit of such entity, may be calculated without regard to positions in correlated instruments held by an affiliated entity or by another trading unit within the same entity, provided that:

(i) the entity demonstrates to the Exchange's satisfaction that no control relationship, as defined in Exchange Rule 1001(k), exists between such affiliates or trading units; and

(ii) the entity has provided (by the member carrying the account as applicable) the Exchange written notice in advance that it intends to be considered separate and distinct from any affiliate or, as applicable, which trading units within the entity are to be considered separate and distinct from each other for purposes of this exemption.

(3) Notwithstanding subparagraph (D)(1) or (D)(2), a member or non-member affiliate who relies on this exemption shall designate, by prior written notice to the Exchange (to be obtained and provided by the member carrying the account as applicable), each trading unit or entity whose option positions are required under Exchange Rules to be aggregated with the option positions of such member or non-member affiliate that is relying on this exemption for purposes of compliance with Exchange position limits or exercise limits. In any such case:

(i) the permitted pricing model shall be applied, for purposes of calculating such member’s or affiliate’s or net delta, only to the positions in correlated instruments owned and controlled by those entities and trading units who are relying on this exemption; and

(ii) the net delta of the positions owned or controlled by the entities and trading units who are relying on this exemption shall be aggregated with the non-exempt option positions of all other entities and trading units whose options positions are required under Exchange Rules to be aggregated with the option positions of such member or affiliate .

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(E) Obligations of Members

(1) A member that relies on this exemption for a proprietary index options position:

(i) must provide a written certification to the Exchange that it is using a permitted pricing model pursuant to subparagraph (C) above; and

(ii) by such reliance authorizes any other person carrying for such member an account including, or with whom such member has entered into, a position in a correlated instrument to provide to the Exchange or the Options Clearing Corporation such information regarding such account or position as the Exchange or Options Clearing Corporation may request as part of the Exchange's confirmation or verification of the accuracy of any net delta calculation under this exemption.

(2) The index option positions of a non-member relying on this exemption must be carried by a member with which it is affiliated.

(3) A member carrying an account that includes an index option position for a non-member affiliate that intends to rely on this exemption must obtain from such non-member affiliate and must provide to the Exchange.

(i) a written certification to the Exchange that the non-member affiliate is using a permitted pricing model pursuant to subparagraph (C) above; and

(ii) a written statement confirming that such non-member affiliate:

(a) is relying on this exemption;

(b) will use only a permitted pricing model for purposes of calculating the net delta of its option positions for purposes of this exemption;

(c) will promptly notify the member if it ceases to rely on this exemption;

(d) authorizes the member to provide to the Exchange or the Options Clearing Corporation such information regarding positions of the non-member affiliate as the Exchange or Options Clearing Corporation may request as part of the Exchange's confirmation or verification of the accuracy of any net delta calculation under this exemption; and

(e) if the non-member affiliate is using the OCC Model, has duly executed and delivered to the member such documents as the Exchange may require to be executed and delivered to the Exchange as a condition to reliance on this exemption.

(F) Reporting.

Each member (other than an Exchange market-maker using the OCC Model) that holds or carries an account that relies on this exemption shall report, in accordance with Exchange Rule 1003, all index option positions (including those that are delta neutral) that are reportable thereunder. Each such member on its own behalf or on behalf of a designated aggregation unit pursuant to Commentary .04(D) of this Exchange Rule 1001A shall also report, in accordance with Exchange Rule 1003 for each such account that holds an index option position subject to this exemption in excess of the levels specified in this Exchange Rule 1001A, the net delta and the options contract equivalent of the net delta of such position.

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(G) Records.

Each member relying on this exemption shall: (i) retain, and undertake reasonable efforts to ensure that any non-member affiliate of the member relying on this exemption retains, a list of the options, securities and other instruments underlying each option position net delta calculation reported to the Exchange hereunder, and (ii) produce such information to the Exchange upon request.

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Adopted December 2, 1983. Amended May 3, 1988; amended November 30, 1989; amended June 19, 1991; amended December 3, 1993 (93-7), operative December 20, 1993; amended February 17, 1994 (93-07); amended April 28, 1994 (93-64); amended June 17, 1994 (93-45); amended July 15, 1994 (94-03); amended April 11, 1995 (95-07); amended September 6, 1995 (95-16); amended October 13, 1995 (95-22); amended January 17, 1996 (95-38); amended February 16, 1996 (95-45); amended March 6, 1996 (95-92); amended June 18, 1996 (96-07); amended September 4, 1996 (96-19); amended October 24, 1996 (96-33); amended November 12, 1999 (98-39); amended February 4, 2000 (98-55); amended December 5, 2003 (03-66); amended February 24, 2004 (04-13); amended July 14, 2006 (06-17); amended February 13, 2007 (07-08); amended February 15, 2007 (06-65); amended June 7, 2007 (06-87); amended October 12, 2007 (07-71); amended June 6, 2008 (08-36); amended May 14, 2009 (09-23); amended September 15, 2009 (09-79); amended February 25, 2010 (09-113); amended June 30, 2010 (10-93); amended February 7, 2011 (10-176); amended April 6, 2011 (11-49); amended April 25, 2011 (11-13); amended May 25, 2011 (11-69); amended June 22, 2011 (11-87), operative July 25, 2011; amended August 17, 2011 (11-89); amended May 25, 2016 (16-61), operative June 24, 2016; amended August 2, 2017 (17-04); amended December 15, 2017 (17-79); amended Aug. 27, 2018 (18-57), operative Sept. 27, 2018; amended April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, Rule 1002A. Exercise Limits

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In determining compliance with Rule 1002, exercise limits for index option contracts shall be equivalent to the position limits described in Rule 1001A.

Adopted December 2, 1983.

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Nasdaq PHLX Rules, Regulation, Rule 1006A. Other Restrictions on Options Transactions and Exercises

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With respect to index options, restrictions on exercise may be in effect until the opening of business on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day prior to the expiration date.

Adopted December 2, 1983. Amended May 22, 1987 ; Amended September 3, 1992 ; Amended April 28, 1994 (93-64); Amended April 11, 1995 (95-07); Amended June 8, 1995 (95-36); Amended August 21, 2013 (13-89), operative September 20, 2013; Amended October 11, 2013 (13-104), operative November 10, 2013.

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Nasdaq PHLX Rules, Regulation, Rule 1009A. Designation of the Index

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(a) The underlying securities comprising the index shall be selected by the Exchange or by the index publisher if different from the Exchange and may be revised from time to time, if in the Exchange's or index publisher's discretion such revision is necessary or appropriate to maintain the quality and character of the index. The underlying securities that are the basis for the calculation of the index need not meet the requirements in Rule 1009. The listing of a class of index options on a new underlying index will be treated by the Exchange as a proposed rule change subject to filing with and approved by the Securities and Exchange Commission ("Commission") under Section 19(b) of the Exchange Act.

(b) Notwithstanding paragraph (a) above, the Exchange may trade options on a narrow-based index pursuant to Rule 19b-4(e) of the Exchange Act, if each of the following conditions is satisfied:

(1) The options are designated as A.M.-settled index options;
(2) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted, and consists of ten or more component securities;
(3) Each component security has a market capitalization of at least $75 million, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, the market capitalization is at least $50 million;
(4) Trading volume of each component security has been at least one million shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, trading volume has been at least 500,000 shares for each of the last six months;
(5) In a capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of component securities in the index each have had an average monthly trading volume of at least 2,000,000 shares over the past six months;
(6) No single component security represents more than 30% of the weight of the index, and the five highest weighted component securities in the index do not in the aggregate account for more than 50% (65% for an index consisting of fewer than 25 component securities) of the weight of the index;

    (i) With respect to the Gold/Silver Index, no single component shall account for more than 35% of the weight of the Index and the three highest weighted components shall not account for more than 65% of the weight of the Index. If the Index fails to meet this requirement, the Exchange shall reduce position limits to 8000 contracts on the Monday following expiration of the farthest-out, then trading, non-LEAP series.

(7) Component securities that account for at least 90% of the weight of the index and at least 80% of the total number of component securities in the index satisfy the requirements of Rule 1009 applicable to individual underlying securities;
(8) Each component security must be an "NMS Stock" as defined in rule 600 of Regulation NMS under the Exchange Act;
(9) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 20% of the weight of the index;
(10) The current underlying index value will be reported at least once every fifteen seconds during the time the index options are traded on the Exchange;
(11) An equal dollar-weighted index will be rebalanced at least once every calendar quarter and a modified capitalization-weighted index will be rebalanced at least twice annually;
(12) If an underlying index is maintained by a broker-dealer, the index is calculated by a third party who is not a broker-dealer, and the broker-dealer has erected a "Chinese Wall" around its personnel who have access to information concerning changes in and adjustments to the index.

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(c) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (b) above:

(1) The conditions stated in subparagraphs (b)(1), (3), (6), (7), (8), (9), (10), (11) and (12) must continue to be satisfied, provided that the conditions stated in subparagraph (b)(6) must be satisfied only as to the first day of January and July in each year;
(2) The total number of component securities in the index may not increase or decrease by more than 33 1/3% from the number of component securities in the index at the time of its initial listing, and in no event may be less than nine component securities;
(3) Trading volume of each component security in the index must be at least 500,000 shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, trading volume must be at least 400,000 shares for each of the last six months;
(4) In a capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of stocks in the index each have had an average monthly trading volume of at least 1,000,000 shares over the past six months;

In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless such failure is determined by the Exchange not to be significant and the Commission concurs in that determination, or unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

(d) Notwithstanding paragraph (a) above, the Exchange may trade options on a broad-based (market) index pursuant to Rule 19b-4(e) of the Exchange Act, if each of the following conditions is satisfied:

(1) The index is broad-based, as defined in Rule 1000A(b)(11);
(2) Options on the index are designated as A.M.-settled index options;
(3) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted;
(4) The index consists of 50 or more component securities;
(5) Component securities that account for at least ninety-five percent (95%) of the weight of the index have a market capitalization of at least $ 75 million, except that component securities that account for at least sixty-five percent (65%) of the weight of the index have a market capitalization of at least $ 100 million;
(6) Component securities that account for at least eighty percent (80%) of the weight of the index satisfy the requirements of Rule 1009 applicable to individual underlying securities;
(7) Each component security that accounts for at least one percent (1%) of the weight of the index has an average daily trading volume of at least 90,000 shares during the last six month period;
(8) No single component security accounts for more than ten percent (10%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than thirty-three percent (33%) of the weight of the index;
(9) Each component security must be an "NMS Stock" as defined in rule 600 of Regulation NMS under the Exchange Act;
(10) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the index;
(11) The current index value is widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors during the time options on the index are traded on the Exchange;
(12) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange's current Independent System Capacity Advisor

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(ISCA) allocation and the number of new messages per second expected to be generated by options on such index;

(13) An equal dollar-weighted index is rebalanced at least once every calendar quarter;

(14) If an index is maintained by a broker-dealer, the index is calculated by a third-party who is not a broker-dealer, and the broker-dealer has erected an informational barrier around its personnel who have access to information concerning changes in, and adjustments to, the index;

(15) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(e) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (d) above:

(1) The conditions set forth in subparagraphs (d)(1), (2), (3), (9), (10), (11), (12), (13), (14) and (15) must continue to be satisfied. The conditions set forth in subparagraphs (d)(5), (6), (7) and (8) must be satisfied only as of the first day of January and July in each year;

(2) The total number of component securities in the index may not increase or decrease by more than ten percent (10%) from the number of component securities in the index at the time of its initial listing.

In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

(f) Alpha Index Options

(1) Alpha Index options will be A.M.-settled. The exercise settlement value will be based upon the opening prices of the individual stock or ETF from the primary listing market on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day prior to the expiration date.

(2) At the time of listing an Alpha Index option, options on each underlying component of an Alpha Index will also be listed and traded on the Exchange and will meet the requirements of Rule 1009, Criteria for Underlying Securities. Additionally, each underlying component's trading volume (in all markets in which the underlying security is traded) must have averaged at least 2,250,000 shares per day in the preceding twelve months.

(3) Following the listing of an Alpha Index option, options on each of the component securities of the Alpha Index will continue to meet the continued listing standards set forth by PHLX Rule 1010, Withdrawal of Approval of Underlying Securities or Options. Additionally, each underlying component's trading volume (in all markets in which the underlying security is traded) must have averaged at least 2,000,000 shares per day in the preceding twelve months.

(4) No Alpha Index option will be listed unless and until options overlying each of the Alpha Index component securities have been listed and traded on a national securities exchange with an average daily options trading volume during the three previous months of at least 10,000 contracts. Following the listing of an Alpha Index option, options on each of the component securities of the Alpha Index must continue to meet this options average daily volume standard.

Adopted December 2, 1983. Amended June 3, 1994 (94-10); amended July 25, 2000 (00-69); amended December 6, 2000 (00-67); amended March 21, 2002 (02-14); amended July 16, 2002 (02-42); amended December 29, 2004 (04-66); amended July 14, 2006 (06-17); amended February 7, 2011 (10-176); amended April 25, 2011 (11-13); amended February 17, 2012 (11-179); amended April 26, 2012 (12-28); amended August 21, 2013 (13-89), operative September 20, 2013; amended October 11, 2013 (13-104), operative November 10, 2013; amended May 25, 2016 (16-61), operative June 24, 2016.

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Nasdaq PHLX Rules, Regulation, Rule 1042A. Exercise of Option Contracts

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With respect to index option contracts, clearing members are required to follow the procedures of the Options Clearing Corporation for tendering exercise notices. Clearing Members must follow the procedures of the Options Clearing Corporation when exercising American-style cash-settled index options contracts issued or to be issued in any account at the Option Clearing Corporation. Member organizations must also follow the procedures set forth below with respect to American-style cash-settled index options:

(i) For all contracts exercised by the member organization or by any customer of the member organization, an "exercise advice" must be time stamped and delivered by the member organization in such form or manner prescribed by the Exchange no later than five (5) minutes after the close of trading on that day.

(ii) Subsequent to the delivery of an "exercise advice," should the member organization or a customer of the member organization determine not to exercise all or part of the advised contracts, the member organization must also deliver an "advice cancel" in such form or manner prescribed by the Exchange no later than five (5) minutes after the close of trading on that day.

(iii) The Exchange may determine to extend the applicable deadline for the delivery of "exercise advice" and "advice cancel" notifications pursuant to this paragraph if unusual circumstances are present.

(iv) No member organization may time stamp or submit an "exercise advice" prior to the purchase of the contracts to be exercised if the member organization knew or had reason to know that the contracts had not yet been purchased.

(v) The failure of any member organization to follow the procedures in this rule may result in the assessment of a fine, which may include but is not limited to disgorgement of potential economic gain obtained or loss avoided by the subject exercise, as determined by the Exchange.

(vi) Preparing or submitting an "exercise advice" or "advice cancel" after the applicable deadline on the basis of material information released after such deadline, in addition to constituting a violation of this Rule, is activity inconsistent with just and equitable principles of trade.

(vii) The procedures set forth in subparagraphs (i)-(ii) above do not apply (a) on the business day prior to expiration in series expiring on a day other than a business day or (b) on the expiration day in series expiring on a business day.

(viii) Each member organization shall prepare a memorandum of every exercise instruction received showing by time stamp the time when such instruction was so received. Such memoranda shall be subject to the requirements of SEC Rule 17a-4(b).

(ix) Each member organization shall establish fixed procedures to ensure secure time stamps in connection with their electronic systems employed for the recording of submissions to exercise or not exercise expiring options.

Adopted December 2, 1983. Amended March 7, 1986; amended May 2, 1986; amended September 30, 1993 (92-31); amended February 28, 1996 (96-01); amended April 5, 1996 (95-86); amended July 30, 1996 (96-21); amended December 27, 1996 (96-32); amended May 23, 1997 (97-94); amended April 25, 2011 (11-13); amended August 21, 2013 (13-89), operative September 20, 2013; amended October 11, 2013 (13-104), operative November 10, 2013; amended August 12, 2016 (16-84), operative September 11, 2016.

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Nasdaq PHLX Rules, Regulation, Rule
1047A. Trading Rotations, Halts or Reopenings

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(a) **Openings:**

(i) *Industry Index*—The opening rotation for industry index options may be held after the Exchange has received the opening price of the underlying index.

Once the Exchange has received the opening price of the underlying index, the opening rotation shall be held as soon as practicable.

(ii) *Market Index*—With respect to openings conducted manually, the opening rotation for market index options shall be held at or as soon as practicable after the opening of business on the Exchange.

Respecting openings conducted manually, the specialist shall open first those series of an index option which have the nearest expiration. Thereafter, the specialist shall open the remaining series in a manner he deems appropriate under the circumstances. One and one-half hours after the rotation, trading shall become subject to paragraph (c) of this Rule, unless an Options Exchange Official determines it is in the public interest to halt trading at an earlier time.

(iii) For the purposes of this Rule, an underlying security shall be deemed to have opened for trading on the primary market if such market has (i) reported a transaction in the underlying security or (ii) disseminated opening quotations for the underlying security and not given an indication of a delayed opening.

(iv) With respect to automated openings in an Industry or Market Index conducted pursuant to Rule 1017, the system will automatically open such options when the Exchange has received the opening price of the underlying index.

(v) An automated opening conducted pursuant to Rule 1017 shall be considered a “rotation” for purposes of this Rule.

(b) **Modified Rotations:** In addition to the opening rotation procedure provided in paragraph (a) of this Rule, the specialist may conduct a rotation in accordance with Rule 1047, Commentary .01 (b).

(c) **Halts:** Trading on the Exchange in any option may be halted with the approval of an Options Exchange Official, whenever trading on the primary market in any underlying security is halted or suspended. Trading shall be halted whenever an Options Exchange Official deems such action appropriate in the interests of a fair and orderly market and to protect investors. Among the factors that may be considered are the following:

(i) trading has been halted or suspended in the market that is the primary market for a plurality of the underlying stocks;

(ii) the current calculation of the index derived from the current market prices of the stocks is not available;

(iii) a Trading System (for purposes of this Rule, “Trading System” is defined as Phlx XL II, or any other Exchange quotation, transaction reporting, execution, order routing or other systems for trading options) technical failure or failures including, but not limited to, the failure of a part of the central processing system, a number of member or member organization trading applications, or the electrical power supply to the system itself or any related system; or;

(iv) other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.

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(v) In the event that trading is halted on the primary market in any underlying security, the specialist may halt trading in the option overlying such index, subject to the approval of an Options Exchange Official within five minutes of the halt in trading in the option.

Trading in options on any Alpha Index may be halted for the same reasons as other index options pursuant to this Rule, and shall be halted when trading is halted in options overlying either of the two index component securities.

(d) **Reopenings:** Trading in any class or series of index options that has been subject of a halt by the Exchange may be resumed upon a determination by an Options Exchange Official that the conditions which led to the halt are no longer present. In addition, an Options Exchange Official must conclude in his best judgment that the interests of a fair and orderly market are served by a resumption of trading. The definition of "open for trading" appears in subparagraph (a)(iii) above.

(e) No closing rotation for expiring index options shall be required.

(f) **Index Options Trading after 4:00 P.M.:** With the prior approval of an Options Exchange Official, a trading rotation in any class of index option contracts may be effected even though employment of the rotation will result in the transaction on the Exchange after 4:00 P.M. provided:

(i) Promptly after trading in underlying securities opens or re-opens, the trading rotation in any Exchange commences an opening or re-opening rotation in the corresponding options class pursuant to paragraphs (a), (b) or (d) above; or

(ii) If prior to 4:00 P.M., a trading rotation is in progress and an Options Exchange Official, determines that a final trading rotation is needed to assure a fair and orderly market, the rotation in progress shall be halted and such final rotation begun as promptly as possible after 4:00 P.M. Any trading rotation commenced after 4:00 P.M. must be approved by an Options Exchange Official.

(iii) Index Options Trading after 4:15 P.M.—in applying this provision to broad-based index options, the relevant time is 4:15 P.M.

Adopted December 2, 1983. Amended January 11, 1985; amended October 28, 1991; amended January 31, 1994 (93-30); amended August 29, 1995 (94-49); amended October 13, 1995 (95-22); amended February 8, 1996 (95-88); amended May 23, 1997 (97-04); amended February 2, 1998 (97-52); amended July 16, 1998 (98-19); amended February 4, 2000 (98-55); amended October 25, 2005 (05-25); amended February 7, 2006 (06-01); amended June 7, 2007 (06-87); amended August 3, 2007 (07-45); amended November 21, 2008 (08-74); amended February 7, 2011 (10-176); amended May 25, 2011 (11-69); amended July 25, 2013 (13-78), operative August 24, 2013; amended April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, Rule 1100A. Dissemination of Information

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(a) The Exchange shall disseminate or shall assure that the closing index value is disseminated after the close of business and the current index value is disseminated from time-to-time on days on which transactions in index options are made on the Exchange.

(b) The Exchange shall maintain, in files available to the public, information identifying the stocks whose prices are the basis for calculation of the index and the method used to determine the current index value.

Adopted December 2, 1983.

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Nasdaq PHLX Rules, Regulation, Rule 1101A. Terms of Option Contracts

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(a) *General*.

(1) *Meaning of Premium Bids and Offers*. Bids and offers shall be expressed in terms of dollars and decimal equivalents of dollars per unit of the index (e.g., a bid of 85.50 would represent a bid of $85.50 per unit).

(2) *Exercise Prices*. Meaning of Premium Bids and Offers. Bids and offers shall be expressed in terms of dollars and decimal equivalents of dollars per unit of the index (e.g., a bid of 85.50 would represent a bid of $85.50 per unit).

(i) Reserved.
(ii) Reserved.
(iii) Reserved.
(iv) Reserved.
(v) PHLX Gold/Silver Index, if the strike price is less than $200,
(vi) PHLX Housing Index, if the strike price is less than $200,
(vii) PHLX Oil Service Index, if the strike price is less than $200,
(viii) PHLX Semiconductor Index, if the strike price is less than $200,
(ix) PHLX Utility Index, if the strike price is less than $200,
(x) Reserved.
(xi) Reserved.
(xii) Reserved.
(xiii) Reserved.
(xiv) Reserved.
(xv) Reserved.
(xvi) Reserved.
(xvii) Reserved.
(xviii) Reserved.
(xix) Reserved.
(xx) Reserved.
(xxi) Reserved.
(xxii) SIG Oil Exploration & Production Index™, if the strike price is less than $200,
(xxiii) PHLX/KBW Bank Index, if the strike price is less than $200,
(xxiv) KBW Capital Markets Index, if the strike price is less than $200,
(xxv) KBW Insurance Index, if the strike price is less than $200,
(xxvi) KBW Mortgage Finance Index, if the strike price is less than $200,
(xxvii) KBW Regional Banking Index, if the strike price is less than $200,
(xxviii) Reserved.
(xxix) Reserved.
(xxx) Reserved.
(xxxi) Russell 2000® Index, if the strike price is less than $200,
(xxxii) Reduced Value Russell 2000® Index, if the strike price is less than $200,
(xxxiii) NASDAQ China Index℠, if the strike price is less than $200,
(xxxiv) SIG Energy MLP Index™, if the strike price is less than $200,
(xxxv) Reserved.
(xxxvi) Reserved.
(xxxvii) Reduced Value Nasdaq 100® Index (Reduced Value Nasdaq 100® Options),

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(xxxviii) Reduced value long term options, also known as LEAPS;
(xxxix) Russell 3000® Index, if the strike price is less than $200;
(xl) Russell 3000® Value Index, if the strike price is less than $200;
(xli) Russell 3000® Growth Index, if the strike price is less than $200;
(xlii) Russell 2500™ Index, if the strike price is less than $200;
(xliii) Russell 2500™ Value Index, if the strike price is less than $200;
(xliv) Russell 2500™ Growth Index, if the strike price is less than $200;
(xlv) Russell 2000® Value Index, if the strike price is less than $200;
(xlvi) Russell 2000® Growth Index, if the strike price is less than $200;
(xlvii) Russell 1000® Index , if the strike price is less than $200;
(xlviii) Russell 1000® Value Index , if the strike price is less than $200;
(xlix) Russell 1000® Growth Index, if the strike price is less than $200;
(l) Russell Top 200® Index , if the strike price is less than $200;
(li) Russell Top 200®Value Index , if the strike price is less than $200;
(lii) Russell Top 200® Growth Index , if the strike price is less than $200;
(liii) Russell MidCap® Index , if the strike price is less than $200;
(liv) Russell MidCap® Value Index , if the strike price is less than $200;
(lv) Russell MidCap® Growth Index, if the strike price is less than $200;
(lvi) Russell Small Cap Completeness® Index , if the strike price is less than $200;
(lvii) Russell Small Cap Completeness® Value Index, if the strike price is less than $200;
(lviii) Russell Small Cap Completeness® Growth Index, if the strike price is less than $200;
(lix) Reduced Value Russell 3000® Index, if the strike price is less than $200;
(lx) Reduced Value Russell 3000® Value Index, if the strike price is less than $200;
(lxi) Reduced Value Russell 3000® Growth Index, if the strike price is less than $200;
(lxii) Reduced Value Russell 2500™ Index, if the strike price is less than $200;
(lxiii) Reduced Value Russell 2500™ Value Index, if the strike price is less than $200;
(lxiv) Reduced Value Russell 2500™ Growth Index, if the strike price is less than $200;
(lxv) Reduced Value Russell 2000® Value Index, if the strike price is less than $200;
(lxvi) Reduced Value Russell 2000® Growth Index, if the strike price is less than $200;
(lxvii) Reduced Value Russell 1000® Index , if the strike price is less than $200;
(lxviii) Reduced Value Russell 1000® Value Index , if the strike price is less than $200;
(lxix) Reduced Value Russell 1000® Growth Index, if the strike price is less than $200;
(lxx) Reduced Value Russell Top 200® Index , if the strike price is less than $200;
(lxxi) Reduced Value Russell Top 200® Value Index , if the strike price is less than $200;
(lxxii) Reduced Value Russell Top 200® Growth Index , if the strike price is less than $200;
(lxxiii) Reduced Value Russell MidCap® Index , if the strike price is less than $200;
(lxxiv) Reduced Value Russell MidCap® Value Index, if the strike price is less than $200;
(lxxv) Reduced Value Russell MidCap® Growth Index, if the strike price is less than $200;
(lxxvi) Reduced Value Russell Small Cap Completeness® Index , if the strike price is less than $200;

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(lxxvii) Reduced Value Russell Small Cap Completeness® Value Index, if the strike price is less than $200;

(lxxviii) Reduced Value Russell Small Cap Completeness® Growth Index, if the strike price is less than $200;

(lxxix) Reserved.

(lxxx) Reserved.

(3) *Strike Prices*. The Exchange may also determine to list strike prices at no less than $2.50 intervals for options on indexes delineated in this rule in response to demonstrated customer interest or specialist request. For purposes of this paragraph, demonstrated customer interest includes institutional (firm) corporate or customer interest expressed directly to the Exchange or through the customer's floor brokerage unit, but not interest expressed by an ROT with respect to trading for the ROT's own account.

(A) Notwithstanding any other provision regarding strike prices in this Rule 1101A, non- Short Term Options that are on an index class that has been selected to participate in the Short Term Option Series Program (referred to as a "Related non-Short Term Option series") shall be opened during the month prior to expiration of such Related non-Short Term Option series in the same manner as permitted in this Rule 1101A(b)(4) and in the same strike price intervals that are permitted in this Rule 1101A(b)(4).

(4) *Expiration Months and Weeks*. Index options contracts may expire at three (3)-month intervals or in consecutive weeks or months. The Exchange may list: (i) up to six (6) standard monthly expirations at any one time in a class, but will not list index options that expire more than twelve (12) months out; (ii) up to 12 standard monthly expirations at any one time for any class that the Exchange (as the Reporting Authority) uses to calculate a volatility index; and (iii) up to 12 standard (monthly) expirations in NDX options.

(b) After a particular class of stock index options has been approved for listing and trading on the Exchange, the Exchange shall from time to time open for trading series of options therein. Within each approved class of stock index options, the Exchange shall open for trading a minimum of one expiration month and series for each class of approved stock index options and may also open for trading series of options having not less than nine and up to 60 months to expiration (long-term options series) as provided in subparagraph (b)(2). Prior to the opening of trading in any series of stock index options, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series.

(1) Additional series of stock index options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying index moves more than five strike prices from the initial exercise price or prices. The opening of a new series of options shall not affect the series of options of the same class previously opened. New series of options on an index may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on indexes until the fourth business day prior to the business day of expiration, or, in the case of an index option contract expiring on a day that is not a business day, up to the fifth business day prior to expiration.

(2) **Long-term Option Series**

The Exchange may list, with respect to any class of stock index options, series of options having not less than nine and up to 60 months to expiration, adding up to ten expiration months. Such series of options may be opened for trading simultaneously with series of options trading pursuant to this rule. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine months.

(3) **Quarterly Options Series Program**

The Exchange may list and trade options series that expire at the close of business on the last business day of a calendar quarter ("Quarterly Options Series"). The Exchange may list Quarterly

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Options Series for up to five (5) currently listed options classes that are either Index Options or options on Exchange Traded Funds. In addition, the Exchange may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.

(A) The Exchange may list series that expire at the end of the next consecutive four (4) calendar quarters as well as the fourth quarter of the next calendar year.

(B) Quarterly Options Series shall be P.M. settled.

(C) The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two, but not more than five, strike prices above and two, but not more than five, strike prices below the value of the underlying security at about the time that a Quarterly Options Series is opened for trading on the Exchange. The Exchange may open for trading additional Quarterly Options Series of the same class if the Exchange deems it necessary to maintain an orderly market, to meet customer demand or the current index value of the underlying index moves substantially from the exercise price of those Quarterly Options Series that already have been opened for trading on the Exchange. The exercise price of each Quarterly Options Series opened for trading on the Exchange shall be reasonably related to the current index value of the underlying index to which such series relates at or about the time such series of options is first opened for trading on the Exchange. The term "reasonably related to the current index value of the underlying index" means that the exercise price is within thirty percent (30%) of the current index value. The Exchange may also open for trading additional Quarterly Options Series that are more than thirty percent (30%) away from the current index value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market-makers trading for their own account shall not be considered when determining customer interest under this provision. The Exchange may open additional strike prices of a Quarterly Options Series that are above the value of the underlying index provided that the total number of strike prices above the value of the underlying index is no greater than five. The Exchange may open additional strike prices of a Quarterly Options Series that are below the value of the underlying index provided that the total number of strike prices below the value of the underlying index is no greater than five. The opening of any new Quarterly Options Series shall not affect the series of options of the same class previously opened.

(D) The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

(4) **Short Term Option Series Program**

After an index option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire at the close of business on each of the next five consecutive Fridays that are business days ("Short Term Option Expiration Date"). If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. Regarding Short Term Option Series:

(A) The Exchange may select up to thirty (30) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the thirty-option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program

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under their respective rules. For each index option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to twenty (20) Short Term Option Series on index options for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(B) No Short Term Option Series on an index option class may expire in the same week during which any monthly option series on the same index class expire or, in the case of Quarterly Options Series, on an expiration that coincides with an expiration of Quarterly Option Series on the same index class.

(C) The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the calculated value of the underlying index at about the time that the Short Term Option Series are initially opened for trading on the Exchange (e.g., if seven (7) series are initially opened, there will be at least three (3) strike prices above and three (3) strike prices below the value of the underlying security or calculated index value). Any strike prices listed by the Exchange shall be within thirty percent (30%) above or below the current value of the underlying index.

(D) If the Exchange has opened less than twenty (20) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the current value of the underlying index moves substantially from the exercise price or prices of the series already opened.

Any additional strike prices listed by the Exchange shall be within thirty percent (30%) above or below the current value of the underlying index. The Exchange may also open additional strike prices of Short Term Option Series that are more than 30% above or below the current value of the underlying index provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security, the Exchange will delist any series with no open interest in both the call and the put series having a: (i) strike higher than the highest price with open interest in the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week, so as to list series that are at least 10% but not more than 30% above or below the current price of the underlying security. In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security and all existing series have open interest, the Exchange may list additional series, in excess of the 30 allowed under Rule 1101A(b)(4), that are between 10% and 30% above or below the price of the underlying security. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened.

(E) The interval between strike prices on Short Term Option Series may be (1) $0.50 or greater where the strike price is less than $75, and $1 or greater where the strike price is between $75 and $150 for all index classes that participate in the Short Term Option Series Program; or (2) $0.50 for index classes that trade in one dollar increments in Related non-Short Term Options and that participate in the Short Term Option Series Program. Related non-Short Term Option series shall be opened during the month prior to expiration of such Related non-Short Term Option series in the same manner as permitted in Rule 1101A(b)(4) and in the same strike price intervals that are permitted in this Rule 1101A(b)(4).

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(5) **Nonstandard Expirations Pilot Program**

(A) Weekly Expirations. The Exchange may open for trading Weekly Expirations on any broad-based index eligible for standard options trading to expire on any Monday, Wednesday, or Friday (other than the third Friday-of-the-month or days that coincide with an EOM expiration). Weekly Expirations shall be subject to all provisions of this Rule and treated the same as options on the same underlying index that expire on the third Friday of the expiration month; provided, however, that Weekly Expirations shall be P.M.-settled and new series in Weekly Expirations may be added up to and including on the expiration date for an expiring Weekly Expiration.

The maximum number of expirations that may be listed for each Weekly Expiration (i.e., a Monday expiration, Wednesday expiration, or Friday expiration, as applicable) in a given class is the maximum number of expirations permitted for standard index options in Rule 1101A(a)(4). Weekly Expirations need not be for consecutive Monday, Wednesday, or Friday expirations as applicable; however, the expiration date of a non-consecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively. Weekly Expirations that are initially listed in a given class may expire up to four weeks from the actual listing date. If the last trading day of a month is a Monday, Wednesday, or Friday and the Exchange lists EOMs and Weekly Expirations as applicable in a given class, the Exchange will list an EOM instead of a Weekly Expiration in the given class. Other expirations in the same class are not counted as part of the maximum number of Weekly Expirations for a broad-based index class. If the Exchange is not open for business on a respective Monday, the normally Monday expiring Weekly Expirations will expire on the following business day. If the Exchange is not open for business on a respective Wednesday or Friday, the normally Wednesday or Friday expiring Weekly Expirations will expire on the previous business day.

(B) End of Month ("EOM") Expirations. The Exchange may open for trading EOMs on any broad-based index eligible for standard options trading to expire on last trading day of the month. EOMs shall be subject to all provisions of this Rule and treated the same as options on the same underlying index that expire on the third Friday of the expiration month; provided, however, that EOMs shall be P.M.-settled and new series in EOMs may be added up to and including on the expiration date for an expiring EOM.

The maximum number of expirations that may be listed for EOMs in a given class is the same as the maximum number of expirations permitted for standard options on the same broad-based index. EOM expirations need not be for consecutive end of month expirations; however, the expiration date of a non-consecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively. EOMs that are first listed in a given class may expire up to four weeks from the actual listing date. Other expirations in the same class are not counted as part of the maximum numbers of EOM expirations for a broad-based index class.

(C) Duration of Nonstandard Expirations Pilot Program. The Nonstandard Expirations Pilot Program shall be through November 4, 2019.

(D) Weekly Expirations and EOM Trading Hours. Transactions in Weekly Expirations and EOMs may be effected on the Exchange between the hours of 9:30 a.m. (Eastern Time) and 4:15 pm (Eastern Time), except that on the last trading day, transactions in expiring Weekly Expirations and EOMs may be effected on the Exchange between the hours of 9:30 a.m. (Eastern time) and 4:00 p.m. (Eastern time).

(c) On the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day prior to the expiration date of a particular series of index options, such option

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shall freely trade until 4:00 P.M., unless the Board of Directors has established different hours of trading for certain index options.

(d) Index Values for Settlement. The Rules of the Options Clearing Corporation specify that, unless the Rules of the Exchange provide otherwise, the current index value used to settle the exercise of an index options contract shall be the closing index value for the day on which the index options contract is exercised in accordance with the Rules of the Options Clearing Corporation or, if such day is not a business day, for the most recent business day.

(e) A.M.-Settled Index Options. The last day of trading for A.M.-settled index options shall be the business day preceding the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day preceding the last day of trading in the underlying securities prior to the expiration date. The current index value at the expiration of an A.M.-settled index option shall be determined, for all purposes under these Rules and the Rules of the Options Clearing Corporation, on the last day of trading in the underlying securities prior to expiration, by reference to the reported level of such index as derived from first reported sale (opening) prices of the underlying securities on such day, except that:

(I) In the event that the primary market for an underlying security does not open for trading on that day, the price of that security shall be determined, for the purposes of calculating the current index value at expiration, as set forth in Rule 1101A(g), unless the current index value at expiration is fixed in accordance with the Rules and By-Laws of the Options Clearing Corporation; and

(II) in the event that the primary market for an underlying security is open for trading on that day, but that particular security does not open for trading on that day, the price of that security, for the purposes of calculating the current index value at expiration, shall be the last reported sale price of the security. The following A.M.-settled index options are approved for trading on the Exchange:

(i) PHLX Semiconductor Sector
(ii) PHLX Housing Sector
(iii) PHLX Oil Service Sector
(iv) KBW Bank Index
(v) Full Value Nasdaq 100 Options
(vi) Reduced Value Nasdaq 100 Options

(f) Index Level. The reported level of the underlying index that is calculated by the reporting authority for purposes of determining the current index value at the expiration of an A.M.-settled index option may differ from the level of the index that is separately calculated and reported by the reporting authority and that reflects trading activity subsequent to the opening of trading in any of the underlying securities.

(g) Pricing When Primary Market Does Not Open. When the primary market for a security underlying the current index value of an index option does not open for trading on a given day, which is an expiration day, for the purposes of calculating the settlement price at expiration, the last reported sale price of the security from the previous trading day shall be used. This procedure shall not be used if the current index value at expiration is fixed in accordance with the Rules and By-Laws of the Options Clearing Corporation.

• • • ***Commentary:***

.01 Transactions in broad-based (market) index options traded on the Exchange, including Full Value Russell 2000® Options and Reduced Value Russell 2000® Options, Full and Reduced Value Russell 3000® Index, Full and Reduced Value Russell 3000® Value Index, Full and Reduced Value Russell 3000® Growth Index, Full and Reduced Value Russell 2500™ Index, Full and Reduced Value Russell 2500™ Value Index, Full and Reduced Value Russell 2500™ Growth Index, Full and Reduced Value Russell 2000® Value Index, Full and Reduced Value Russell 2000® Growth Index, Full and Reduced Value Russell 1000® Index, Full and Reduced Value Russell 1000® Value Index, Full and

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Reduced Value Russell 1000® Growth Index, Full and Reduced Value Russell Top 200® Index, Full and Reduced Value Russell Top 200® Value Index, Full and Reduced Value Russell Top 200® Growth Index, Full and Reduced Value Russell MidCap® Index, Full and Reduced Value Russell MidCap® Value Index, Full and Reduced Value Russell MidCap® Growth Index, Full and Reduced Value Russell Small Cap Completeness® Index, Full and Reduced Value Russell Small Cap Completeness® Value Index, and Full and Reduced Value Russell Small Cap Completeness® Growth Index and Full Value Nasdaq 100 Options and Reduced Value Nasdaq 100 Options may be effected on the Exchange until 4:15 P.M. each business day, through the expiration date. Transactions in Alpha Index options may also be effected on the Exchange until 4:15 P.M. each business day, through the expiration date.

.02 Notwithstanding subsection (a) to this Rule 1101A, the interval between strike prices of series of Reduced Value Nasdaq 100 Options will be $1 or greater, subject to following conditions:

(a) Initial Series. The Exchange may list series at $1 or greater strike price intervals for Reduced Value Nasdaq 100 Options, and will list at least two strike prices above and two strike prices below the current value of the Nasdaq-100 Index at about the time a series is opened for trading on the Exchange. The Exchange shall list strike prices for Reduced Value Nasdaq 100 Options that are within 5 points from the closing value of the Nasdaq-100 Index on the preceding day.

(b) Additional Series. Additional series of the same class of Reduced Value Nasdaq 100 Options may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the underlying Nasdaq-100 Index moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing value of the Nasdaq-100 Index. The Exchange may also open additional strike prices that are more than 30% above or below the current Nasdaq-100 Index value provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. In addition to the initial listed series, the Exchange may list up to sixty (60) additional series per expiration month for each series in Reduced Value Nasdaq 100 Options.

(c) The Exchange shall not list LEAPS on Reduced Value Nasdaq 100 Options at intervals less than $2.50.

(d) (1) Delisting Policy. With respect to Reduced Value Nasdaq 100 Options added pursuant to the above paragraphs, the Exchange will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current value of the Nasdaq-100 Index, and delist series with no open interest in both the put and the call series having a: (A) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (B) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(2) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Reduced Value Nasdaq 100 Options series eligible for delisting shall be granted.

(3) In connection with the above referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other options exchanges with similar delisting policies regarding eligible series for delisting, and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed Reduced Value Nasdaq 100 Options.

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.03 Notwithstanding subsection (a) to this Rule 1101A, the interval between strike prices of series of options on the PHLX Gold/Silver Index, PHLX Housing Index, PHLX Oil Service Index, SIG Oil Exploration & Production Index™, PHLX Semiconductor Index, KBW Bank Index, SIG Energy MLP Index™, and Reduced Value Russell 2000® Index (individually the "$1 Index" and together the "$1 Indexes"), which may also be known as sector indexes, will be $1 or greater, subject to following conditions:

(a) Initial Series. The Exchange may list series at $1 or greater strike price intervals for each $1 Index, and will list at least two strike prices above and two strike prices below the current value of each $1 Index at about the time a series is opened for trading on the Exchange. The Exchange shall list strike prices for each $1 Index that are within 5 points from the closing value of each $1 Index on the preceding day.

(b) Additional Series. Additional series of the same class of each $1 Index may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when each underlying $1 Index moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing value of each $1 Index. The Exchange may also open additional strike prices that are more than 30% above or below each current $1 Index value provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. In addition to the initial listed series, the Exchange may list up to sixty (60) additional series per expiration month for each series in $1 Indexes.

(c) The Exchange shall not list LEAPS on $1 Indexes at intervals less than $2.50.

(d) (1) Delisting Policy. With respect to each $1 Index added pursuant to the above paragraphs, the Exchange will regularly review series that are outside a range of five (5) strikes above and five (5) strikes below the current value of each $1 Index, and in each $1 Index may delist series with no open interest in both the put and the call series having a: (A) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (B) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(2) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in $1 Index options eligible for delisting may be granted.

.04 Notwithstanding subsection (a) to this Rule 1101A, the interval between strike prices of series of Alpha Index options will be $1 or greater. The Exchange will list at least two strike prices above and two strike prices below the current value of each Alpha Index option at about the time a series is opened for trading on the Exchange. The Exchange may also list additional strike prices at any price point, with a minimum of a $1.00 interval between strike prices, as required to meet the needs of customers.

.05 In addition to A.M.-settled Full Value Nasdaq 100 Options approved for trading on the Exchange pursuant to Rule 1101A Commentary .01, the Exchange may also list options on the NASDAQ-100 Index whose exercise settlement value is the closing value of the NASDAQ-100 Index on the expiration day ("NDXPM"). NDXPM options will be listed for trading for a pilot period ending on November 4, 2019.

.06 The procedures set forth in Exchange rules for determining the current index value at expiration shall not be used if the current index value at expiration is fixed in accordance with the Rules and By-Laws of The Options Clearing Corporation.

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Adopted December 2, 1983. Amended December 12, 1983; amended March 7, 1986; amended May 2, 1986; amended February 22, 1991; amended December 8, 1993 (93-6); amended June 1, 1994 (94-25); amended June 17, 1994 (94-26); amended July 11, 1994 (94-01); amended April 11, 1995 (95-07); amended February 28, 1996 (96-01); amended March 6, 1996 (95-92); amended March 21, 1996 (95-68); amended May 23, 1997 (97-04); amended May 24, 1999 (98-09); amended February 4, 2000 (98-55); amended February 24, 2004 (03-72); amended February 7, 2006 (05-43); amended February 7, 2006 (06-01); amended December 20, 2006 (06-82); amended February 13, 2007 (07-08); amended February 15, 2007 (06-65); amended July 9, 2007 (07-42); amended March 18, 2008 (08-21); amended June 2, 2008 (08-40); amended June 6, 2008 (08-36); amended June 26, 2008 (08-44); amended June 22, 2009 (09-46); amended July 6, 2009 (09-50); amended October 20, 2009 (09-77); amended March 29, 2010 (10-49); amended June 14, 2010 (10-84); amended February 7, 2011 (10-176); amended February 9, 2011 (10-183); amended April 25, 2011 (11-13); amended June 24, 2011 (11-65); amended June 22, 2011 (11-87), operative July 25, 2011; amended November 17, 2011 (11-131); amended February 17, 2012 (11-179); amended April 26, 2012 (12-28); amended May 16, 2012 (12-67); amended August 29, 2012 (12-78); amended February 20, 2013 (13-18); amended May 15, 2013 (13-55); amended July 25, 2013 (13-79); amended August 21, 2013 (13-89), operative September 20, 2013; amended October 11, 2013 (13-104), operative November 10, 2013; amended June 27, 2014 (14-41); amended August 1, 2014 (14-53); amended May 25, 2016 (16-61), operative June 24, 2016; amended August 2, 2017 (17-04); amended Nov. 1, 2017 (17-89), operative Dec. 1, 2017; amended Dec. 15, 2017 (17-79); amended Mar. 28, 2018 (18-28); amended June 11, 2018 (18-47); amended Aug. 27, 2018 (18-57), operative Sept. 27, 2018; amended Oct. 23, 2018 (18-63); amended Nov. 20, 2018 (18-76), operative Dec. 20, 2018; amended Dec. 11, 2018 (18-80); amended Feb. 20, 2019 (19-02); amended April 10, 2019 (19-13); amended April 12, 2019 (19-16).

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Nasdaq PHLX Rules, Regulation, Rule 1102A. Limitation of Exchange Liability

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Neither the Exchange, the Reporting Authority nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating the current index value or the closing index value resulting from any negligent act or omission by the Exchange or any act, condition or cause beyond the reasonable control of the Exchange, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; any error, omission or delay in the reports of transactions in one or more underlying securities; or any error, omission or delay in the reports of the current index value or the closing index value by the Exchange or the reporting authority.

Adopted December 2, 1983. Amended April 11, 1989; amended November 6, 2000 (00-74).

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Nasdaq PHLX Rules, Regulation, Rule 1103A. Margins

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Adopted July 7, 2003 (03-21). Amended June 6, 2004 (04-22); amended September 9, 2004 (04-48); amended February 22, 2005 (05-13); amended May 6, 2005 (05-24); amended October 5, 2005 (05-53); amended March 18, 2008 (08-21); amended June 2, 2008 (08-40).

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Nasdaq PHLX Rules, Regulation, Rule 1105A. Standard & Poor's® Index

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Adopted July 18, 2008 (08-47). Amended March 29, 2010 (10-49); amended October 18, 2017 (17-82).

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Nasdaq PHLX Rules, Regulation, Rule 1108A. MSCI EM Index

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Nasdaq PHLX Rules, Regulation, Rule 1000D. Applicability of 1000D Series –Treasury Securities Options

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Unless otherwise specified, the rules in this 1000D Series are applicable only to options on Treasury Securities of the United States Government ("Government") as defined below (Treasury securities"). These rules apply to all options on Treasury securities that are notes or bonds, as defined. Except to the extent that specific rules in this Series govern, or unless the context otherwise requires, the provisions of the Option Rules applicable to options and of the By-Laws and all other Rules and Policies of the Board of Directors shall be applicable to the trading on the Exchange of options on Treasury securities.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule
1001D. Definitions – Treasury Securities Options

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(a) The following terms as used in the Rules in this Series shall, unless the context otherwise indicates, have the meanings herein specified regarding options on Treasury securities.

(1) *Treasury Securities* - The term "Treasury securities" (also known as Treasury debt securities) means a bond or note or other evidence of indebtedness that is a direct obligation of, or an obligation guaranteed as to principal or interest by, the United States or a corporation in which the United States has a direct or indirect interest (except debt securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association). Securities issued or guaranteed by individual departments or agencies of the United States are sometimes referred to by the title of the department or agency involved (e.g. a "Treasury security" is a debt instrument that is issued by the United States Treasury).

(2) *Treasury note* - The term "Treasury note" means a note issued by the U.S. Treasury with a term to maturity of at least two years but no more than ten years at the time of original issuance.

(3) *Treasury bond* - The term "Treasury bond" means a bond issued by the U.S. Treasury with a term to maturity of more than ten years at the time of original issuance.

(4) *Specific cusip option* - The term "specific cusip option" means an option having a specifically identified underlying Treasury security, which is required to be delivered upon exercise.

(5) *Exercise Price* - The term "exercise price" in respect of a specific cusip option means the specified price at which the underlying Treasury security may be purchased or sold upon the exercise of the option contract.

(6) *Aggregate Exercise Price* - The term "aggregate exercise price" in respect of a specific cusip option means the exercise price of an option contract multiplied by the principal amount of the underlying Treasury security covered by the option.

(7) *Covered* - The term "covered" in respect of a short position in a Treasury securities call option contract means that the writer holds in the same account on a principal for principal basis: (1) a long position in underlying Treasury securities that qualify for delivery upon exercise; (2) a long Treasury securities call option position for the same underlying security as the short call position where the expiration date of the long call position is the same as or subsequent to the expiration date of the short call position and the exercise price(s) of the long call position is equal to or less than the exercise price of the short call position; or (3) a custodial or Treasury securities escrow receipt pursuant to Rule 1022D. The term "covered" in respect of a short position in a Treasury securities put option contract means that the writer holds in the same account on a principal for principal basis: (1) a long Treasury securities put option position for the same underlying security as the short put position where the expiration date of the long put position is the same as or subsequent to the expiration date of the short put position and the exercise price(s) of the long put position is equal to or greater than the exercise price of the short put position or (2) a Treasury securities put guarantee letter pursuant to Rule 1022D.

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October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule
1002D. Position Limits – Treasury Securities Options

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(a) *Establishment of Position Limit*. In determining position limit compliance, options on a Treasury security shall be subject to a contract limitation (whether long or short) of the put type and the call type on the same side of the market covering a value no greater than 7.5% of the value of the initial or reopened public issuance, rounded to the next lower $100 million interval, combining for purposes of this position limit long positions in put options with short positions in call options, and short positions in put options with long positions in call options, or such other lower amount of options as may be fixed from time to time by the Exchange as the position limit for one or more classes or series of options.

(1) In no event shall the position limit exceed a position on either side of the market covering a value in excess of $750,000,000 of the underlying securities.
(2) Reasonable notice shall be given of each new position limit fixed by the Exchange, by notifying members thereof via Options Trader Alert (“OTA”).

(b) *Maintenance of Position Limit*. In the event that any of the underlying Treasury securities are reported as "separate trading of registered interest and principal of securities" ("strips") in the Monthly Statement of the Public Debt of the United States Government, or such other report or compilation as may be selected from time to time by the Exchange, such stripping shall be taken into account in determining whether the position limit as initially established under paragraph (a) ("the established position limit") can be maintained (the remaining non-stripped underlying securities are hereinafter referred to as "the non-stripped securities").

(1) The established position limit may remain so long as the position limit covers a principal amount of underlying securities not in excess of 7.5% of the non-stripped securities. In the event that the established position limit covers a principal amount of securities in excess of 7.5% of the non-stripped securities, the Exchange shall reestablish the position limit to cover a principal amount of underlying securities not in excess of 7.5% of the non-stripped securities. Revisions to the position limits as provided herein will become effective the Monday following the provision of notice thereof via OTA.
(2) Except as otherwise exempted under Exchange rules, persons whose positions exceed revised position limits may only engage in liquidating transactions until their positions are lower than the revised position limits.

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October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1003D. Exercise Limits – Treasury Securities Options

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In determining exercise limit compliance, the exercise limits for options on a Treasury security shall be equivalent to the position limits prescribed in Rule 1002D.

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Nasdaq PHLX Rules, Regulation, Rule 1004D. Reports Related to Position Limits and Liquidation of Positions – Treasury Securities Options

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For purposes of Rules 1003 and 1004, references to Rule 1001 in connection with position limits shall be deemed, in the case of Treasury securities options, to be to Rule 1002D. The reference in Rule 1003(a) to reports required of positions of 200 or more options shall, in the case of Treasury securities options, be revised to positions of options covering $2 million or more principal amount of underlying Treasury securities, for example, the 3.125% bonds due in the year 2042.

Adopted.
October 4, 2012 (12-105).
Amendment.
May 20, 2013 (13-57).

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Nasdaq PHLX Rules, Regulation, Rule
1005D. Designation of Treasury Securities Options

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Treasury securities options dealt in on the Exchange are designated by reference to the issuer of the underlying Treasury security, principal amount, expiration month (and year for the longest term option series), exercise price or nominal exercise price, type (put or call), stated or nominal rate of interest and stated date of maturity or nominal term to maturity (e.g. a specific cusip call option expiring in March and having an exercise price of 96 of the $10,000 principal amount of a 3 3/4% Treasury bond that matures on August 15, 2041, is designated as a Treasury 3 3/4%—8/15/41 March 96 call.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1006D. Criteria for Securities Underlying Treasury Securities Options

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(a) Treasury securities may be approved by the Exchange as underlying securities for Exchange transactions in specific cusip options, subject to such requirements as to size of original issuance, aggregate principal amount outstanding, and years to maturity.

(1) The original public sale of an underlying Treasury security shall be at least $1 billion principal amount.

(2) In order to limit underlying Treasury securities that are approved for specific cusip options listings to the most recently issued and actively traded Treasury securities, Exchange approval of a Treasury security underlying Treasury options will only extend to the settled on-the-run Treasury security ("options listing timeframe"). However, the Exchange shall not approve a subsequent settled on-the-run Treasury security until after the expiration of all the options that are listed pursuant to the preceding options listing timeframe.

Any additional series of specific cusip Treasury options overlying the settled, on-therun Treasury security may be opened only within the options listing timeframe.

(A) Notwithstanding, such Exchange approval of an underlying Treasury security may be extended in the event of the reopening of the underlying Treasury security by the Treasury, or in the event of issues where a reasonably active secondary market exists; and

(B) Prior to the end of an options listing timeframe, the Board (or a designee of the Board) shall withdraw approval of an underlying Treasury security at any time if it determines on the basis of information made publicly available by the Treasury that the security has a public issuance of less than $750 million, excluding stripped securities.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1007D. Withdrawal of Approval of Underlying Treasury Securities or Options

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(a) The Board (or a designee of the Board) may determine, for any reason, to withdraw approval of any Treasury security that was initially approved for options trading pursuant to Rule 1006D as underlying securities.

(b) After any announcement by the Exchange of any such withdrawal or approval, each member organization shall, if requested by a customer to effect an option transaction in such Treasury securities, inform such customer of the withdrawal of approval prior to affecting any transactions in such securities.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1008D. Terms of Treasury Securities Options

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(a) *General*. A single Treasury security option covers $10,000 principal amount of the underlying security. The expiration month and exercise price of Treasury security options of each series shall be determined by the Exchange at the time each series of options is first opened for trading.

(b) *Expiration Months*. Treasury security options will expire on a monthly basis, none further out than the options listing timeframe as defined in Rule 1006D.

(c) *Exercise*. Treasury security options may be exercised only on the day that they expire. The exercise price of each series of Treasury security options shall be fixed at a price denominated in $0.50. In the case of a specific cusip Treasury security option, the exercise price so determined shall be reasonably close to, and no more than 20% higher or lower than, the price at which the underlying security is traded in the primary market at the time the series of options is first opened for trading. The exercise price of such additional series will be fixed at a multiple of $0.50.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1009D. Series of Treasury Securities Options Open for Trading

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(a) *Initial Series of Specific Cusip Options*. The Exchange may open for trading specific cusip Treasury security options at any time following the auction sale of the underlying security. At the time options are initially opened for trading on a newly auctioned underlying Treasury security, the Exchange shall open a minimum of one expiration month and series for each class of options open for trading, pursuant to the requirements of Rule 1006D.

(b) *Additional Series of Options to Reflect Price Changes*. After a class of specific coupon Treasury security options has been opened for trading in accordance with paragraph (a) of this Rule, additional series of options of the same class may be opened when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or to reflect substantial changes in prices of the underlying Treasury securities, pursuant to the requirements of Rule 1006D.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1010D. Days and Hours of Business of Treasury Securities Options

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Hours during which Treasury securities options transactions may be made on the Exchange shall correspond to the hours during which equity options are normally traded.

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Nasdaq PHLX Rules, Regulation, Rule 1011D. Trading Rotations – Treasury Securities Options

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Rule 1047 regarding trading rotations, halts and suspensions shall be applicable to Treasury securities options.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1012D. Trading Halts and Suspension of Trading, Obvious and Catastrophic Errors – Treasury Securities Options

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(a) Trading Halts and Suspension of Trading. In addition to the factors set forth in Rule 1047, a factor that may be considered by Options Exchange Officials in connection with the institution of trading halts is that current quotations for the underlying Treasury securities are unavailable or have become unreliable; or that there is a need to prevent an unfair and disorderly market.

(b) Errors. Rule 1092 regarding obvious errors and catastrophic errors shall be applicable to Treasury securities options.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1013D. Minimum Increment and Meaning of Premium Bids and Offers for Treasury Securities Options

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(a) Treasury securities options shall have a minimum increment of $.01.

(b) Bids and offers for Treasury securities options shall be expressed in $.01 increments.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1014D. Specialist and Registered Option Trader Obligations and Electronic Trading – Treasury Securities Options

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Rule 1014 regarding obligations and restrictions applicable to specialists and registered options traders and Rule 1080 regarding Phlx XL and XL II shall be applicable to Treasury securities options.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule
1015D. Accommodation Trading - Treasury Securities Options

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Accommodation trading under the applicable terms and conditions of Options 8, Section 33 shall be available in each series of Treasury securities option contracts open for trading on the Exchange. However, bids or offers for opening transactions at a price of $1 per option contract may be executed only with closing transactions that cannot at that time in open outcry be executed with another closing transaction.

Adopted.
October 4, 2012 (12-105).
Amendment.
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, Rule 1016D. Reconciliation of Unmatched Trades – Treasury Securities Options

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All members, member firms, and clearing members shall resolve unmatched trades in Treasury securities options from the previous day's trading no later than 9:00 a.m. (Eastern Time) of the following business day.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1018D. Limit Book for Treasury Securities Options

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There shall be a limit order book for Treasury securities options.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1019D. Bid / Ask Differentials - Treasury Securities Options

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(a) Without limiting the general obligation to deal for his account as stated in Rule 1014, a Specialist or Registered Options Trader holding an appointment in Treasury securities options, in the course of maintaining a fair and orderly market, is expected to bid and/or ask (offer) so as to create differences of:

(1) no more than $0.25 between the bid and offer for each option contract for which the bid is less than $1;
(2) no more than $0.50 where the bid is $1 or more but less than $5;
(3) no more than $0.80 where the bid is $5 or more but less than $10 ; and
(4) no more than $1 where the bid is $10 or more.

(b) The bid/ask differentials specified in this rule shall apply only to the two nearest term series of each class of Treasury securities options. For all longer term series the maximum bid/ask differentials are double those listed above.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1020D. Allocation of Exercise Assignment Notices – Treasury Securities Options

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(a) In the case of Treasury securities options, the method of allocation of exercise notices established pursuant to Rule 1043 may provide that an exercise notice of block size shall be allocated to a customer or customers having an open short position of block size and that an exercise notice of less than block size shall not be allocated, to the extent feasible, to a customer having a short position of block size.

(b) A member organization shall allocate an exercise notice pertaining to a call option contract to a customer who has made a specific deposit of the underlying security if it is directed to do so by The Options Clearing Corporation (“OCC”).

(c) For the purposes of this Rule, an exercise notice or a short position in a series of options where the total principal amount is $1 million or more and where the underlying security is a Treasury security shall be deemed to be of "block size."

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1021D. Delivery and Payment - Treasury Securities Options

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Payment of the aggregate exercise price shall be accompanied by payment of accrued interest on the underlying Treasury security from but not including the last interest payment date to and including the exercise settlement date as specified in the Rules of the OCC.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1022D. Margin Requirements - Treasury Securities Options

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Exchange member organizations shall comply with initial and maintenance margin requirements per Rule 721.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1023D. Furnishing of Books, Records and Other Information – Treasury Securities Options

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(a) No specialists or Remote Options Traders in Treasury securities options shall fail to make available to the Exchange such books, records or other information maintained by or in the possession of such member or any corporate affiliate of such member pertaining to transactions by such member or any such affiliate for its own account in Treasury securities, Treasury securities futures or in Treasury securities options as may be called for under the Rules or as may be requested in the course of any investigation, any inspection or other official inquiry by the Exchange. In addition, the provisions governing identification of accounts and reports of orders shall, in the case of specialists or Registered Options Traders in Treasury securities options, apply to (i) accounts for Treasury securities deliverable under the terms of the option contracts involved, Treasury securities futures, options on Treasury securities futures and Treasury securities options trading; and (ii) orders entered by the specialist or Registered Options Trader for the purchase or sale of Treasury securities deliverable under the terms of the options contracts involved, Treasury securities futures, options on Treasury securities futures, options on Treasury securities and opening and closing positions therein.

(b) Any corporate affiliate of a Specialist or Registered Options Trader in Treasury securities options shall maintain and preserve such books, records or other information as may be necessary to comply with this rule.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule
1024D. Communication Links – Treasury Securities Options

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The Exchange will permit members to establish and maintain communication links with other members for the purpose of obtaining timely information on price movements in Treasury securities on which options are dealt in on the Exchange. Written notice of each such communication link shall be promptly filed with the Exchange. The Exchange may condition or terminate the use of any such communication link if the Exchange deems such action to be necessary or appropriate in the interest of maintaining a fair and orderly market or for the protection of investors.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 1025D. Doing Business With the Public – Treasury Securities Options

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(a) Approval of the accounts of customers shall be conducted in accordance with Rule 747 and, in the case of institutional options customers (i.e., customers that are not natural persons), a member organization shall seek to obtain the following information:

(1) evidence of authority for the institution to engage in Treasury securities options transactions (corporate resolutions, trust documents, etc.);
(2) written designation of individuals within the institution authorized to act for it in connection with Treasury securities options transactions; and
(3) basic financial information concerning the institution.

(b) As a general matter, supervisory qualifications of a Registered Options Principal may be demonstrated only by successful completion of an examination prescribed by the Exchange (e.g. Series 4) for the purpose of demonstrating an adequate knowledge of Treasury securities options and the underlying Treasury securities. In exceptional circumstances and when good cause is shown, however, the Exchange may, upon written request by a member organization, accept as a demonstration of equivalent knowledge other evidence of a Registered Options Principal's supervisory qualifications. Advanced age, physical infirmity or experience in fields ancillary to the investment banking or securities business will not individually of themselves constitute sufficient grounds to excuse a Registered Options Principal from the general requirement that supervisory qualifications be shown by successful completion of an appropriate examination.

(c) The conduct of Treasury securities option business at a branch office of a member organization may be supervised by any Registered Options Principal of the member organization.

(d) Any sales personnel of a member organization who solicit or accept customer orders with regard to options on Treasury securities shall be deemed qualified with regard to such options after such personnel successfully completed an examination prescribed by the Exchange for the purpose of demonstrating adequate knowledge of options and the underlying Treasury securities.

Adopted.
October 4, 2012 (12-105).

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Nasdaq PHLX Rules, Regulation, Rule 3100. Limit Up-Limit Down Plan and Trading Halts on PSX

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(a) Authority to Initiate Trading Halts or Pauses

In circumstances in which the Exchange deems it necessary to protect investors and the public interest, and pursuant to the procedures set forth in paragraph (c):

(1) The Exchange may halt trading on PSX of a security listed on another national securities exchange: (A) during a trading halt imposed by such exchange to permit the dissemination of material news; or (B) when such exchange imposes a trading halt in that security because of an order imbalance or influx ("operational trading halt"). In the event that the Exchange initiates a trading halt based on another exchange's operational trading halt, PSX Participants may commence entry of orders and quotations and trading at any time following initiation of the halt, without regard to procedures for resuming trading set forth in paragraph (c);

(2) The Exchange may halt trading in an index warrant on PSX whenever Exchange staff shall conclude that such action is appropriate in the interests of a fair and orderly market and to protect investors. Among the factors that may be considered are the following:

- (A) trading has been halted or suspended in underlying stocks whose weighted value represents 20% or more of the index value;
- (B) the current calculation of the index derived from the current market prices of the stocks is not available;
- (C) other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present; or

(3) The Exchange shall halt trading in Derivative Securities Products (as defined in Rule 3100(b)(4)(A)) for which a net asset value ("NAV") (and in the case of Managed Fund Shares or actively managed exchange-traded funds, a Disclosed Portfolio, as defined in Rule 803(n)) is disseminated if the Exchange becomes aware that the NAV (or, if applicable, the Disclosed Portfolio) is not being disseminated to all market participants at the same time. The Exchange will maintain the trading halt until such time as trading resumes in the listing market.

(4) If a primary listing market issues an individual stock trading pause in any of the Circuit Breaker Securities, as defined herein, the Exchange will pause trading in that security until trading has resumed on the primary listing market. If, however, trading has not resumed on the primary listing market and ten minutes have passed since the individual stock trading pause message has been received from the responsible single plan processor, the Exchange may resume trading in such stock. The provisions of this paragraph (a)(4) shall be in effect during a pilot set to end on February 4, 2014. During the pilot, the term "Circuit Breaker Securities" shall mean all NMS stocks other than NMS stocks subject to the Regulation NMS Plan to Address Extraordinary Market Volatility.

(5) Limit Up-Limit Down Mechanism.

- (A) Definitions.
  - (1) "Plan" means the Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS

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under the Securities Exchange Act of 1934, Exhibit A to Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012).

(2) All capitalized terms not otherwise defined in this Rule shall have the meanings set forth in the Plan or Exchange rules, as applicable.

(B) Exchange Participation in the Plan. The Exchange is a Participant in, and subject to the applicable requirements of, the Plan, which establishes procedures to address extraordinary volatility in NMS Stocks.

(C) Member Organization Compliance. Member organizations shall comply with the applicable provisions of the Plan.

(D) Exchange Compliance with the Plan. Exchange systems shall not display or execute buy (sell) interest above (below) the Upper (Lower) Price Bands, unless such interest is specifically exempted under the Plan.

(E) Repricing and Cancellation of Interest. Exchange systems shall reprice and/or cancel buy (sell) interest that is priced or could be executed above (below) the Upper (Lower) Price Band. Any interest that is repriced pursuant to this Rule shall receive a new time stamp and new execution priority.

(1) Market Orders. If a market order with a time in force other than Immediate or Cancel cannot be fully executed at or within the Price Bands, Exchange systems shall post the unexecuted portion of the buy (sell) market order at the Upper (Lower) Price Band.

(2) Limit-priced Interest. Both displayable and non-displayable incoming limit-priced interest to buy (sell) that is priced above (below) the Upper (Lower) Price Band shall be repriced to the Upper (Lower) Price Band.

(a) For limit-priced orders entered via the OUCH protocol, the order shall be re-priced upon entry only if the Price Bands are such that the price of the limit-priced interest to buy (sell) would be above (below) the upper (lower) Price Band. Once slid:

(i) if the Price Bands move such that the price of the order to buy (sell) would be below (above) the lower (upper) Price Band, the order will not be re-priced again. Rather, the order will either remain on the book at the same price or be cancelled back to the entering party, depending on how the entering party has configured its order entry port.

(ii) if the Price Bands move such that the price of the order to buy (sell) would be above (below) the upper (lower) Price Band, the order will not be re-priced again. Rather, the order will be cancelled.

(b) For limit-priced orders entered via RASH or FIX protocols, the order shall be eligible to be repriced by the system multiple times if the Price Bands move such that the price of resting limit-priced interest to buy (sell) would be above (below) the upper (lower) Price Band. Once slid, if the Price Bands again move such that the price of resting limit interest to buy (sell) would be below (above) the upper (lower) Price Band the order will

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continue to be repriced either to its original limit price or to the new price bands, whichever is less aggressive.

(3) IOC Orders. If an IOC order cannot be fully executed at or within the Price Bands, Exchange systems shall cancel any unexecuted portion of the IOC Order.

(4) Routable Orders. Exchange systems shall not route buy (sell) interest to an away market displaying a sell (buy) quote that is above (below) the Upper (Lower) Price Band. Orders that are eligible to be routed to away destinations will be price slid before routing if the buy (sell) is priced above (below) the Upper (Lower) Price Band.

(5) Sell Short Orders. During a Short Sale Price Test, as defined in Rule 3303, Short Sale Orders priced below the Lower Price Band shall be repriced to the higher of the Lower Price Band or the Permitted Price, as defined in Rule 3303.

(b) Trading Halts for Trading of Certain Derivative Securities Products on PSX Pursuant to Unlisted Trading Privileges

(1) During Pre-Market Session. If a Derivative Securities Product begins trading on PSX in the Pre-Market Session and subsequently a temporary interruption occurs in the calculation or wide dissemination of an applicable Required Value, PSX may continue to trade the Derivative Securities Product for the remainder of the Pre-Market Session.

(2) During Regular Market Session. During the Regular Market Session, if a temporary interruption occurs in the calculation or wide dissemination of an applicable Required Value, and the listing market halts trading in the Derivative Securities Product, the Exchange, upon notification by the listing market of a halt due to such temporary interruption, also shall immediately halt trading in the Derivative Securities Product on PSX.

(3) Post-Market Session and Next Trading Day.

(A) If an applicable Required Value continues not to be calculated or widely disseminated after the close of the Regular Market Session, PSX may trade the Derivative Securities Product in the Post-Market Session only if the listing market traded the Derivative Securities Product until the close of its regular trading session without a halt.

(B) If an applicable Required Value continues not to be calculated or widely disseminated as of the beginning of the Pre-Market Session on the next trading day, PSX shall not commence trading of the Derivative Securities Product in the Pre-Market Session that day. If an interruption in the calculation or wide dissemination of an applicable Required Value continues, PSX may resume trading in the Derivative Securities Product only if calculation and wide dissemination of the applicable Required Value resumes or trading in the Derivative Securities Product resumes in the listing market.

(4) Definitions. For purposes of this Rule:

(A) "Derivative Securities Product" means a series of Trust Shares, Index Fund Shares, Managed Fund Shares or Trust Issued Receipts (as defined in Rule 803), a series of Commodity-Related Securities (as defined in Rule 3230), securities representing interests

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in unit investment trusts or investment companies, or any other derivative security traded on PSX.

(B) "Pre-Market Session" means the trading session that begins at 8:00 a.m. and continues until 9:30 a.m.

(C) "Post-Market Session" means the trading session that begins at 4:00 p.m. or 4:15 p.m., and that continues until 5:00 p.m.

(D) "Regular Market Session" means the trading session from 9:30 a.m. until 4:00 p.m. or 4:15 p.m.

(E) "Required Value" shall mean (i) the value of any index or any commodity-related value underlying a Derivative Securities Product, (ii) the indicative optimized portfolio value, intraday indicative value, or other comparable estimate of the value of a share of a Derivative Securities Product updated regularly during the trading day, (iii) a net asset value in the case of a Derivative Securities Product for which a net asset value is disseminated, and (iv) a "disclosed portfolio" in the case of a Derivative Securities Product that is a series of managed fund shares or actively managed exchange-traded funds for which a disclosed portfolio is disseminated.

(c) Procedure for Initiating and Terminating a Trading Halt

(1) Should the Exchange determine that a basis exists under Rule 3100 for initiating a trading halt, the commencement of the trading halt will be effective at the time specified by the Exchange in a notice posted on a publicly available Exchange website. In addition, the Exchange shall disseminate notice of the commencement of a trading halt through major wire services.

(2) Trading in a halted security shall resume at the time specified by the Exchange in a notice posted on a publicly available Exchange website. In addition, the Exchange shall disseminate notice of the resumption of trading through major wire services.

(3) (A) A trading halt initiated under Rule 3100(a)(3) or Rule 3100 shall be terminated when the Exchange releases the security for trading, at a time announced to market participants in advance by the Exchange.

(B) During any trading halt or pause, orders entered during the trading halt or pause will not be accepted.

Adopted.
September 9, 2010 (10-79).
Amendments.
September 22, 2010 (10-126).
December 9, 2010 (10-172).
December 9, 2010 (10-174).
March 31, 2011 (11-44).
June 23, 2011 (11-64), operative August 8, 2011.
August 8, 2011 (11-113).
November 18, 2011 (11-158).
January 11, 2012 (12-07).
July 19, 2012 (12-99).
February 1, 2013 (13-14).
March 11, 2013 (13-26), operative April 8, 2013.
April 25, 2013 (13-24).
June 14, 2013 (13-66), operative July 14, 2013.
June 22, 2016 (16-70).

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Nasdaq PHLX Rules, Regulation, Rule 3201. Scope

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Unless otherwise specified, the Rules set forth in this 3200 Series apply only to the quoting and trading of System Securities via PSX.

Adopted.
September 9, 2010 (10-79).
Amendments.
May 25, 2011 (11-69).
April 25, 2013 (13-24).

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Nasdaq PHLX Rules, Regulation, Rule 3202. Application of Other Rules of the Exchange

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The following Rules of the Exchange shall be applicable to market participants trading on PSX.

The Limited Liability Company Agreement of the Exchange

The By-Laws of the Exchange

Rule 1. Definitions

Rule 52. Fees, Dues and Other Charges

Rule 56. Effect of Suspension or Termination on Payment of Fees

Rule 57. Members' Contracts

Rule 58. Exchange Contracts

Rule 59. Deliveries through Registered Clearing Agencies

Rule 62. Disapproval of Business

Rule 63. Effect of Suspension or Termination

Rule 64. Office Vacated by Suspension or Termination

Rule 98. Reserved

Rule 103. Dealings on the Exchange - Securities

Rule 112. Bids and Offers - "When Issued"

Rule 128. Price and Execution Binding

Rule 133. Trading Halts Due to Extraordinary Market Volatility

Rule 274. Payment on Delivery - Collect on Delivery

Rule 279. Book-Entry Settlement

Rule 431. Ex-dividend, Ex-rights

Rule 432. Ex-warrants

Rule 433. Buyer Entitled to Dividend, etc.

Rule 434. Claims for Dividend, etc.

Rule 451. Taking or Supplying Securities Named in Order

Rule 452. Limitations on Members' Trading Because of Customers' Orders

Rule 453. Successive Transactions by Members

Rule 455. Short Sales

Rule 600. Registration

Rule 601. Office, Other Than Main Offices

Rule 602. Status Verification

Rule 603. Control of Offices

Rule 605. Advertisements, Market Letters, Research Reports and Sales Literature

Rule 607. Covered Sales Fee

Rule 610. Notification of Changes in Business Operations

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Rule 623. Fingerprinting

Rule 625. Training

Rule 651. Exchange's Costs of Defending Legal Proceedings

Rule 652. Limitation of Exchange Liability and Reimbursement of Certain Expenses (paragraphs (b), (c), (d), and (e) only)

Rule 703. Financial Responsibility and Reporting

Rule 704. Assignment of Interest of Partner

Rule 705. Fidelity Bonds

Rule 707. Conduct Inconsistent with Just and Equitable Principles of Trade

Rule 708. Acts Detrimental to the Interest or Welfare of the Exchange

Rule 712. Independent Audit

Rule 721. Proper and Adequate Margin

Rule 722. Miscellaneous Securities Margin Accounts

Rule 723. Prohibition on Free-Riding in Cash Accounts

Rule 741. Customers' Securities

Rule 742. Restrictions on Pledge of Customers' Securities

Rule 745. Partial Payments

Rule 746. Diligence as to Accounts

Rule 747. Approval of Accounts

Rule 748. Supervision

Rule 749. Transactions for Employees of Exchange, etc.

Rule 750. Speculative Transactions for Employees of Certain Employers

Rule 751. Accounts of Employees of Member Organizations

Rule 752. Statements to Be Sent to Customers

Rule 753. Notwithstanding Power of Attorney

Rule 754. Discretionary Power as to Customers' Accounts

Rule 756. Reserved

Rule 757. Anti-Money Laundering Compliance Program

Rule 760. Maintenance, Retention and Furnishing of Books, Records and Other Information

Rule 761. Supervisory Procedures Relating to ITSFEA and to Prevention of Misuse of Material Nonpublic Information

Rule 762. Telemarketing

Rule 763. Recommendations to Customers (Suitability)

Rule 764. Best Execution and Interpositioning

Rule 771. Excessive Trading of Members

Rule 772 Trading for Joint Account

Rule 773. Participation in Joint Accounts

Rule 774. Disruptive Quoting and Trading Activity Prohibited

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Rule 777. Guarantees Not Permitted
Rule 782. Manipulative Operations
Rule 783. Report of Financial Arrangements
Rule 784. Report of Options
Rule 785. Automated Submission of Trading Data
Rule 786. Periodic Reports
Rule 792. Reserved
Rule 794. Reserved
Rule 795. Reserved
Rule 796. Underwriting of Securities by Member Organizations
Rule 797. Reserved
Rule 798. Reserved
Rule 803. Listing Standards for Unlisted Trading Privileges
Rule 900.1. General Powers and Duties of Membership Department
Rule 900.2. Membership Applications
Rule 901. Denial of and Conditions to Membership
Rule 902. Reserved
Rule 903. Reserved
Rule 904. Reserved
Rule 905. Reserved
Rule 906. Reserved
Rule 907. Reserved
Rule 908. Rights and Privileges of A-1 Permits
Rule 909. Collection of Exchange Fees and Other Claims
Rule 910. Qualification as Member Organization
Rule 911 Member and Member Organization Participation
Rule 921. Qualification; Designation of Executive Representative
Rule 922. Certificate of Incorporation
Rule 924. Obligation of Members and Member Organizations to the Exchange
Rule 925. Inactive Nominees
Rule 950. Arbitration
Sec. 44 FINRA Jurisdiction Over Arbitrations Against Exchange Members
Rule 980. Regulatory Services Agreements
Rule 985. Affiliation and Ownership Restrictions
Rule 1094. Sponsored Participants
Rule 1210. Registration Requirements
Rule 1220. Registration Categories

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Rule 1230. Associated Persons Exempt from Registration
Rule 1240.Continuing Education for Registered Persons
Rule 1250. Electronic Filing Requirements for Uniform Forms
Rule 8000. Investigations and Sanctions
Rule 8001. Regulation of the Exchange and its Member Organizations
Rule 8100. General Provisions
Rule 8110. Availability of Manual to Customers
Rule 8120. Definitions
Rule 8200. Investigations
Rule 8210. Provision of Information and Testimony and Inspection and Copying of Books
Rule 8211. Automated Submission of Trading Data
Rule 8212. Reserved
Rule 8213. Reserved
Rule 8220. Reserved
Rule 8300. Sanctions
Rule 8310. Sanctions for Violation of the Rules
Rule IM-8310-1. Effect of a Suspension, Revocation, Cancellation, or Bar
Rule IM-8310-2. Reserved
Rule IM-8310-3. Release of Disciplinary Complaints, Decisions and Other Information
Rule 8320. Payment of Fines, Other Monetary Sanctions, or Costs; Summary Action for Failure to Pay
Rule 8330. Costs of Proceedings
Rule 9000. Code of Procedure
Rule 9001. Regulatory Contract with FINRA
Rule 9100. Application and Purpose
Rule 9110. Application
Rule 9120. Definitions
Rule 9130. Service; Filing of Papers
Rule 9131. Service of Complaint and Document Initiating a Proceeding
Rule 9132. Service of Orders, Notices, and Decisions by Adjudicator
Rule 9133. Service of Papers Other Than Complaints, Orders, Notices, or Decisions
Rule 9134. Methods of, Procedures for Service
Rule 9135. Filing of Papers with Adjudicator: Procedure
Rule 9136. Filing of Papers: Form
Rule 9137. Filing of Papers: Signature Requirement and Effect
Rule 9138. Computation of Time
Rule 9140. Proceedings
Rule 9141. Appearance and Practice; Notice of Appearance

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Rule 9142. Withdrawal by Attorney or Representative
Rule 9143. Ex Parte Communications
Rule 9144. Separation of Functions
Rule 9145. Rules of Evidence; Official Notice
Rule 9146. Motions
Rule 9147. Rulings On Procedural Matters
Rule 9148. Interlocutory Review
Rule 9150. Exclusion from Rule 9000 Series Proceeding
Rule 9160. Recusal or Disqualification
Rule 9200. Disciplinary Proceedings
Rule 9210. Complaint and Answer
Rule 9211. Authorization of Complaint
Rule 9212. Complaint Issuance - Requirements, Service, Amendment, Withdrawal, and Docketing
Rule 9213. Assignment of Hearing Officer and Appointment of Panelists to Hearing Panel or Extended Hearing Panel
Rule 9214. Consolidation or Severance of Disciplinary Proceedings
Rule 9215. Answer to Complaint
Rule 9216. Acceptance, Waiver, and Consent; Violation of Floor Procedure Advices; Violation of Order and Decorum Regulations
Rule IM-9216. Violations Appropriate for Disposition Under Plan Pursuant to SEC Rule 19d-1(c)(2)
Rule 9220. Request for Hearing; Extensions of Time, Postponements, Adjournments
Rule 9221. Request for Hearing
Rule 9222. Extensions of Time, Postponements, and Adjournments
Rule 9230. Appointment of Hearing Panel, Extended Hearing Panel
Rule 9231. Appointment by the Chief Hearing Officer of Hearing Panel or Extended Hearing Panel or Replacement Hearing Officer
Rule 9232. Criteria for Selection of Panelists and Replacement Panelists
Rule 9233. Hearing Panel or Extended Hearing Panel: Recusal and Disqualification of Hearing Officers
Rule 9234. Hearing Panel or Extended Hearing Panel: Recusal and Disqualification of Panelists
Rule 9235. Hearing Officer Authority
Rule 9240. Pre-Hearing Conference and Submission
Rule 9241. Pre-Hearing Conference
Rule 9242. Pre-Hearing Submission
Rule 9250. Discovery
Rule 9251. Inspection and Copying of Documents in Possession of Staff
Rule 9252. Requests for Information
Rule 9253. Production of Witness Statements
Rule 9260. Hearing and Decision

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Rule 9261. Evidence and Procedure in Hearing
Rule 9262. Testimony
Rule 9263. Evidence: Admissibility
Rule 9264. Motion for Summary Disposition
Rule 9265. Record of Hearing
Rule 9266. Proposed Findings of Fact, Conclusions of Law, and Post-Hearing Briefs
Rule 9267. Record; Supplemental Documents Attached to Record; Retention
Rule 9268. Decision of Hearing Panel or Extended Hearing Panel
Rule 9269. Default Decisions
Rule 9270. Settlement Procedure
Rule 9280. Contemptuous Conduct
Rule 9290. Expedited Disciplinary Proceedings
Rule 9291. Permanent Cease and Desist Orders
Rule 9300. Review of Disciplinary Proceeding by the Exchange Review Council and the Exchange Board; Application for Commission Review
Rule 9310. Appeal to or Review by the Exchange Review Council
Rule 9311. Appeal by Any Party; Cross-Appeal
Rule 9312. Review Proceeding Initiated By the Exchange Review Council
Rule 9313. Counsel to the Exchange Review Council
Rule 9320. Transmission of Record; Extensions of Time, Postponements, Adjournments
Rule 9321. Transmission of Record
Rule 9322. Extensions of Time, Postponements, Adjournments
Rule 9330. Appointment of Subcommittee or Extended Proceeding Committee; Disqualification and Recusal
Rule 9331. Appointment of Subcommittee or Extended Proceeding Committee
Rule 9332. Disqualification and Recusal
Rule 9340. Proceedings
Rule 9341. Oral Argument
Rule 9342. Failure to Appear at Oral Argument
Rule 9343. Disposition Without Oral Argument
Rule 9344. Failure to Participate Below; Abandonment of Appeal
Rule 9345. Subcommittee or Extended Proceeding Committee Recommended Decision to the Exchange Review Council
Rule 9346. Evidence in the Exchange Review Council Proceedings
Rule 9347. Filing of Papers in the Exchange Review Council Proceedings
Rule 9348. Powers of the Exchange Review Council on Review
Rule 9349. Exchange Review Council Formal Consideration; Decision
Rule 9350. Discretionary Review by Board
Rule 9351. Discretionary Review by the Exchange Board

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Rule 9360. Effectiveness of Sanctions
Rule 9370. Application to Commission for Review
Rule 9400. Expedited Client Suspension Proceeding
Rule 9500. Other Proceedings
Rule 9510. Reserved
Rule 9520. Eligibility Proceedings
Rule 9521. Purpose and Definitions
Rule 9522. Initiation of Eligibility Proceeding; Member Regulation Consideration
Rule 9523. Acceptance of Member Regulation Recommendations and Supervisory Plans by Consent Pursuant to SEC Rule 19h-1
Rule 9524. Exchange Review Council Consideration
Rule 9525. Discretionary Review by the Exchange Board
Rule 9526. Expedited Review
Rule 9527. Application to Commission for Review
Rule 9530. Reserved
Rule 9531. Reserved
Rule 9532. Reserved
Rule 9533. Reserved
Rule 9534. Reserved
Rule 9535. Reserved
Rule 9536. Reserved
Rule 9537. Reserved
Rule 9550. Expedited Proceedings
Rule 9551. Reserved
Rule 9552. Failure to Provide Information or Keep Information Current
Rule 9553. Failure to Pay the Exchange Dues, Fees, and Other Charges
Rule 9554. Failure to Comply with an Arbitration Award or Related Settlement or an Order of Restitution or Settlement Providing for Restitution
Rule 9555. Failure to Meet the Eligibility or Qualification Standards or Prerequisites for Access to Services
Rule 9556. Failure to Comply with Temporary and Permanent Cease and Desist Orders
Rule 9557. Procedures for Regulating Activities Under Rule 703 Regarding a Member Organization Experiencing Financial or Operational Difficulties
Rule 9558. Summary Proceedings for Actions Authorized by Section 6(d)(3) of the Act
Rule 9559. Hearing Procedures for Expedited Proceedings Under the Rule 9550 Series
Rule 9600. Procedures for Exemptions
Rule 9610. Application
Rule 9620. Decision
Rule 9630. Appeal

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Rule 9700. Reserved
Rule 9800. Temporary Cease and Desist Orders
Rule 9810. Initiation of Proceeding
Rule 9820. Appointment of Hearing Officer and Hearing Panel
Rule 9830. Hearing
Rule 9840. Issuance of Temporary Cease and Desist Order by Hearing Panel
Rule 9850. Review by Hearing Panel
Rule 9860. Violation of Temporary Cease and Desist Orders
Rule 9870. Application to Commission for Review

Adopted.
September 9, 2010 (10-79).
Amendments.
December 6, 2010 (10-171).
February 16, 2011 (11-23).
April 25, 2011 (11-13).
July 26, 2011 (11-100), operative August 26, 2011.
April 20, 2012 (12-23).
March 12, 2015 (15-23), operative April 11, 2015.
Nov. 4, 2015 (15-93), operative Dec. 4, 2015.
April 8, 2016 (16-49), operative May 8, 2016.
November 15, 2017 (17-92), operative January 2, 2018.
September 27, 2018 (18-61), operative October 1, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 3203. Definitions

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(a) For purposes of the Rule 3000 Series, unless the context requires otherwise:

(1) "SEC Rule 100," "SEC Rule 101," and "SEC Rule 104" means the rules adopted by the Commission under Regulation M, and any amendments thereto.

(2) "Stabilizing bid" means the terms "stabilizing" or to "stabilize" as defined in SEC Rule 100 under Regulation M.

(3) "Underwriting Activity Report" is a report provided by the Corporate Financing Department of FINRA in connection with a distribution of securities subject to SEC Rule 101 under Regulation M and includes forms that are submitted by member organizations to comply with their notification obligations under Rules 3214, 3219, and 3223.

(b) For purposes of Rules 3214, 3219, and 3223, the following terms shall have the meanings as defined in SEC Rule 100 under Regulation M: "affiliated purchaser," "distribution," "distribution participant," "independent bid," "net purchases," "penalty bid," "reference security," "restricted period," "subject security," and "syndicate covering transaction."

Adopted.
April 25, 2013 (13-24).

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Nasdaq PHLX Rules, Regulation, Rule 3210. Registration and Other Requirements

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Nasdaq PHLX Rules, Regulation, Rule 3211. Reserved

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Nov. 4, 2015 (15-93), operative Dec. 4, 2015.

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Nasdaq PHLX Rules, Regulation, Rule 3212. Registration as a Market Maker

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(a) Quotations and quotation sizes may be entered into PSX only by a member organization registered as a PSX Market Maker or other entity approved by the Exchange to function in a market-making capacity. Member organizations seeking to become registered as a PSX Market Maker must comply with the applicable requirements of Rule 910.

(b) A PSX Market Maker may become registered in an issue by entering a registration request via an Exchange approved electronic interface with PSX's systems or by contacting PSX Market Operations. Registration shall become effective on the day the registration request is entered.

(c) A PSX Market Maker's registration in an issue shall be terminated by the Exchange if the market maker fails to enter quotations in the issue within five (5) business days after the market maker's registration in the issue becomes effective.

Adopted.
April 25, 2013 (13-24).
Amendment.
August 14, 2013 (13-84), operative September 13, 2013.

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Nasdaq PHLX Rules, Regulation, Rule 3213. Market Maker Obligations

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A member organization registered as a Market Maker shall engage in a course of dealings for its own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets in accordance with this Rule.

(a) Quotation Requirements and Obligations

(1) Two-Sided Quote Obligation. For each security in which a member organization is registered as a Market Maker, the member organization shall be willing to buy and sell such security for its own account on a continuous basis during regular market hours and shall enter and maintain a two-sided trading interest ("Two-Sided Obligation") that is identified to the Exchange as the interest meeting the obligation and is displayed in PSX's quotation montage at all times. Interest eligible to be considered as part of a Market Maker's Two-Sided Obligation shall have a displayed quotation size of at least one normal unit of trading (or a larger multiple thereof); provided, however, that a Market Maker may augment its Two-Sided Obligation size to display limit orders priced at the same price as the Two-Sided Obligation. Unless otherwise designated, a "normal unit of trading" shall be 100 shares. After an execution against its Two-Sided Obligation, a Market Maker must ensure that additional trading interest exists in PSX to satisfy its Two-Sided Obligation either by immediately entering new interest to comply with this obligation to maintain continuous two-sided quotations or by identifying existing interest on the PSX book that will satisfy this obligation.

(2) Pricing Obligations. For NMS stocks (as defined in Rule 600 under Regulation NMS) a Market Maker shall adhere to the pricing obligations established by this Rule during Regular Trading Hours; provided, however, that such pricing obligations (i) shall not commence during any trading day until after the first regular way transaction on the primary listing market in the security, as reported by the responsible single plan processor, and (ii) shall be suspended during a trading halt, suspension, or pause, and shall not re-commence until after the first regular way transaction on the primary listing market in the security following such halt, suspension, or pause, as reported by the responsible single plan processor.

(A) Bid Quotations. At the time of entry of bid interest satisfying the Two-Sided Obligation, the price of the bid interest shall be not more than the Designated Percentage away from the then current National Best Bid, or if no National Best Bid, not more than the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that the National Best Bid (or if no National Best Bid, the last reported sale) increases to a level that would cause the bid interest of the Two-Sided Obligation to be more than the Defined Limit away from the National Best Bid (or if no National Best Bid, the last reported sale), or if the bid is executed or cancelled, the Market Maker shall enter new bid interest at a price not more than the Designated Percentage away from the then current National Best Bid (or if no National Best Bid, the last reported sale), or identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.

(B) Offer Quotations. At the time of entry of offer interest satisfying the Two-Sided Obligation, the price of the offer interest shall be not more than the Designated Percentage away from the then current National Best Offer, or if no National Best Offer, not more than the Designated Percentage away from the last reported sale received from the responsible single plan processor. In the event that the National Best Offer (or if no National Best Offer, the last reported sale) decreases to a level that would cause the offer interest of the Two-Sided Obligation to be more than the Defined Limit away from the National Best Offer (or if no National Best Offer, the last reported sale), or if the offer is executed or cancelled, the Market Maker shall enter new offer interest at a price not more than the Designated Percentage away

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from the then current National Best Offer (or if no National Best Offer, the last reported sale), or identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.

(C) The National Best Bid and Offer shall be determined by the Exchange in accordance with its procedures for determining protected quotations under Rule 600 under Regulation NMS.

(D) For purposes of this Rule, the "Designated Percentage" shall be:

(i) 8% for securities included in the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products ("Tier 1 Securities");

(ii) 28% for all NMS stocks that are not Tier 1 Securities with a price equal to or greater than $1 ("Tier 2 Securities");

(iii) 30% for all NMS stocks that are not Tier 1 Securities with a price less than $1 ("Tier 3 Securities"),

except that between 9:30 a.m. and 9:45 a.m. and between 3:35 p.m. and the close of trading, the Designated Percentage shall be 20% for Tier 1 Securities, 28% for Tier 2 Securities, and 30% for Tier 3 Securities. The Designated Percentage for rights and warrants shall be 30%.

(E) For purposes of this Rule, the "Defined Limit" shall be 9.5% for Tier 1 Securities, 29.5% for Tier 2 Securities, and 31.5% for Tier 3 Securities, except that between 9:30 a.m. and 9:45 a.m. and between 3:35 p.m. and the close of trading, the Defined Limit shall be 21.5% for Tier 1 Securities, 29.5% for Tier 2 Securities, and 31.5% for Tier 3 Securities.

(F) Nothing in this Rule shall preclude a Market Marker from quoting at price levels that are closer to the National Best Bid and Offer than the levels required by this Rule.

(G) The minimum quotation increment for quotations of $1.00 or above in all System Securities shall be $0.01. The minimum quotation increment in the System for quotations below $1.00 in System Securities shall be $0.0001.

(H) The individual Market Participant Identifier ("MPID") assigned to a member organization to meet its Two-Sided Obligation pursuant to subparagraph (a)(1) of this Rule, or Rule 3223, shall be referred to as the member organization's "Primary MPID." Market Makers and ECNs may request the use of additional MPIDs that shall be referred to as "Supplemental MPIDs." A Market Maker may request the use of Supplemental MPIDs for displaying Attributable Quotes/Orders in the PSX quotation montage for any security in which it is registered and meets the obligations set forth in subparagraph (1) of this rule. An ECN may request the use of Supplemental MPIDs for displaying Attributable Quotes/Orders in the PSX quotation montage for any security in which it meets the obligations set forth in Rule 3223. A Market Maker or ECN that ceases to meet the obligations appurtenant to its Primary MPID in any security shall not be permitted to use a Supplemental MPID for any purpose in that security.

(I) Market Makers and ECNs that are permitted the use of Supplemental MPIDs for displaying Attributable Quotes/Orders pursuant to subparagraph (2) of this rule are subject to the same rules applicable to their first quotation, with two exceptions: (a) the continuous twosided quote requirement and excused withdrawal procedures described in subparagraph (1) above do not apply to Market Makers' Supplemental MPIDs; and (b) Supplemental MPIDs may not be used by Market Makers to enter stabilizing bids pursuant to Rule 3214.

(b) Firm Orders and Quotations. All quotations and orders to buy and sell entered into the System by PSX Participants are firm and automatically executable for their displayed and nondisplayed size in the System.

(c) Impaired Ability to Enter or Update Quotations

In the event that a PSX Market Maker's ability to enter or update quotations is impaired, the market maker shall immediately contact PSX Market Operations to request the withdrawal of its quotations.

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In the event that a PSX Market Maker's ability to enter or update quotations is impaired and the market maker elects to remain in PSX, the PSX Market Maker shall execute an offer to buy or sell received from another member organization at its quotations as disseminated through PSX.

(d) Locked and Crossed Markets.

(1) Locked and Cross Markets within the System. Any orders that are entered into the System that would lock or cross another order in the System will be executed by the System. This processing, set forth in Rule 3307, ensures that no locked or crossed markets can exist within the System and that price improvement is allocated fairly.

(2) Inter-market Locked and Crossed Markets. The provisions of this subsection (d)(2) apply to the trading of securities governed by Regulation NMS.

(A) Definitions. For purposes of this Rule, the following definitions shall apply:

(i) The terms automated quotation, effective national market system plan, intermarket sweep order, manual quotation, NMS stock, protected quotation, regular trading hours, and trading center shall have the meanings set forth in rule 600(b) of Regulation NMS under the Securities Exchange Act of 1934.

(ii) The term crossing quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that is higher than the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that is lower than the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.

(iii) The term locking quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that equals the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that equals the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.

(B) Prohibition. Except for quotations that fall within the provisions of paragraph (D) of this Rule, Exchange member organizations shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying any quotations that lock or cross a protected quotation, and any manual quotations that lock or cross a quotation previously disseminated pursuant to an effective national market system plan.

(C) Manual quotations. If an Exchange member organization displays a manual quotation that locks or crosses a quotation previously disseminated pursuant to an effective national market system plan, such member organization shall promptly either withdraw the manual quotation or route an intermarket sweep order to execute against the full displayed size of the locked or crossed quotation.

(D) Exceptions.

(i) The locking or crossing quotation was displayed at a time when the trading center displaying the locked or crossed quotation was experiencing a failure, material delay, or malfunction of its systems or equipment.

(ii) The locking or crossing quotation was displayed at a time when a protected bid was higher than a protected offer in the NMS stock.

(iii) The locking or crossing quotation was an automated quotation, and the Exchange member organization displaying such automated quotation simultaneously routed

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an intermarket sweep order to execute against the full displayed size of any locked or crossed protected quotation.

(iv) The locking or crossing quotation was a manual quotation that locked or crossed another manual quotation, and the Exchange member organization displaying the locking or crossing manual quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of the locked or crossed manual quotation.

Adopted.
September 9, 2010 (10-79).
Amendments.
April 25, 2011 (11-13).
April 25, 2013 (13-24).

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Nasdaq PHLX Rules, Regulation, Rule 3214. Stabilizing Bids

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(a) PSX Market Maker Obligation/Identifier

A PSX Market Maker that intends to stabilize the price of a security that is a subject or reference security under SEC Rule 101 shall submit a request to the Exchange's MarketWatch Department for the entry of a one-sided bid that is identified on the Exchange as a stabilizing bid in compliance with the standards set forth in this Rule and SEC Rules 101 and 104.

(b) Eligibility

Only one PSX Market Maker in a security may enter a stabilizing bid.

(c) Limitations on Stabilizing Bids

(1) A stabilizing bid shall not be entered in PSX unless at least one other PSX Market Maker in addition to the market maker entering the stabilizing bid is registered as a PSX Market Maker in the security and entering quotations that are considered an independent bid under SEC Rule 104.
(2) A stabilizing bid must be available for all freely tradable outstanding securities of the same class being offered.

(d) Submission of Request to the Exchange

(1) A PSX Market Maker that wishes to enter a stabilizing bid shall submit a request to the Exchange's MarketWatch Department for entry in PSX of a one-sided bid identified as a stabilizing bid. The PSX Market Maker shall confirm its request in writing no later than the close of business the day the stabilizing bid is entered by submitting an Underwriting Activity Report to the Exchange's MarketWatch Department that includes the information required by subparagraph (d)(2).
(2) In lieu of submitting the Underwriting Activity Report as set forth in subparagraph (d)(1), the market maker may provide written confirmation to MarketWatch that shall include:

(A) the identity of the security and its symbol;
(B) the contemplated effective date of the offering and the date when the offering will be priced;
(C) the date and time that an identifier should be included on the Exchange; and
(D) a copy of the cover page of the preliminary or final prospectus or similar offering document, unless the Exchange determines otherwise.

Adopted.
April 25, 2013 (13-24).

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Nasdaq PHLX Rules, Regulation, Rule 3215. Exchange Sharing of PSX Participant Risk Settings

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The Exchange may share any PSX Participant risk settings in the trading system specified in the commentary below with the clearing member that clears transactions on behalf of the PSX Participant. For purposes of this Rule, the term “PSX Participant” has the meaning set forth in Rule 3301(c).

Commentary:

The Exchange offers certain risk settings applicable to a PSX Participant’s activities on the Exchange. The risk settings currently offered by the Exchange are:

(a) Share Size Control - When enabled by a PSX Participant, this optional control will allow a PSX Participant to limit the number of shares that the PSX Participant may associate with an order placed on the Exchange;

(b) ISO Control - When enabled by a PSX Participant, this optional control will prevent a PSX Participant from entering an ISO order onto the Exchange;

(c) Cancel-on-Disconnect Control - When enabled by a PSX Participant, this optional control will allow a PSX Participant, when it experiences a disruption in its connection to the Exchange, to immediately cancel all pending Exchange orders except for Good-Till-Canceled orders (RASH & FIX only);

(d) The Phlx Kill Switch – This control is described in Rule 3316;

(e) Limit Order Protection – This control is described in Rule 3307(f);

(f) Price Collar Check – This control will automatically restrict a routed order from executing at a price that differs from the NBBO (at the time of order entry) by more than five percent or $0.25, whichever difference is greater. The system will proceed to route an order unless and until it crosses the greater of these two price collars, and if it does so, then the system will block further routings of the order that fall outside of the collars. For example, if the NBBO is $99 x $100 at the time of entry of a buy order, then the system will route the order at prices at or below $105, but will stop doing so if the offer price rises above $105 (five percent of the NBO).

(g) Maximum Order Volume Check – This control will automatically reject an order for routing away that exceeds a maximum volume of shares. As applied to equity orders, the default maximum order volume is set at 25,000 shares, but the PSX Participant may request that the Exchange set a higher default based on historic volume.

(h) Cumulative Order Volume Check – This control will automatically block an attempt by a PSX Participant using a particular MPID to route orders away to buy or sell equity securities that, cumulatively, exceed 9.5 million shares during a five second time period; and

(i) Duplication Control – This control will automatically reject an order that a PSX Participant submits to the Exchange to the extent that it is duplicative of another order that the PSX Participant submitted to the Exchange during the prior five seconds.

Adopted.
January 3, 2018 (18-03), operative February 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 3216. Reports

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A PSX Participant shall make such reports to the Exchange as may be prescribed from time to time by the Exchange.

Adopted.
September 9, 2010 (10-79).

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Nasdaq PHLX Rules, Regulation, Rule 3217. Normal Business Hours

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The System operates from 8:00 a.m. to 5:00 p.m. Eastern Time on each business day, unless modified by the Exchange. A PSX Market Maker shall be open for business as of 9:30 a.m. Eastern Time and shall close no earlier than 4:00 p.m. Eastern Time. A PSX Market Maker may voluntarily open for business prior to 9:30 a.m. and remain open for business later than 4:00 p.m. Eastern Time. PSX Market Makers whose quotes are open prior to 9:30 a.m. Eastern Time or after 4:00 p.m. Eastern Time shall be obligated to comply, while their quotes are open, with all PSX Rules that are not by their express terms, or by an official interpretation of the Exchange, inapplicable to any part of the 8:00 a.m. to 9:30 a.m. or 4:00 p.m. to 5:00 p.m. Eastern Time period.

Adopted.
September 9, 2010 (10-79).
Amendments.
December 9, 2010 (10-172).
April 25, 2013 (13-24).

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Nasdaq PHLX Rules, Regulation, Rule 3218. Clearance and Settlement

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(a) All transactions through the facilities of PSX shall be cleared and settled through a registered clearing agency using a continuous net settlement system. This requirement may be satisfied by direct participation, use of direct clearing services, by entry into a correspondent clearing arrangement with another member organization that clears trades through such a clearing agency, or by use of the services of CDS Clearing and Depository Services, Inc. in its capacity as a member of such a clearing agency.

(b) Notwithstanding paragraph (a), transactions may be settled "ex-clearing" provided that both parties to the transaction agree.

Adopted.
September 9, 2010 (10-79).
Amendment.
November 15, 2012 (12-133), operative December 15, 2012.

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Nasdaq PHLX Rules, Regulation, Rule 3219. Withdrawal of Quotations

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(a) Except as provided in paragraph (b) of this Rule, a market maker that wishes to withdraw quotations in a security shall contact the Exchange's MarketWatch Department to obtain excused withdrawal status prior to withdrawing its quotations. Withdrawals of quotations shall be granted by MarketWatch only upon satisfying one of the conditions specified in this Rule.

(b) A PSX Market Maker that wishes to obtain excused withdrawal status based on a market maker's systemic equipment problems, such as defects in a PSX Market Maker's software or hardware systems or connectivity problems associated with the circuits connecting PSX systems with the PSX Market Maker's systems, shall contact Exchange Market Operations. Exchange Market Operations may grant excused withdrawal status based on systemic equipment problems for up to five (5) business days, unless extended by Exchange Market Operations.

(c) A PSX Market Maker that wishes to withdraw quotations shall contact the Exchange's MarketWatch Department to obtain excused withdrawal status prior to withdrawing its quotations. Excused withdrawal status based on illness, vacations or physical circumstances beyond the PSX Market Maker's control may be granted for up to five (5) business days, unless extended by MarketWatch. Excused withdrawal status based on investment activity or advice of legal counsel, accompanied by a representation that the condition necessitating the withdrawal of quotations is not permanent in nature, may, upon written request, be granted for not more than sixty (60) days. The withdrawal of quotations because of pending news, a sudden influx of orders or price changes, or to effect transactions with competitors shall not normally constitute acceptable reasons for granting excused withdrawal status, unless the Exchange has initiated a trading halt for market makers in the security, pursuant to Rule 3100.

(d) Excused withdrawal status may be granted to a PSX Market Maker that fails to maintain a clearing arrangement with a registered clearing agency or with a member of such an agency and is withdrawn from participation in the trade reporting service of PSX, thereby terminating its registration as a PSX Market Maker; provided, however, that if the Exchange finds that the PSX Market Maker's failure to maintain a clearing arrangement is voluntary, the withdrawal of quotations will be considered voluntary and unexcused pursuant to Rule 3220 and the Rule 3300 Series governing PSX. PSX Market Makers that fail to maintain a clearing relationship will have their PSX system status set to "suspend" and be thereby prevented from entering, or executing against, any quotes/orders in the system.

(e) Excused withdrawal status may be granted to a PSX Market Maker that is a distribution participant (or, in the case of excused withdrawal status, an affiliated purchaser) in order to comply with SEC Rule 101 or 104 under the Act on the following conditions:

(1) A member organization acting as a manager (or in a similar capacity) of a distribution of a security that is a subject security or reference security under SEC Rule 101 and any member organization that is a distribution participant or an affiliated purchaser in such a distribution that does not have a manager shall provide written notice to the Exchange's MarketWatch Department and the Market Regulation Department of FINRA no later than the business day prior to the first entire trading session of the one-day or five-day restricted period under SEC Rule 101, unless later notification is necessary under the specific circumstances.

(A) The notice required by subparagraph (e)(1) of this Rule shall be provided by submitting a completed Underwriting Activity Report that includes a request on behalf of each PSX Market Maker that is a distribution participant or an affiliated purchaser to withdraw the PSX Market

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Maker's quotations and includes the contemplated date and time of the commencement of the restricted period.

(B) The managing underwriter shall advise each PSX Market Maker that it has been identified as a distribution participant or an affiliated purchaser to MarketWatch and that its quotations will be automatically withdrawn, unless a market maker that is a distribution participant (or an affiliated purchaser of a distribution participant) notifies MarketWatch as required by subparagraph (e)(2), below.

(2) A PSX Market Maker that has been identified to MarketWatch as a distribution participant (or an affiliated purchaser of a distribution participant) shall promptly notify MarketWatch and the manager of its intention not to participate in the prospective distribution in order to avoid having its quotations withdrawn.

(3) If a PSX Market Maker that is a distribution participant withdraws its quotations in order to comply with any provision of SEC Regulation M and promptly notifies MarketWatch of its action, the withdrawal shall be deemed an excused withdrawal. Nothing in this subparagraph shall prohibit the Exchange from taking such action as is necessary under the circumstances against a member organization and its associated persons for failure to contact MarketWatch to obtain an excused withdrawal as required by subparagraphs (a) and (e) of this Rule.

(4) A member organization acting as a manager (or in a similar capacity of a distribution subject to subparagraph (e)(1)) of this Rule shall submit a request to MarketWatch and the Market Regulation Department of FINRA to rescind the excused withdrawal status of distribution participants and affiliated purchasers, which request shall include the date and time of the pricing of the offering, the offering price, and the time the offering terminated, and, if not in writing, shall be confirmed in writing no later than the close of business the day the offering terminates. The request by this subparagraph may be submitted on the Underwriting Activity Report

(f) The Exchange Review Council shall have jurisdiction over proceedings brought by PSX Market Makers seeking review of the denial of an excused withdrawal pursuant to this Rule 3219, or the conditions imposed on their reentry.

Adopted.
April 25, 2013 (13-24).
Amendment.
November 15, 2017 (17-92), January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 3220. Voluntary Termination of Registration

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(a) A market maker may voluntarily terminate its registration in a security by withdrawing its two-sided quotation from PSX. A PSX Market Maker that voluntarily terminates its registration in a security may not re-register as a market maker for one (1) business day. Withdrawal from participation as a PSX Market Maker shall constitute termination of registration as a market maker in that security for purposes of this Rule; provided, however, that a PSX Market Maker that fails to maintain a clearing arrangement with a registered clearing agency or with a member of such an agency and is withdrawn from participation in the PSX and thereby terminates its registration as a PSX Market Maker may register as a market maker at any time after a clearing arrangement has been reestablished unless the Exchange finds that the PSX Market Maker's failure to maintain a clearing arrangement is voluntary, in which case the withdrawal of quotations will be considered voluntary and unexcused.

(b) Notwithstanding the above, a PSX Market Maker that accidentally withdraws as a PSX Market Maker may be reinstated if:

(1) the PSX Market Maker notified the Exchange's MarketWatch Department of the accidental withdrawal as soon as practicable under the circumstances, but within at least one hour of such withdrawal, and immediately thereafter provided written notification of the withdrawal and reinstatement request;
(2) it is clear that the withdrawal was inadvertent and the market maker was not attempting to avoid its market making obligations; and
(3) the PSX Market Maker's firm would not exceed the following reinstatement limitations:

    (A) for firms that simultaneously made markets in less than 250 stocks during the previous calendar year, the firm can receive no more than two (2) reinstatements per year;
    (B) for firms that simultaneously made markets in 250 or more but less than 500 stocks during the previous calendar year, the firm can receive no more than three (3) reinstatements per year; and
    (C) for firms that simultaneously made markets in 500 or more stocks during the previous calendar year, the firm can receive no more than six (6) reinstatements per year.

(c) Factors that the Exchange will consider in granting a reinstatement under paragraph (b) of this rule include, but are not limited to:

(1) the number of accidental withdrawals by the PSX Market Maker in the past, as compared with PSX Market Makers making markets in a comparable number of stocks;
(2) the similarity between the symbol of the stock that the PSX Market Maker intended to withdraw from and the symbol of the stock that the PSX Market Maker actually withdrew from;
(3) market conditions at the time of the withdrawal;
(4) whether, given the market conditions at the time of the withdrawal, the withdrawal served to reduce the exposure of the PSX Market Maker's position in the security at the time of the withdrawal to market risk; and
(5) the timeliness with which the PSX Market Maker notified MarketWatch of the error.

(d) For purposes of paragraph (a) of this Rule, a market maker shall not be deemed to have voluntarily terminated its registration in a security by voluntarily withdrawing its two-sided quotation from PSX if the PSX Market Maker's two-sided quotation in the subject security is withdrawn by the Exchange's systems due to issuer corporate action related to a dividend, payment or distribution, or due to a trading halt, and one of the following conditions is satisfied:

(1) the PSX Market Maker enters a new two-sided quotation prior to the close of the regular market session on the same day when the Exchange's systems withdrew such a quotation;

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(2) the PSX Market Maker enters a new two-sided quotation on the day when trading resumes following a trading halt, or, if the resumption of trading occurs when the market is not in regular session, the PSX Market Maker enters a new two-sided quotation prior to the opening of the next regular market session; or

(3) upon request from the market maker, MarketWatch authorizes the market maker to enter a new two-sided quotation, provided that MarketWatch receives the market maker's request prior to the close of the regular market session on the next regular trading day after the day on which the market maker became eligible to re-enter a quotation pursuant to subparagraph (d)(1) or (d)(2) hereof and determines that the market maker was not attempting to avoid its market making obligations by failing to re-enter such a quotation earlier.

(e) The Exchange Review Council shall have jurisdiction over proceedings brought by market makers seeking review of their denial of a reinstatement pursuant to paragraphs (b) or (d) of this Rule.

Adopted.
April 25, 2013 (13-24).
Amendment.
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 3221. Suspension and Termination of Quotations and Order Entry

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The Exchange may, pursuant to the procedures set forth in Disciplinary Rules of the Exchange (Rules 960.1 through 960.12), suspend, condition, limit, prohibit or terminate the authority of an PSX Participant to enter quotations or orders in one or more authorized securities for violations of applicable requirements or prohibitions.

Adopted.
September 9, 2010 (10-79).
Amendment.
April 25, 2013 (13-24).

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Nasdaq PHLX Rules, Regulation, Rule 3222. Termination of PSX Service

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The Exchange may, upon notice, terminate PSX service in the event that a PSX Participant fails to qualify under specified standards of eligibility or fails to pay promptly for services rendered by PSX.

Adopted.
September 9, 2010 (10-79).

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Nasdaq PHLX Rules, Regulation, Rule 3223. Alternative Trading Systems

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(a) The Exchange may provide a means to permit alternative trading systems ("ATSs"), as such term is defined in Regulation ATS, and electronic communications networks ("ECNs"), as such term is defined in SEC rule 600,

(1) to comply with SEC rule 301(b)(3);
(2) to comply with the terms of the ECN display alternatives provided for in SEC rule 602(b)(5)(ii)(A) and (B) ("ECN display alternatives"); or
(3) to provide orders to PSX voluntarily.

In providing any such means, the Exchange shall establish a mechanism that permits the ATS or ECN to display the best prices and sizes of orders entered into the ATS or ECN by subscribers of the ATS or ECN, if the ECN or ATS so chooses or is required by SEC rule 301(b)(3) to display a subscriber's order in PSX, and allows any Exchange member organization the electronic ability to effect a transaction with such priced orders that is equivalent to the ability to effect a transaction with other orders displayed by PSX. Orders displayed by ECNs or ATSs shall be displayed without attribution.

(b) An ATS or ECN that seeks to utilize PSX to comply with SEC rule 301(b)(3) or the ECN display alternatives, or to provide orders to the Exchange voluntarily shall:

(1) demonstrate to the Exchange that it is in compliance with Regulation ATS or that it qualifies as an ECN meeting the definition in the SEC rule 600;
(2) be registered as a member organization;
(3) enter into and comply with the terms of applicable agreements with the Exchange;
(4) agree to provide for the Exchange's dissemination in the data made available to vendors the prices and sizes of subscriber orders of the ATS or ECN, if the ATS or ECN so chooses or is required by SEC rule 301(b)(3) to display a subscriber's order in PSX, at the highest buy price and the lowest sell price for each security entered in and widely disseminated by the ATS or ECN; and prior to entering such prices and sizes, register with the Exchange as an ATS or ECN; and
(5) provide an automatic execution of any quote or order entered into the System by the ATS or ECN.

Adopted.
September 9, 2010 (10-79).
Amendment.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 3224. Penalty Bids and Syndicate Covering Transactions

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(a) A PSX Market Maker acting as a manager (or in a similar capacity) of a distribution of a security that is a subject or reference security under SEC Rule 101 shall provide written notice to the Corporate Financing Department of FINRA of its intention to impose a penalty bid on syndicate members or to conduct syndicate covering transactions pursuant to SEC Rule 104 prior to imposing the penalty bid or engaging in the first syndicate covering transaction. A PSX Market Maker that intends to impose a penalty bid on syndicate members may request that its quotation be identified as a penalty bid on the Exchange pursuant to paragraph (c) below.

(b) The notice required by paragraph (a) shall include:

(1) the identity of the security and its symbol;
(2) the date the PSX Market Maker is intending to impose the penalty bid and/or conduct syndicate covering transactions.

(c) Notwithstanding paragraph (a), a PSX Market Maker may request that its quotation be identified as a penalty bid on the Exchange by providing notice to the Exchange's MarketWatch Department, which notice shall include the date and time that the penalty bid identifier should be entered on the Exchange and, if not in writing, shall be confirmed in writing no later than the close of business the day the penalty bid identifier is entered on the Exchange.

(d) The written notice required by this Rule may be submitted on the Underwriting Activity Report.

Adopted.
April 25, 2013 (13-24).

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Nasdaq PHLX Rules, Regulation, Rule 3225. Obligation to Provide Information

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(a) An Exchange member organization operating in or participating in PSX shall provide information orally, in writing, or electronically (if such information is, or is required to be, maintained in electronic form) to Exchange staff when staff makes an oral, written, or electronically communicated request for information relating to a specific Exchange Rule, SEC rule, or provision of a joint industry plan (e.g., UTP, CTA, and CQA) (as promulgated and amended from time-to-time) that the Exchange is responsible for administering or to other duties and/or obligations imposed on the Exchange; this shall include, but not be limited to, information relating to:

(A) a locked or crossed market; or
(B) trading activity, rumors, or information that a member or member organization may possess that may assist in determining whether there is a basis to initiate a trading halt, pursuant to Rule 3100; or
(C) a clearly erroneous transaction, pursuant to Rule 3312; or
(D) a request for an excused withdrawal or reinstatement, pursuant to Rules 3219 or 3220; or
(E) trade-throughs; or
(F) a request to submit a stabilizing bid, pursuant to Rule 3214, or a request to have a quotation identified as a penalty bid, pursuant to Rule 3224; or
(G) information relating to an equipment failure.

(b) A failure to comply in a timely, truthful, and/or complete manner with a request for information made pursuant to this rule may be deemed conduct inconsistent with just and equitable principles of trade.

Adopted.
September 9, 2010 (10-79).
Amendment.
April 25, 2013 (13-24).

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Nasdaq PHLX Rules, Regulation, Rule 3226. Limitation of Liability

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(a) Except as provided for in paragraph (b) below, the Exchange and its affiliates shall not be liable for any losses, damages, or other claims arising out of PSX or its use. Any losses, damages, or other claims, related to a failure of PSX to deliver, transmit, execute, compare, submit for clearance and settlement, adjust, retain priority for, or otherwise correctly process an order, Quote/Order, message, or other data entered into, or created by, PSX shall be absorbed by the member organization, or the member organization sponsoring the customer, that entered the order, Quote/Order, message, or other data into PSX.

(b) The Exchange, subject to the express limits set forth below, may compensate users of PSX for losses directly resulting from the System's actual failure to correctly process an order, Quote/Order, message, or other data, provided PSX has acknowledged receipt of the order, Quote/Order, message, or data.

(1) For the aggregate of all claims made by all market participants related to the use of PSX during a single calendar month, the Exchange's liability shall not exceed the larger of $500,000, or the amount of the recovery obtained by the Exchange under any applicable insurance policy.

(2) In the event all of the claims arising out of the use of PSX cannot be fully satisfied because in the aggregate they exceed the maximum amount of liability provided for in this Rule, then the maximum amount will be proportionally allocated among all such claims arising during a single calendar month.

(3) All claims for compensation pursuant to this Rule shall be in writing and must be submitted no later than 12:00 p.m. ET on the next business day following the day on which the use of PSX gave rise to such claims. Nothing in this rule shall obligate the Exchange to seek recovery under any applicable insurance policy.

Adopted.
September 9, 2010 (10-79).
Amendment.
April 25, 2013 (13-24).

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Nasdaq PHLX Rules, Regulation, Rule 3227. Obligation to Honor System Trades

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(a) If a PSX Participant, or clearing member acting on a Participant's behalf, is reported by PSX, or shown by the activity reports generated by PSX, as constituting a side of a System trade, such Participant, or clearing member acting on its behalf, shall honor such trade on the scheduled settlement date.

(b) The Exchange shall have no liability if a Participant, or a clearing member acting on the Participant's behalf, fails to satisfy the obligations in paragraph (a).

Adopted.
September 9, 2010 (10-79).

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Nasdaq PHLX Rules, Regulation, Rule 3228. Compliance with Rules and Registration Requirements

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(a) Failure by a PSX Participant to comply with any of the Rules or registration requirements applicable to PSX identified herein shall subject such Participant to censure, fine, suspension or revocation of its registration as a PSX Participant or any other fitting penalty under the Rules of the Exchange.

(b) (1) If a Participant fails to maintain a clearing relationship as required under paragraphs (a)(2) of Rule 911, it shall be removed from PSX until such time as a clearing arrangement is reestablished.

(2) A Participant that is not in compliance with its obligations under paragraphs (a)(2) of Rule 911 shall be notified when the Exchange exercises it authority under paragraph (b)(1) above.

(3) The authority and procedures contained in this paragraph (b) do not otherwise limit the Exchange's authority, contained in other provisions of the Rules of the Exchange, to enforce its Rules or impose any fitting sanction.

Adopted.
September 9, 2010 (10-79).
Amendments.
April 25, 2011 (11-13).
May 25, 2011 (11-69).
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Nasdaq PHLX Rules, Regulation, Rule 3230. Trading in Commodity-Related Securities

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(a) The Exchange will consider for trading pursuant to unlisted trading privileges on PSX a Commodity-Related Security that meets the criteria of this Rule. Unless otherwise noted, a Commodity-Related Security approved for trading under this Rule is eligible for trading during all PSX market sessions if member organizations comply with Rule 3231 when accepting Commodity-Related Security orders for execution in the pre-market session or post-market session.

(b) Applicability. This Rule is applicable only to Commodity-Related Securities. Except to the extent inconsistent with this Rule, or unless the context otherwise requires, the provisions of all other Rules of the Exchange shall be applicable to the trading on PSX of such securities. Commodity-Related Securities are included within the definition of "security" or "securities" as such terms are used in Rules of the Exchange.

(c) Definitions. The following terms shall, unless the context otherwise requires, have the meaning herein specified:

(1) *Commodity-Related Security*. The term "Commodity-Related Security" means a security that is issued by a trust, partnership, commodity pool or similar entity that invests, directly or through another entity, in any combination of commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives, or the value of which is determined by the value of commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives.

(2) *Commodity*. The term "commodity" is defined in Section 1(a)(4) of the Commodity Exchange Act.

(d) Information Barriers. A member organization acting as a registered market maker in a Commodity-Related Security is obligated to establish adequate information barriers when such market maker engages in inter-departmental communications. Member organizations should refer to NASD/NYSE Joint Memo on Chinese Wall Policies and Procedures (NASD Notice to Members 91-45) for guidance on the "'minimum elements' of adequate Chinese Wall policy and procedures." For purposes of a Commodity-Related Security only, "inter-departmental communications" shall include communications to other departments within the same firm or the firm's affiliates that involve trading in commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives underlying such Commodity-Related Security.

(e) Market Maker Accounts. A member organization acting as a registered market maker in a Commodity-Related Security must file with the Exchange's Regulation Department in a manner prescribed by such Department and keep current a list identifying all accounts for trading in commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives underlying such Commodity-Related Security, in which the market maker holds an interest, over which it may exercise investment discretion, or in which it shares in the profits and losses. No market maker shall trade in, or exercise investment discretion with respect to, such underlying commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives, in an account in which a market maker, directly or indirectly, controls trading activities, or has an interest in the profits or losses thereof, that has not been reported as required by this Rule. A member organization acting as a registered market maker in a Commodity-Related Security shall not act or register as a market maker in any commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives underlying such Commodity-Related Security.

(f) The member organization acting as a registered market maker in a Commodity-Related Security shall make available to the Exchange's Regulation Department such books, records or other information pertaining to transactions by such entity or registered or non-registered employees affiliated with such entity for its or their own accounts for trading commodities, futures contracts, options on futures contracts, forward contracts,

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commodity swaps, or other related derivatives underlying such Commodity-Related Security, as may be requested by the Regulation Department.

(g) In connection with trading a Commodity-Related Security or commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives underlying a Commodity-Related Security, the member organization acting as a market maker in a Commodity-Related Security shall not use any material nonpublic information received from any person associated with the member organization or employee of such person regarding trading by such person or employee in the commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives underlying such Commodity-Related Security.

(h) The Exchange requires that members and member organizations provide all purchasers of a newly issued Commodity-Related Security a prospectus for such Commodity-Related Security.

Adopted.
September 9, 2010 (10-79).
Amendments.
April 25, 2011 (11-13).
April 25, 2013 (13-24).

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Nasdaq PHLX Rules, Regulation, Rule 3231. Customer Disclosures

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No member organization may accept an order from a customer for execution in the Pre-Market Session or Post-Market Session without disclosing to such customer that extended hours trading involves material trading risks, including the possibility of lower liquidity, high volatility, changing prices, unlinked markets, an exaggerated effect from news announcements, wider spreads and any other relevant risk. The absence of an updated underlying index value or intraday indicative value is an additional trading risk in extended hours for Derivative Securities Products.

The disclosures required pursuant to this Rule may take the following form or such other form as provides substantially similar information:

(1) Risk of Lower Liquidity. Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours. As a result, your order may only be partially executed, or not at all.

(2) Risk of Higher Volatility. Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price in extended hours trading than you would during regular market hours.

(3) Risk of Changing Prices. The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours, or upon the opening of the next morning. As a result, you may receive an inferior price in extended hours trading than you would during regular market hours.

(4) Risk of Unlinked Markets. Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one extended hours trading system than you would in another extended hours trading system.

(5) Risk of News Announcements. Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

(6) Risk of Wider Spreads. The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

(7) Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value ("IIV"). For certain Derivative Securities Products, an updated underlying index value or IIV may not be calculated or publicly disseminated in extended trading hours. Since the underlying index value and IIV are not calculated or widely disseminated during the pre-market and post-market sessions an investor who is unable to calculate implied values for certain Derivative Securities Products in those sessions may be at a disadvantage to market professionals.

Adopted.
September 9, 2010 (10-79).
Amendment.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 3301. Definitions

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The following definitions apply to the Rule 3200 and 3300 Series for the trading of securities on PSX.

(a) The term "PSX," or "System" shall mean the automated system for order execution and trade reporting owned and operated by the Exchange. The Exchange will operate PSX as an automated trading center for purposes of Rule 600(b)(4) of Regulation NMS. PSX comprises:

(1) a montage for Quotes and Orders, referred to herein as the “PSX Book”, that collects and ranks all Quotes and Orders submitted by Participants;
(2) an Order execution service that enables Participants to automatically execute transactions in System Securities; and provides Participants with sufficient monitoring and updating capability to participate in an automated execution environment;
(3) a trade reporting service that submits "locked-in" trades for clearing to a registered clearing agency for clearance and settlement; transmits last-sale reports of transactions automatically to the National Trade Reporting System, if required, for dissemination to the public and industry; and provides participants with monitoring and risk management capabilities to facilitate participation in a "locked-in" trading environment; and
(4) data feeds that can be used to display with attribution to PSX Participants’ MPIDs all Quotes and Displayed Orders on both the bid and offer side of the market for all price levels then within the PSX Market, and that disseminate such additional information about Quotes, Orders, and transactions within PSX as shall be reflected in the PSX Rules.

(b) The term "System Securities" shall mean any NMS stock, as defined in SEC Rule 600 except securities specifically excluded from trading via a list of excluded securities posted on www.nasdaqtrader.com.

(c) The term "PSX Participant" or "Participant" shall mean an entity that fulfills the obligations contained in Rule 3211 regarding participation in the System, and shall include:

(1) "Equities ECNs," which are member organizations that meet all of the requirements of Rule 3223, and that participate in the System with respect to one or more System Securities;
(2) “PSX Market Makers” or “Market Makers”, member organizations that are registered as PSX Market Makers for purposes of participation in the System on a fully automated basis with respect to one or more System securities; and
(3) "Order Entry Firms," which are member organizations that are registered for the purposes of entering orders in System Securities into the System. This term shall also include any Electronic Communications Network or Alternative Trading System (as such terms are defined in Regulation NMS) that fails to meet all the requirements of Rule 3223.

(d) The term “Quote” means a single bid or offer quotation submitted to the System by a Market Maker or Equities ECN and designated for display (price and size) next to the Participant’s MPID in the PSX Book. Quotes are entered in the form of Orders with Attribution (as defined in Rule 3301B). Accordingly, all Quotes are also Orders.

(e) The term "Order" means an instruction to trade a specified number of shares in a specified System Security submitted to PSX by a Participant. An “Order Type” is a standardized set of instructions associated with an Order that define how it will behave with respect to pricing, execution, and/or posting to the PSX Book when submitted to PSX. An “Order Attribute” is a further set of variable instructions that may be associated with an Order to further define how it will behave with respect to pricing, execution, and/or posting to the PSX Book when submitted to PSX. The available Order Types and Order Attributes, and the Order Attributes that may be associated with particular Order Types, are described in Rules 3301A and 3301B. One or more Order Attributes may be assigned to a single Order; provided, however, that if the use of multiple Order Attributes

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would provide contradictory instructions to an Order, the System will reject the Order or remove non-conforming Order Attributes.

(f) The term “ET” means Eastern Standard Time or Eastern Daylight Time, as applicable.

(g) The term “Market Hours” means the period of time beginning at 9:30 a.m. ET and ending at 4:00 p.m. ET (or such earlier time as may be designated by the Exchange on a day when PSX closes early). The term “System Hours” means the period of time beginning at 8:00 a.m. ET and ending at 5:00 p.m. ET (or such earlier time as may be designated by the Exchange on a day when PSX closes early). The term “Pre-Market Hours” means the period of time beginning at 8:00 a.m. ET and ending immediately prior to the commencement of Market Hours. The term “Post-Market Hours” means the period of time beginning immediately after the end of Market Hours and ending at 5:00 p.m. ET. The Exchange notes that in certain contexts, times cited in the PSX Rules may be approximate.

(h) The term “marketable” with respect to an Order to buy (sell) means that, at the time it is entered into the System, the Order is priced at the current Best Offer or higher (at the current Best Bid or lower).

(i) The term “market participant identifier” or “MPID” means a unique four-letter mnemonic assigned to each Participant in PSX. A Participant may have one or more than one MPID.

(j) The terms “Best Bid”, “Best Offer”, “National Best Bid and National Best Offer”, “Protected Bid”, “Protected Offer”, “Protected Quotation” and “Intermarket Sweep Order” shall have the meanings assigned to them under Rule 600 under SEC Regulation NMS; provided, however, that the terms “Best Bid”, “Best Offer”, “Protected Bid”, “Protected Offer”, and “Protected Quotation” shall, unless otherwise stated, refer to the bid, offer, or quotation of a market center other than PSX. The term “NBBO” shall mean the “National Best Bid and National Best Offer”.

(k) The term “minimum price increment” means $0.01 in the case of a System Security priced at $1 or more per share, and $0.0001 in the case of a System Security priced at less than $1 per share.

(l) The term "System Book Feed" shall mean a data feed for System Securities, generally known as the PSX TotalView ITCH feed.

Adopted.
September 9, 2010 (10-79).
Amendments.
September 29, 2010 (10-135).
December 9, 2010 (10-172).
April 25, 2011 (11-13).
May 19, 2011 (11-70), operative June 20, 2011.
September 21, 2011 (11-108), operative October 22, 2011.
October 3, 2011 (11-132), operative December 19, 2011.
November 10, 2011 (11-153).
November 23, 2011 (11-159).
December 9, 2011 (11-141).
March 23, 2012 (12-39), operative April 23, 2012.
May 4, 2012 (12-62), operative May 14, 2012.
June 22, 2012 (12-84).
July 2, 2012 (12-91).
April 25, 2013 (13-24).
June 3, 2013 (13-62), operative July 3, 2013.
December 19, 2013 (13-127).
June 23, 2014 (14-40), operative July 23, 2014.
March 24, 2015 (15-32), operative April 23, 2015.
June 24, 2015 (15-29).

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Nasdaq PHLX Rules, Regulation, Rule 3301A. Order Types.

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(a) Participants may express their trading interest in PSX by entering Orders. PSX offers a range of Order Types that behave in the manner specified for each particular Order Type. Each Order Type may be assigned certain Order Attributes that further define its behavior. All Order Types and Order Attributes operate in a manner that is reasonably designed to comply with the requirements of Rules 610 and 611 under Regulation NMS. Each Order must designate whether it is to effect a buy, a long sale, a short sale, or an exempt short sale.

The Exchange maintains several communications protocols for Participants to use in entering Orders and sending other messages to PSX:

- OUCH is an Exchange proprietary protocol.
- RASH is an Exchange proprietary protocol.
- FLITE is an Exchange proprietary protocol.
- FIX is a non-proprietary protocol.

Except where otherwise stated, all protocols are available for all Order Types and Order Attributes.

Upon entry, an Order is processed to determine whether it may execute against any contra-side Orders on the PSX Book in accordance with the parameters applicable to the Order Type and Order Attributes selected by the Participant and in accordance with the priority for Orders on the PSX Book provided in Rule 3307. In addition, the Order may have its price adjusted in accordance with applicable parameters and may be routed to other market centers for potential execution if designated as Routable. The Order may then be posted to the PSX Book if consistent with the parameters of the Order Type and Order Attributes selected by the Participant. Thereafter, as detailed in Rules 3301A, 3301B, and 3315, there are numerous circumstances in which the Order on the PSX Book may be modified and receive a new timestamp. The sole instances in which the modification of an Order on the PSX Book will not result in a new timestamp are: (i) a decrease in the size of the Order due to execution or modification by the Participant or by the System, and (ii) a redesignation of a sell Order as a long sale, a short sale, or an exempt short sale. Whenever an Order receives a new timestamp for any reason, it is processed by the System as a new Order with respect to potential execution against Orders on the PSX Book, price adjustment, routing, reposting to the PSX Book, and subsequent execution against incoming Orders, except where otherwise stated.

All Orders are also subject to cancellation and/or repricing and reentry onto the PSX Book in the circumstances described in Rule 3100(a)(5) (providing for compliance with Plan to Address Extraordinary Market Volatility) and Rule 3303 (providing for compliance with Regulation SHO). In all circumstances where an Order is repriced pursuant to those provisions, it is processed by the System as a new Order with respect to potential execution against Orders on the PSX Book, price adjustment, routing reposting to the PSX Book, and subsequent execution against incoming Orders. If multiple Orders at a given price are repriced, the Order in which they are reentered is random, based on the respective processing time for each such Order; provided, however, that in the case of Price to Comply Orders and Post-Only Orders that have their prices adjusted upon entry because they lock a Protected Quotation but that are subsequently displayed at their original entered limit price as provided in Rules 3301A(b)(1)(B) and (4)(B), they are processed in accordance with the time priority under which they were previously ranked on the PSX Book.

(b) Except where stated otherwise, the following Order Types are available to all Participants:

(1) (A) A "Price to Comply Order" is an Order Type designed to comply with Rule 610(d) under Regulation NMS by avoiding the display of quotations that lock or cross any Protected Quotation in a System Security during Market Hours. The Price to Comply Order is also designed to provide potential price improvement.

When a Price to Comply Order is entered, the Price to Comply Order will be executed against previously posted Orders on the PSX Book that are priced equal to or better than the price of the Price to Comply Order, up to the full amount of such previously posted Orders, unless such executions would trade through a Protected

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Quotation. Any portion of the Order that cannot be executed in this manner will be posted on the PSX Book (and/or routed if it has been designated as Routable).

During Market Hours, the price at which a Price to Comply Order is posted is determined in the following manner. If the entered limit price of the Price to Comply Order would lock or cross a Protected Quotation and the Price to Comply Order could not execute against an Order on the PSX Book at a price equal to or better than the price of the Protected Quotation, the Price to Comply Order will be displayed on the PSX Book at a price one minimum price increment lower than the current Best Offer (for a Price to Comply Order to buy) or higher than the current Best Bid (for a Price to Comply Order to sell) but will also be ranked on the PSX Book with a non-displayed price equal to the current Best Offer (for a Price to Comply Order to buy) or to the current Best Bid (for a Price to Comply Order to sell). For example, if a Price to Comply Order to buy at $11 would lock a Protected Offer of $11, the Price to Comply Order will be ranked at a non-displayed price of $11 but will be displayed at $10.99. An incoming Order to sell at a price of $11 or lower would execute against the Price to Comply Order at $11 (unless the incoming Order was an Order Type that was not immediately executable, in which case the incoming Order would behave in the manner specified for that Order Type).

During Pre-Market Hours and Post-Market Hours, a Price to Comply Order will be ranked and displayed at its entered limit price without adjustment.

(B) If a Price to Comply Order is entered through RASH or FIX, during Market Hours the price of the Price to Comply Order will be adjusted in the following manner after initial entry and posting to the PSX Book (unless the Order is assigned a Routing Order Attribute that would cause it to be routed to another market center rather than remaining on the PSX Book):

- If the entered limit price of the Price to Comply Order locked or crossed a Protected Quotation and the NBBO changes, the displayed and non-displayed price of the Price to Comply Order will be adjusted repeatedly in accordance with changes to the NBBO; provided, however, that if the quotation of another market center moves in a manner that would lock or cross the displayed price of a Price to Comply Order, the prices of the Price to Comply Order will not be adjusted. For example, if a Price to Comply Order to buy at $11.02 would cross a Protected Offer of $11, the Order will be ranked at a non-displayed price of $11 but will be displayed at $10.99. If the Best Offer then moves to $11.01, the displayed price will be changed to $11 and the Order will be ranked at a non-displayed price of $11.01. However, if another market center then displays an offer of $11 (thereby locking the previously displayed price of the Price to Comply Order, notwithstanding Rule 610(d) under Regulation NMS), the price of the Price to Comply Order will not be changed. The Order may be repriced repeatedly until such time as the Price to Comply Order is able to be ranked and displayed at its original entered limit price ($11.02 in the example). The Price to Comply Order receives a new timestamp each time its price is changed.
- If the original entered limit price of the Price to Comply Order would no longer lock or cross a Protected Quotation, the Price to Comply Order will be ranked and displayed at that price and will receive a new timestamp, and will not thereafter be adjusted under this paragraph (B).

If a Price to Comply Order is entered through OUCH or FLITE, during Market Hours the price of the Price to Comply Order may be adjusted in the following manner after initial entry and posting to the PSX Book:

- If the entered limit price of the Price to Comply Order crossed a Protected Quotation and the NBBO changes so that the Price to Comply Order could be displayed at a price at or closer to its entered limit price without locking or crossing a Protected Quotation, the Price to Comply Order may either remain on the PSX Book unchanged or may be cancelled back to the Participant, depending on its choice. For example, if a Price to Comply Order to buy at $11.02 would cross a Protected Offer of $11, the Order will be ranked a non-displayed price of $11 but will be displayed at $10.99. If the Best Offer changes to $11.01, the Order will not be repriced, but rather will either remain with a displayed price of $10.99 but ranked at a non-displayed price of $11 or be cancelled back to the Participant, depending on its

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choice. A Participant's choice with regard to maintaining the Price to Comply Order or cancelling it is set in advance for each port through which the Participant enters Orders.

- If the entered limit price of the Price to Comply Order locked a Protected Quotation, the price of the Price to Comply Order will be adjusted after initial entry only as follows. If the entered limit price would no longer lock a Protected Quotation, the Price to Comply Order may either remain on the PSX Book unchanged, may be cancelled back to the Participant, or may be ranked and displayed at its original entered limit price, depending on the Participant's choice. For example, if a Price to Comply Order to buy at $11 would lock a Protected Offer of $11, the Price to Comply Order will be ranked at a non-displayed price of $11 but will be displayed at $10.99. If the Best Offer changes to $11.01, the Price to Comply Order may either remain with a displayed price of $10.99 but ranked at a non-displayed price of $11, be cancelled back to the Participant, or be ranked and displayed at $11, depending on the Participant's choice. A Participant's choice with regard to maintaining the Price to Comply Order, cancelling it, or allowing it to be displayed is set in advance for each port through which the Participant enters Orders. If the Price to Comply Order is ranked and displayed at its original entered limit price, it will receive a new timestamp, and will not thereafter be adjusted under this paragraph (B).

(C) The following Order Attributes may be assigned to a Price to Comply Order:

- Price. As described above, the price of the Order may be adjusted to avoid locking or crossing a Protected Quotation, and may include a displayed price as well as a non-displayed price.
- Size.
- Reserve Size (available through RASH and FIX only).
- A Time-in-Force other than IOC. (A Price to Comply Order entered with a Time-in-Force of IOC would be processed as a Non-Displayed Order with a Time-in-Force of IOC).
- Designation as an ISO. In accordance with Regulation NMS, a Price to Comply Order designated as an ISO would be processed at its entered limit price, since such a designation reflects a representation by the Participant that it has simultaneously routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Price to Comply Order would lock or cross.
- Routing (available through RASH and FIX only).
- Primary Pegging and Market Pegging (available through RASH and FIX only).
- Discretion (available through RASH and FIX only).
- Display. A Price to Comply Order is always displayed, although, as provided above, it may also have a non-displayed price and/or Reserve Size.

(2) (A) A "Price to Display Order" is an Order Type designed to comply with Rule 610(d) under Regulation NMS by avoiding the display of quotations that lock or cross any Protected Quotation in a System Security during Market Hours. Price to Display Orders are available solely to Participants that are Market Makers for System Securities.

When a Price to Display Order is entered, if its entered limit price would lock or cross a Protected Quotation, the Price to Display Order will be repriced to one minimum price increment lower than the current Best Offer (for a Price to Display Order to buy) or higher than the current Best Bid (for a Price to Display Order to sell). For example, if a Price to Display Order to buy at $11 would cross a Protected Offer of $10.99, the Price to Display Order will be repriced to $10.98. The Price to Display Order (whether repriced or not repriced) will then be executed against previously posted Orders on the PSX Book that are priced equal to or better than the adjusted price of the Price to Display Order, up to the full amount of such previously posted Orders, unless such executions would trade through a Protected Quotation. Any portion of the Order that cannot be executed in this manner will be posted on the PSX Book (and/or routed if it has been designated as Routable).

During Market Hours, the price at which a Price to Display Order is displayed and ranked on the PSX Book will be its entered limit price if the Price to Display Order was not repriced upon entry, or the adjusted price if the Price to Comply Order was repriced upon entry, such that the price will not lock or cross a Protected Quotation.

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During Pre-Market Hours and Post-Market Hours, a Price to Display Order will be displayed and ranked at its entered limit price without adjustment.

(B) If a Price to Display Order is entered through RASH or FIX, during Market Hours the Price to Display Order may be adjusted in the following manner after initial entry and posting to the PSX Book (unless the Order is assigned a Routing Order Attribute that would cause it to be routed to another market center rather than remaining on the PSX Book):

- If the entered limit price of the Price to Display Order locked or crossed a Protected Quotation and the NBBO changes, the price of the Order will be adjusted repeatedly in accordance with changes to the NBBO; provided, however, that if the quotation of another market center moves in a manner that would lock or cross the price of a Price to Display Order, the price of the Price to Display Order will not be adjusted. For example, if a Price to Display Order to buy at $11.02 would cross a Protected Offer of $11, the Order will be displayed and ranked at $10.99. If the Best Offer then moves to $11.01, the displayed/ranked price will be changed to $11. However, if another market center then displays an offer of $11 (thereby locking the previously displayed price of the Price to Display Order, notwithstanding Rule 610(d) under Regulation NMS), the price of the Price to Display Order will not be changed. The Order may be repriced repeatedly until such time as the Price to Display Order is able to be displayed and ranked at its original entered limit price ($11.02 in the example). The Price to Display Order receives a new timestamp each time its price is changed.
- If the original entered limit price of the Price to Display Order would no longer lock or cross a Protected Quotation, the Price to Display Order will be displayed and ranked at that price and will receive a new timestamp, and will not thereafter be adjusted under this paragraph (B).

If a Price to Display Order is entered through OUCH or FLITE, during Market Hours the Price to Display Order may be adjusted in the following manner after initial entry and posting to the PSX Book:

- If the entered limit price of the Price to Display Order locked or crossed a Protected Quotation and the NBBO changes so that the Price to Display Order could be ranked and displayed at a price at or closer to its original entered limit price without locking or crossing a Protected Quotation, the Price to Display Order may either remain on the PSX Book unchanged or may be cancelled back to the Participant, depending on the Participant's choice. For example, if a Price to Display Order to buy at $11.02 would cross a Protected Offer of $11, the Order will be ranked and displayed at $10.99. If the Best Offer changes to $11.01, the Price to Display Order will not be repriced, but rather will either remain at its current price or be cancelled back to the Participant, depending on its choice. A Participant's choice with regard to maintaining the Price to Display Order or cancelling it is set in advance for each port through which the Participant enters Orders.

(C) The following Order Attributes may be assigned to a Price to Display Order:

- Price. As described above, the price of the Order may be adjusted to avoid locking or crossing a Protected Quotation.
- Size.
- Reserve Size (available through RASH and FIX only).
- A Time-in-Force other than IOC. (A Price to Display Order entered with a Time-in-Force of IOC would be processed as a Non-Displayed Order with a Time-in-Force of IOC).
- Designation as an ISO. In accordance with Regulation NMS, a Price to Display Order designated as an ISO would be processed at its entered limit price, since such a designation reflects a representation by the Participant that it has simultaneously routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Price to Display Order would lock or cross.
- Routing (available through RASH and FIX only).
- Primary Pegging and Market Pegging (available through RASH and FIX only).
- Discretion (available through RASH and FIX only).

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- Attribution. All Price to Display Orders are Attributable Orders.
- Display. A Price to Display Order is always displayed (but may also have Reserve Size).

(3) (A) A "Non-Displayed Order" is an Order Type that is not displayed to other Participants, but nevertheless remains available for potential execution against incoming Orders until executed in full or cancelled. In addition to the Non-Displayed Order Type, there are other Order Types that are not displayed on the PSX Book. Thus, "Non-Display" is both a specific Order Type and an Order Attribute of certain other Order Types.

When a Non-Displayed Order is entered, the Non-Displayed Order will be executed against previously posted Orders on the PSX Book that are priced equal to or better than the price of the Non-Displayed Order, up to the full amount of such previously posted Orders, unless such executions would trade through a Protected Quotation. Any portion of the Non-Displayed Order that cannot be executed in this manner will be posted to the PSX Book (unless the Non-Displayed Order has a Time-in-Force of IOC) and/or routed if it has been designated as Routable.

During Market Hours, the price at which a Non-Displayed Order is posted is determined in the following manner. If the entered limit price of the Non-Displayed Order would lock a Protected Quotation, the Non-Displayed Order will be placed on the PSX Book at the locking price. If the Non-Displayed Order would cross a Protected Quotation, the Non-Displayed Order will be repriced to a price that would lock the Protected Quotation and will be placed on the PSX Book at that price. For example, if a Non-Displayed Order to buy at $11 would cross a Protected Offer of $10.99, the Non-Displayed Order will be repriced and posted at $10.99. A Non-Displayed Order to buy at $10.99 would also be posted at $10.99.

During Pre-Market Hours and Post-Market Hours, a Non-Displayed Order will be posted at its entered limit price without adjustment.

(B) If a Non-Displayed Order is entered through RASH or FIX, during Market Hours the Non-Displayed Order may be adjusted in the following manner after initial entry and posting to the PSX Book (unless the Order is assigned a Routing Order Attribute that would cause it to be routed to another market center rather than remaining on the PSX Book):

- If the original entered limit price of a Non-Displayed Order is higher than the Best Offer (for an Order to buy) or lower than the Best Bid (for an Order to sell) and the NBBO moves toward the original entered limit price of the Non-Displayed Order, the price of the Non-Displayed Order will be adjusted repeatedly in accordance with changes to the NBBO. For example, if a Non-Displayed Order to buy at $11.02 would cross a Protected Offer of $11, the Non-Displayed Order will be priced and posted at $11. If the Best Offer then changes to $11.01, the price of the Non-Displayed Order will be changed to $11.01. The Order may be repriced repeatedly in this manner, receiving a new timestamp each time its price is changed, until the Non-Displayed Order is posted at its original entered limit price. The Non-Displayed Order will not thereafter be repriced under this paragraph (B), except as provided below with respect to crossing a Protected Quotation.
- If, after being posted to the PSX Book, the NBBO changes so that the Non-Displayed Order would cross a Protected Quotation, the Non-Displayed Order will be repriced at a price that would lock the new NBBO and receive a new timestamp. For example, if a Non-Displayed Order to buy at $11 would lock a Protected Offer of $11, the Non-Displayed Order will be posted at $11. If the Best Offer then changes to $10.99, the Non-Displayed Order will be repriced at $10.99, receiving a new timestamp. The Non-Displayed Order may be repriced and receive a new timestamp repeatedly.

If a Non-Displayed Order is entered through OUCH or FLITE, during Market Hours the Non-Displayed Order may be adjusted in the following manner after initial entry and posting to the PSX Book:

- If the original entered limit price of the Non-Displayed Order locked or crossed a Protected Quotation and the NBBO changes so that the Non-Displayed Order could be posted at a price at or closer to its original entered limit price without crossing a Protected Quotation, the Non-Displayed Order may either remain on the PSX Book unchanged or may be cancelled back to the Participant, depending on its

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choice. For example, if a Non-Displayed Order to buy at $11.02 would cross a Protected Offer of $11, the Order will be priced at $11. If the Best Offer changes to $11.01, the Order will not be repriced, but rather will either remain at its current $11 price or be cancelled back to the Participant, depending on its choice. A Participant's choice with regard to maintaining the Non-Displayed Order or cancelling it is set in advance for each port through which the Participant enters Orders.

- If, after a Non-Displayed Order is posted to the PSX Book, the NBBO changes so that the Non-Displayed Order would cross a Protected Quotation, the Non-Displayed Order will be cancelled back to the Participant. For example, if a Non-Displayed Order to buy at $11 would lock a Protected Offer of $11, the Non-Displayed Order will be posted at $11. If the Best Offer then changes to $10.99, the Non-Displayed Order will be cancelled back to the Participant.
- If a Non-Displayed Order entered through OUCH or FLITE is assigned a Midpoint Pegging Order Attribute, and if, after being posted to the PSX Book, the NBBO changes so that the Non-Displayed Order is no longer at the Midpoint between the NBBO, the Non-Displayed Order will be cancelled back to the Participant. In addition, if a Non-Displayed Order entered through OUCH or FLITE is assigned a Midpoint Pegging Attribute and also has a limit price that is lower than the midpoint between the NBBO for an Order to buy (higher than the midpoint between the NBBO for an Order to sell), the Order will nevertheless be accepted at its limit price and will be cancelled if the midpoint between the NBBO moves lower than (higher than) the price of an Order to buy (sell).

(C) The following Order Attributes may be assigned to a Non-Displayed Order:

- Price. As described above, the price of the Order may be adjusted to avoid crossing a Protected Quotation.
- Size.
- Minimum Quantity.
- Time-in-Force.
- Designation as an ISO. In accordance with Regulation NMS, a Non-Displayed Order designated as an ISO would be processed at its entered limit price, since such a designation reflects a representation by the Participant that it has simultaneously routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Non-Displayed Order would cross. As discussed above, a Non-Displayed Order would be accepted at a price that locked a Protected Quotation, even if the Order was not designated as an ISO, because the non-displayed nature of the Order allows it to lock a Protected Quotation under Regulation NMS. Accordingly, the System would not interpret receipt of a Non-Displayed Order marked ISO that locked a Protected Quotation as the basis for determining that the Protected Quotation had been executed for purposes of accepting additional Orders at that price level.
- Routing (available through RASH and FIX only).
- Primary Pegging and Market Pegging (available through RASH and FIX only).
- Pegging to the Midpoint (see Rule 3301B(d) with respect to differences between OUCH and FLITE and RASH and FIX).
- Discretion (available through RASH and FIX only).

(4) (A) A "Post-Only Order" is an Order Type designed to have its price adjusted as needed to post to the PSX Book in compliance with Rule 610(d) under Regulation NMS by avoiding the display of quotations that lock or cross any Protected Quotation in a System Security during Market Hours, or to execute against locking or crossing quotations in circumstances where economically beneficial to the Participant entering the Post-Only Order.

During Market Hours, a Post-Only Order is evaluated at the time of entry with respect to locking or crossing other Orders on the PSX Book, Protected Quotations, and potential execution as follows:

- If a Post-Only Order would lock or cross a Protected Quotation, the price of the Order will first be adjusted. If the Order is Attributable, its adjusted price will be one minimum price increment lower

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than the current Best Offer (for bids) or higher than the current Best Bid (for offers). If the Order is not Attributable, its adjusted price will be equal to the current Best Offer (for bids) or the current Best Bid (for offers). However, the Order will not post or execute until the Order, as adjusted, is evaluated with respect to Orders on the PSX Book.

    - ○ If the adjusted price of the Post-Only Order would not lock or cross an Order on the PSX Book, the Order will be posted in the same manner as a Price to Comply Order (if it is not Attributable) or a Price to Display Order (if it is Attributable). Specifically, if the Post-Only Order is not Attributable, it will be displayed on the PSX at a price one minimum price increment lower than the current Best Offer (for bids) or higher than the current Best Bid (for offers) but will be ranked on the PSX Book with a non-displayed price equal to the current Best Offer (for bids) or to the current Best Bid (for offers). For example, if a Post-Only Order to buy at $11 would lock a Protected Offer of $11, the Order will be ranked at a non-displayed price of $11 but will be displayed at $10.99. If the Post-Only Order is Attributable, it will be ranked and displayed on the PSX Book at a price one minimum increment lower than the current Best Offer (for bids) or higher than the current Best Bid (for offers). Thus, in the preceding example, the Post-Only Order to buy would be ranked and displayed at $10.99.
    - ○ If the adjusted price of the Post-Only Order would lock or cross an Order on the PSX Book, the Post Only Order will be repriced, ranked, and displayed at one minimum price increment below the current best-priced Order to sell on the PSX Book (for bids) or above the current best-priced Order to buy on the PSX Book (for offers); provided, however, the Post-Only Order will execute if (i) it is priced below $1.00 and the value of price improvement associated with executing against an Order on the PSX Book (as measured against the original limit price of the Order) equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the PSX Book and subsequently provided liquidity, or (ii) it is priced at $1.00 or more and the value of price improvement associated with executing against an Order on the PSX Book (as measured against the original limit price of the Order) equals or exceeds $0.01 per share. For example, if a Participant entered a Non-Attributable Post-Only Order to buy at $11.01, another market center is displaying a Protected Offer at $11, and there is a Non-Displayed Order on the PSX Book to sell at $11, the adjusted price of the Post-Only Order will be $11. However, because the Post-Only Order would be executable against the Non-Displayed Order on the PSX Book and would receive $0.01 price improvement (as measured against the original $11.01 price of the Post-Only Order), the Post-Only Order would execute.
- If the Post-Only Order would not lock or cross a Protected Quotation but would lock or cross an Order on the PSX Book, the Post Only Order will be repriced, ranked, and displayed at one minimum price increment below the current best-priced Order to sell on the PSX Book (for bids) or above the current best-priced Order to buy on the PSX Book (for offers); provided, however, the Post-Only Order will execute if (i) it is priced below $1.00 and the value of price improvement associated with executing against an Order on the PSX Book equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the PSX Book and subsequently provided liquidity, or (ii) it is priced at $1.00 or more and the value of price improvement associated with executing against an Order on the PSX Book equals or exceeds $0.01 per share. For example, if a Participant entered a Post-Only Order to buy at $11.02, the Best Offer was $11.04, and there was a Non-Displayed Order on the PSX Book to sell at $11.02, the Post-Only Order would be ranked and displayed at $11.01. However, if a Participant entered a Post-Only Order to buy at $11.03, the Order would execute against the Order on the PSX Book at $11.02, receiving $0.01 per share price improvement.
- If a Post-Only Order is entered with a Time-in-Force of IOC, the Order will be evaluated for possible execution in the same manner as any other Post-Only Order but will be cancelled rather than posted if the Order cannot execute.

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- If a Post-Only Order would not lock or cross an Order on the PSX Book or any Protected Quotation, it will be posted on the PSX Book at its entered limit price.

During Pre-Market and Post-Market Hours, a Post-Only Order will be processed in a manner identical to Market Hours with respect to locking or crossing Orders on the PSX Book, but will not have its price adjusted with respect to locking or crossing the quotations of other market centers.

(B) If a Post-Only Order is entered through RASH or FIX, during System Hours the Post-Only Order may be adjusted in the following manner after initial entry and posting to the PSX Book:

- If the original entered limit price of the Post-Only Order is not being displayed, the displayed (and non-displayed price, if any) of the Order will be adjusted repeatedly in accordance with changes to the NBBO or the best price on the PSX Book, as applicable; provided, however, that if the quotation of another market center moves in a manner that would lock or cross the displayed price of a Post-Only Order, the price(s) of the Post-Only Order will not be adjusted. For example, if a Non-Attributable Post-Only Order to buy at $11.02 would cross a Protected Offer of $11, the Order will be ranked at a non-displayed price of $11 but will be displayed at $10.99. If the Best Offer then moves to $11.01, the displayed price will be changed to $11 and the non-displayed price at which the Order is ranked will be changed to $11.01. However, if another market center then displays an offer of $11 (thereby locking the previously displayed price of the Post-Only Order, notwithstanding Rule 610(d) under Regulation NMS), the price of the Post-Only Order will not be changed. The Order may be repriced repeatedly until such time as the Post-Only Order is able to be displayed at its original entered limit price ($11.02 in the example). The Post-Only Order receives a new timestamp each time its price is changed.
- If the original entered limit price of the Post-Only Order would no longer lock or cross a Protected Quotation or an Order on the PSX Book, the Post-Only Order will be ranked and displayed at that price and will receive a new timestamp, and will not thereafter be adjusted under this paragraph (B).

If a Post-Only Order is entered through OUCH or FLITE, the Post-Only Order may be adjusted in the following manner after initial entry and posting to the PSX Book:

- During Market Hours, if the original entered limit price of the Post-Only Order locked or crossed a Protected Quotation, the Post-Only Order may be adjusted after initial entry in the same manner as a Price to Comply Order (or a Price to Display Order, if it is Attributable). Thus, in the case of a Non-Attributable Post-Only Order that crossed a Protected Quotation, if the NBBO changed so that the Post-Only Order could be ranked and displayed at a price at or closer to its original entered limit price without locking or crossing a Protected Quotation, the Post-Only Order may either remain on the PSX Book unchanged or may be cancelled back to the Participant, depending on its choice. In the case of a Non-Attributable Post-Only Order that locked a Protected Quotation, if the limit price would no longer lock a Protected Quotation, the Post-Only Order may either remain on the PSX Book unchanged, may be cancelled back to the Participant, or may be ranked and displayed at its original entered limit price, depending on the Participant's choice, and will not thereafter be adjusted under this paragraph (B). If the Post-Only Order is displayed at its original entered limit price, it will receive a new timestamp. Finally, in the case of an Attributable Post-Only Order that locked or crossed a Protected Quotation, if the NBBO changed so that the Post-Only Order could be ranked and displayed at a price at or closer to its original entered limit price without locking or crossing a Protected Quotation, the Post-Only Order may either remain on the PSX Book unchanged or may be cancelled back to the Participant, depending on the Participant's choice. A Participant's choice with regard to adjustment of Post-Only Orders is set in advance for each port through which the Participant enters Orders.
- During System Hours, if the original entered limit price of the Post-Only Order locked or crossed an Order on the PSX Book and the PSX Book changes so that the original entered limit price would no longer lock or cross an Order on the PSX Book, the Post-Only Order may either remain on the PSX Book unchanged or may be cancelled back to the Participant, depending on the Participant's choice. For example, if a Post-Only Order to buy at $11 would lock an Order on the PSX Book priced

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at $11, the Post-Only Order will be ranked and displayed at $10.99. If the Order at $11 is cancelled or executed, the Post-Only Order may either remain with a displayed price of $10.99 or be cancelled back to the Participant, depending on the Participant's choice. A Participant's choice with regard to maintaining the Post-Only Order or cancelling it is set in advance for each port through which the Participant enters Orders.

(C) The following Order Attributes may be assigned to a Post-Only Order:

- Price. As described above, the price of the Order may be adjusted to avoid locking or crossing a Protected Quotation, and may include a displayed price as well as a non-displayed price.
- Size.
- Time-in-Force; provided, however, that a Post-Only Order with a Time-in-Force of IOC may not be entered through RASH or FIX.
- Designation as an ISO. In accordance with Regulation NMS, a Post-Only Order designated as an ISO that locked or crossed a Protected Quotation would be processed at its entered limit price, since such a designation reflects a representation by the Participant that it has simultaneously routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Post-Only Order would lock or cross. However, as described above, a Post-Only Order designated as an ISO that locked or crossed an Order on the PSX Book would either execute at time of entry or would have its price adjusted prior to posting. Accordingly, the System would not interpret receipt of a Post-Only Order marked ISO that had its price adjusted prior to posting as the basis for determining that any Protected Quotation at the Order's original entered limit price level had been executed for purposes of accepting additional Orders at that price level. However, if the Post-Only Order is ranked and displayed at its adjusted price, the System would consider the adjusted price level to be open for purposes of accepting additional Orders at that price level. For example, assume that there is a Protected Offer at $11 and a Participant enters a Post-Only Order marked ISO to buy at $11. If there are no Orders to sell at $11 on the PSX Book, the Order to buy will be displayed and ranked at $11, since the designation of the Order as an ISO reflects the Participant's representation that it has routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Post-Only Order would lock or cross. However, if there was also an Order to sell at $11 on the PSX Book, the Post-Only Order will be repriced, ranked, and displayed at $10.99. In that case, the mere fact that the Post-Only Order was designated as an ISO would not allow PSX to conclude that the $11 price level was "open" for receiving orders to buy at that price; the $11 price level would be considered open only if market data received by the System demonstrated that the Protected Offer at $11 had been removed or if a subsequent Displayed Order marked ISO was received and ranked at that price.
- Attribution.
- Display. A Post-Only Order is always displayed, although as provided above, may also have a non-displayed price.

(5) (A) A "Market Maker Peg Order" is an Order Type designed to allow a Market Maker to maintain a continuous two-sided quotation at a displayed price that is compliant with the quotation requirements for Market Makers set forth in Rule 3213(a)(2). The displayed price of the Market Maker Peg Order is set with reference to a "Reference Price" in order to keep the displayed price of the Market Maker Peg Order within a bounded price range. A Market Maker Peg Order may be entered through RASH or FIX only. A Market Maker Peg Order must be entered with a limit price beyond which the Order may not be priced. The Reference Price for a Market Maker Peg Order to buy (sell) is the then-current National Best Bid (National Best Offer) (including PSX), or if no such National Best Bid or National Best Offer, the most recent reported last-sale eligible trade from the responsible single plan processor for that day, or if none, the previous closing price of the security as adjusted to reflect any corporate actions (e.g., dividends or stock splits) in the security.

Upon entry, the displayed price of a Market Maker Peg Order to buy (sell) is automatically set by the System at the Designated Percentage (as defined in Rule 3213) away from the Reference Price in order to comply with the

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quotation requirements for Market Makers set forth in Rule 3213(a)(2). For example, if the National Best Bid is $10 and the Designated Percentage for the security is 8%, the displayed price of a Market Marker Peg Order to buy would be $9.20. If the limit price of the Order is not within the Designated Percentage, the Order will be sent back to the Participant.

Once a Market Maker Peg Order has posted to the PSX Book, it is repriced if needed as the Reference Price changes. Specifically, if as a result of a change to the Reference Price, the difference between the displayed price of the Market Maker Peg Order and the Reference Price reaches the Defined Limit (as defined in Rule 3213), a Market Maker Peg Order to buy (sell) will be repriced to the Designated Percentage away from the Reference Price. In the foregoing example, if the Defined Limit is 9.5% and the National Best Bid increased to $10.17, such that the displayed price of the Market Maker Peg Order would be more than 9.5% away, the Order will be repriced to $9.35, or 8% away from the National Best Bid. Note that prices will be rounded in a manner to ensure that they are calculated and displayed at a level that is consistent with the Designated Percentage and the permissible minimum increment of $0.01 or $0.0001, as applicable. If the limit price of the Order is outside the Defined Limit, the Order will be sent back to the Participant.

Similarly, if as a result of a change to the Reference Price, the displayed price of a Market Maker Peg Order to buy (sell) is at least one minimum price variation more than (less than) a price that is 4% less than (more than) the Reference Price, rounded up (down), then the Market Maker Peg Order to buy (sell) will be repriced to the Designated Percentage away from the Reference Price. For example, if the National Best Bid is $10 and the Designated Percentage for the security is 8%, the displayed price of a Market Marker Peg Order to buy would initially be $9.20. If the National Best Bid then moved to $9.57, such that the displayed price of the Market Maker Peg Order would be a minimum of $0.01 more than a price that is 4% less than the National Best Bid, rounded up (i.e. $9.57 – ($9.57 x 0.04) = $9.1872, rounding up to $9.19), the Order will be repriced to $8.81, or 8% away from the National Best Bid.

A Market Maker may enter a Market Maker Peg Order with a more aggressive offset than the Designated Percentage, but may not enter a less aggressive offset. A more aggressive offset will be expressed as a price difference from the Reference Price. Such a Market Maker Peg Order will be repriced in the same manner as a Price to Display Order with Attribution and Primary Pegging. As a result, the Order will be repriced whenever the price to which the Order is pegged is changed.

A new timestamp is created for a Market Maker Peg Order each time that it is repriced. In the absence of a Reference Price, a Market Maker Peg Order will be cancelled (if on the PSX Book) or rejected (if it is an incoming Order). If, after entry, a Market Maker Peg Order has a displayed price based on a Reference Price other than the NBBO and such Market Maker Peg Order is established as the National Best Bid or National Best Offer, the Market Maker Peg Order will not be subsequently repriced in accordance with this rule until a new Reference Price is established. In such case, the new Reference Price may be established by a change in the NBBO based on another market center's quotation or by the entry into the System of any Displayed Order with a price better than the displayed price of the Market Maker Peg Order, whether the new Order is at a price that is lower than, higher than or equal to the prior Reference Price.

Notwithstanding the availability of Market Maker Peg Order functionality, a Market Maker remains responsible for entering, monitoring, and resubmitting, as applicable, quotations that meet the requirements of Rule 3213.

(B) The following Order Attributes may be assigned to a Market Maker Peg Order:

- Price. As discussed above, the displayed price of Market Maker Peg Order is established by PSX based on the Reference Price, the Designated Percentage (or a narrower offset established by the Market Maker), the Defined Limit, and the 4% minimum difference from the Reference Price.
- Size.
- A Time-in-Force other than IOC or GTC.
- If the Market Maker designates a more aggressive offset than the Designated Percentage, Primary Pegging is required.
- Attribution. All Market Maker Peg Orders are Attributable.

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- Display. Market Marker Peg Orders are always Displayed.

(6)(A) A "Midpoint Peg Post-Only Order" is an Order Type with a Non-Display Order Attribute that is priced at the midpoint between the NBBO and that will execute upon entry only in circumstances where economically beneficial to the party entering the Order. The Midpoint Peg Post-Only Order is available during the Regular Market Session only.

A Midpoint Peg Post-Only Order must be assigned a limit price. When a Midpoint Peg Post- Only Order is entered, it will be priced at the midpoint between the NBBO, unless such midpoint is higher than (lower than) the limit price of an Order to buy (sell), in which case the Order will be priced at its limit price. If the NBBO is locked, the Midpoint Peg Post- Only Order will be priced at the locking price, if the NBBO is crossed, it will nevertheless be priced at the midpoint between the NBBO (provided, however, that the Order may execute as described below), and if there is no NBBO, the Order will be rejected. The Midpoint Peg Post-Only Order will post to the System book unless it is a buy (sell) Order that is priced higher than (lower than) a sell (buy) Order on the System book, in which case it will execute at the price of the Order on the System book; provided, however, that if the Order has a Time-in-Force of IOC, the Order will be cancelled after determining whether it can be executed. For example, if the Best Bid was $11 and the Best Offer was $11.06, the price of the Midpoint Peg Post-Only Order would be $11.03. If there was a Non-Displayed Order (or another Order with a Non-Display Order Attribute) on the System book to sell at $11.02, the incoming Midpoint Peg Post-Only Order would execute against it at $11.02. However, if there was a Non-Displayed Order (or another Order with a Non-Display Order Attribute) to sell at $11.03, the Midpoint Peg Post-Only Order would post at $11.03. While a Midpoint Peg Post-Only Order that posts to the System book is locking a preexisting Order, the Midpoint Peg Post-Only Order will execute against an incoming Order only if the price of the incoming sell (buy) Order is lower (higher) than the price of the preexisting Order. Thus, in the previous example, if the incoming Midpoint Peg Post-Only Order locked the preexisting Non-Displayed Order at $11.03, the Midpoint Peg Post-Only Order could execute only against an incoming Order to sell priced at less than $11.03.

A Midpoint Peg Post-Only Order that would be assigned a price of $1 or less per share will be rejected or canceled, as applicable.

(B) If a Midpoint Peg Post-Only Order is entered through RASH or FIX, the Midpoint Peg Post-Only Order may be repriced in the following manner after initial entry and posting to the System book:

- The price of the Midpoint Peg Post-Only Order will be updated repeatedly to equal the midpoint between the NBBO; provided, however, that the Order will not be priced higher (lower) than the limit price of an Order to buy (sell). In the event that the midpoint between the NBBO becomes higher than (lower than) the limit price of an Order to buy (sell), the price of the Order will stop updating and the Order will post (with a Non-Display Order Attribute) at its limit price, but will resume updating if the midpoint becomes lower than (higher than) the limit price of an Order to buy (sell). Similarly, if a Midpoint Peg Post-Only Order is on the System book and subsequently there is no NBBO, the Order will be cancelled. The Midpoint Peg Post-Only Order receives a new timestamp each time its price is changed.

If a Midpoint Peg Post-Only Order is entered through OUCH or FLITE, the Midpoint Peg Post-Only Order may be repriced in the following manner after initial entry and posting to the System book:

- The price at which the Midpoint Peg Post-Only Order is ranked on the System book is the midpoint between the NBBO, unless the Order has a limit price that is lower than the midpoint between the NBBO for an Order to buy (higher than the midpoint between the NBBO for an Order to sell), in which case the Order will be ranked on the System book at its limit price. The price of the Order will not thereafter be repriced based on changes to the NBBO. If, after being posted to the System book, the NBBO changes so that midpoint between the NBBO is lower than (higher than) the price of a Midpoint Peg Post-Only Order to buy (sell), the Midpoint Peg Post-Only Order will be cancelled back to the Participant. For example, if the

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Best Bid is $11 and the Best Offer is $11.06, a Midpoint Peg Post- Only Order to buy would post at $11.03. If, thereafter, the Best Offer is reduced to $11.05, the Midpoint Peg Post-Only Order will be cancelled back to the Participant.

(C) The following Order Attributes may be assigned to a Midpoint Peg Post-Only Order:

- Price of more than $1 per share.
- Size.
- Time-in-Force; provided, however, that a Midpoint Peg Post-Only Order with a Time-in-Force of IOC may not be entered through RASH or FIX, and provided further, that regardless of the Time-in-Force entered, a Midpoint Post-Only Order may not be active outside of the Regular Market Session. A Midpoint Peg Post- Only Order entered prior to the beginning of the Regular Market Session will be rejected. A Midpoint Peg Post-Only Order remaining on the System book at 4:00 p.m. ET will be cancelled by the System.
- Pegging to the midpoint is required for Midpoint Peg Post-Only Orders entered through RASH or FIX. As discussed above, the price of a Midpoint Peg Post- Only Order entered through OUCH or FLITE will be pegged to the midpoint upon entry and not repriced thereafter.
- Minimum Quantity.
- Non-Display. All Midpoint Peg Post-Only Orders are Non-Displayed.

Adopted.
June 24, 2015 (15-29).
Amendments.
June 26, 2015 (15-56), operative July 1, 2015.
May 2, 2016 (16-55).

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Nasdaq PHLX Rules, Regulation, Rule 3301B. Order Attributes.

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As described in Rule 3301A, the following Order Attributes may be assigned to those Order Types for which they are available.

(a) Time-in-Force

The "Time-in-Force" assigned to an Order means the period of time that PSX will hold the Order for potential execution. Participants specify an Order's Time-in-Force by designating a time at which the Order will become active and a time at which the Order will cease to be active. The available times for activating Orders are:

- The time of the Order's receipt by PSX;
- the beginning of Market Hours;
- the end of Market Hours;
- the resumption of trading, in the case of a security that is the subject of a trading halt.

The available times for deactivating Orders are:

- "Immediate" (i.e., immediately after determining whether the Order is marketable);
- the end of Market Hours;
- the end of System Hours;
- one year after entry; or
- a specific time identified by the Participant; provided, however, that an Order specifying an expire time beyond the current trading day will be cancelled at the end of the current trading day.

Notwithstanding the Time-in-Force originally designated for an Order, a Participant may always cancel an Order after it is entered.

The following Times-in-Force are referenced elsewhere in PSX's Rules by the designations noted below:

(1) An Order that is designated to deactivate immediately after determining whether the Order is marketable may be referred to as having a Time in Force of "Immediate or Cancel" or "IOC". An Order with a Time-in-Force of IOC that is entered at any time between 8:00 a.m. ET and 5:00 p.m. ET may be referred to as having a Time-in-Force of "System Hours Immediate or Cancel" or "SIOC".

(2) An Order that is designated to deactivate at 8:00 p.m. may be referred to as having a Time in Force of "System Hours Day" or "SDAY".

(3) An Order that is designated to deactivate one year after entry may be referred to as a "Good-till-Cancelled" or "GTC" Order. If a GTC Order is designated as eligible for execution during Market Hours only, it may be referred to as having a Time in Force of "Market Hours Good-till-Cancelled" or "MGTC". If a GTC is designated as eligible for execution during System Hours, it may be referred to as having a Time in Force of "System Hours Good-till-Cancelled" or "SGTC".

(4) An Order that is designated to deactivate at the time specified in advance by the entering Participant may be referred to as having a Time-in-Force of "System Hours Expire Time" or "SHEX".

(5) An Order that is designated to activate at any time during Market Hours and deactivate at 4:00 p.m. ET may be referred to as having a Time-in-Force of "Market Hours Day" or "MDAY". An Order entered with a Time-in-Force of MDAY after 4:00 p.m. ET will be accepted but given a Time-in-Force of IOC.

(6) An Order that is designated to activate when entered and deactivate at 4:00 p.m. ET may be referred to as having a Time-in-Force of "Good-till-Market Close" or "GTMC". GTMC Orders entered after 4:00 p.m. ET will not be accepted.

(b) Size. Except as otherwise provided, an Order may be entered in any whole share size between one share and 999,999 shares. Orders for fractional shares are not permitted. The following terms may be used to describe particular Order sizes:

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(1) "normal unit of trading" or "round lot" means the size generally employed by traders when trading a particular security, which is 100 shares in most instances;

(2) "mixed lot" means a size of more than one normal unit of trading but not a multiple thereof; and

(3) "odd lot" means a size of less than one normal unit of trading.

(c) Price. With limited exceptions, all Orders must have a price, such that they will execute only if the price available is equal to or better than the price of the Order. The maximum price that the System will accept is $199,999.99. Certain Orders have a price that is determined by PSX based on the NBBO or other reference prices, rather than by the Participant. As described below with respect to the Pegging Order Attribute, an Order may have a price that is pegged to the opposite side of the market, in which case the Order will behave like a "market order" or "unpriced order" (i.e., an Order that executes against accessible liquidity on the opposite side of the market, regardless of its price).

(d) Pegging. Pegging is an Order Attribute that allows an Order to have its price automatically set with reference to the NBBO; provided, however, that if PSX is the sole market center at the Best Bid or Best Offer (as applicable), then the price of any Displayed Order with Primary Pegging (as defined below) will be set with reference to the highest bid or lowest offer disseminated by a market center other than PSX. An Order with a Pegging Order Attribute may be referred to as a “Pegged Order.” For purposes of this rule, the price to which an Order is pegged will be referred to as the Inside Quotation, the Inside Bid, or the Inside Offer, as appropriate. There are three varieties of Pegging:

- Primary Pegging means Pegging with reference to the Inside Quotation on the same side of the market. For example, if the Inside Bid was $11, an Order to buy with Primary Pegging would be priced at $11.
- Market Pegging means Pegging with reference to the Inside Quotation on the opposite side of the market. For example, if the Inside Offer was $11.06, an Order to buy with Market Pegging would be priced at $11.06.
- Midpoint Pegging means Pegging with reference to the midpoint between the Inside Bid and the Inside Offer (the "Midpoint"). Thus, if the Inside Bid was $11 and the Inside Offer was $11.06, an Order with Midpoint Pegging would be priced at $11.03. An Order with Midpoint Pegging is not displayed. An Order with Midpoint Pegging may be executed in sub-pennies if necessary to obtain a midpoint price.

Pegging is available only during Market Hours. An Order with Pegging may specify a limit price beyond which the Order may not be executed; provided, however, that if an Order has been assigned a Pegging Order Attribute and a Discretion Order Attribute, the Order may execute at any price within the discretionary price range, even if beyond the limit price specified with respect to the Pegging Order Attribute. If an Order with Pegging is priced at its limit price, the price of the Order may nevertheless be changed to a less aggressive price based on changes to the Inside Quotation. In addition, an Order with Primary Pegging or Market Pegging may specify an Offset Amount, such that the price of the Order will vary from the Inside Quotation by the selected Offset Amount. The Offset Amount may be either aggressive or passive. Thus, for example, if a Participant entered an Order to buy with Primary Pegging and a passive Offset Amount of $0.05 and the Inside Bid was $11, the Order would be priced at $10.95. If the Participant selected an aggressive Offset Amount of $0.02, however, the Order would be priced at $11.02. An Order with Primary Pegging and an Offset Amount will not be Displayed, unless the Order is Attributable. An Order with Midpoint Pegging will not be Displayed. An Order with Market Pegging and no Offset behaves as a “market order” with respect to any liquidity on the PSX Book at the Inside Quotation on the opposite side of the market because it is immediately executable at that price. If, at the time of entry, there is no price to which a Pegged Order can be pegged, the Order will be rejected; provided, however, that a Displayed Order that has Market Pegging, or an Order with a Non-Display Attribute that has Primary Pegging or Market Pegging, will be accepted at its limit price. In the case of an Order with Midpoint Pegging, if the Inside Bid and Inside Offer are locked, the Order will be priced at the locking price, if the Inside Bid and Inside Offer are crossed, the Order will nevertheless be priced at the midpoint between the Inside Bid and Inside Offer, and if there is no Inside Bid and/or Inside Offer, the Order will be rejected. However, even if the Inside Bid and Inside

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Offer are locked or crossed, an Order with Midpoint Pegging that locked or crossed an Order on the PSX Book would execute.

Primary Pegging and Market Pegging are available through RASH and FIX only. An Order entered through OUCH or FLITE with Midpoint Pegging will have its price set upon initial entry to the Midpoint, unless the Order has a limit price that is lower than the Midpoint for an Order to buy (higher than the Midpoint for an Order to sell), in which case the Order will be ranked on the PSX Book at its limit price. Thereafter, if the NBBO changes so that the Midpoint is lower than (higher than) the price of an Order to buy (sell), the Pegged Order will be cancelled back to the Participant.

An Order entered through RASH or FIX with Pegging will have its price set upon initial entry and will thereafter have its price reset in accordance with changes to the relevant Inside Quotation. An Order with Pegging receives a new timestamp whenever its price is updated and therefore will be evaluated with respect to possible execution (and routing, if it has been assigned a Routing Order Attribute) in the same manner as a newly entered Order. If the price to which an Order is pegged is not available, the Order will be rejected.

Primary Pegging Orders and Market Pegging Orders are subject to a collar. Any portion of a Primary Pegging Order or Market Pegging Order that would execute, either on the Exchange or when routed to another market center, at a price of more than $0.25 or 5 percent worse than the NBBO at the time when the order reaches the System, whichever is greater, will be cancelled.

(e) Minimum Quantity. Minimum Quantity is an Order Attribute that allows a Participant to provide that an Order will not execute unless a specified minimum quantity of shares can be obtained. An Order with a Minimum Quantity Order Attribute may be referred to as a "Minimum Quantity Order." For example, a Participant could enter an Order with a Size of 1000 shares and specify a Minimum Quantity of 500 shares. In that case, upon entry, the System would determine whether there were one or more posted Orders executable against the incoming Order with an aggregate size of at least the minimum quantity (500 shares in the above example). If there were not, the Order would post on the PSX Book in accordance with the characteristics of its underlying Order Type. Once posted to the PSX Book, a Minimum Quantity Order retains its Minimum Quantity Order Attribute, such that the Order may execute only against incoming Orders with a size of at least the minimum quantity condition. An Order that has a Minimum Quantity Order Attribute and that posts to the PSX Book will not be displayed.

Upon entry, an Order with a Minimum Quantity Order Attribute must have a size of at least one round lot. An Order entered through OUCH or FLITE may have a minimum quantity condition of any size of at least one round lot. An Order entered through RASH or FIX must have a minimum quantity of one round lot or any multiple thereof, and a mixed lot minimum quantity condition will be rounded down to the nearest round lot. In the event that the shares remaining in the size of an Order with a Minimum Quantity Order Attribute following a partial execution thereof are less than the minimum quantity specified by the Participant entering the Order, the minimum quantity value of the Order will be reduced to the number of shares remaining. An Order with a Minimum Quantity Order Attribute may not be displayed; if a Participant marks an Order with both a Minimum Quantity Order Attribute and a Display Order Attribute, the System will accept the Order but will give a Time-in-Force of IOC, regardless of the Time-in-Force marked by the Participant. An Order marked with a Minimum Quantity Order Attribute and a Routing Order Attribute will be rejected.

(f) Routing. Routing is an Order Attribute that allows a Participant to designate an Order to employ one of several Routing Strategies offered by PSX, as described in Rule 3315; such an Order may be referred to as a "Routable Order." Upon receipt of an Order with the Routing Order Attribute, the System will process the Order in accordance with the applicable Routing Strategy. In the case of a limited number of Routing Strategies, the Order will be sent directly to other market centers for potential execution. For most other Routing Strategies, the Order will attempt to access liquidity available on PSX in the manner specified for the underlying Order Type and will then be routed in accordance with the applicable Routing Strategy. Shares of the Order that cannot be executed are then returned to PSX, where they will (i) again attempt to access liquidity available on PSX and (ii) post to the PSX Book or be cancelled, depending on the Time-in-Force of the Order. Under certain

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Routing Strategies, the Order may be routed again if the System observes an accessible quotation of another market center, and returned to PSX again for potential execution and/or posting to the PSX Book. In connection with the trading of securities governed by Regulation NMS, all Orders shall be routed for potential execution in compliance with Regulation NMS. Where appropriate, Routable Orders will be marked as Intermarket Sweep Orders.

(g) Discretion. Discretion is an Order Attribute under which an Order has a non-displayed discretionary price range within which the entering Participant is willing to trade; such an Order may be referred to as a "Discretionary Order." Thus, an Order with Discretion has both a price (for example, buy at $11) and a discretionary price range (for example, buy up to $11.03). Depending on the Order Type used, the price may be displayed (for example, a Price to Display Order) or non-displayed (for example, a Non-Displayed Order). The discretionary price range is always non-displayed. In addition, it should be noted that the Discretion Order Attribute may be combined with the Pegging Order Attribute, in which case either the price of the Order or the discretionary price range or both may be pegged in the ways described in Rule 3301A(d) with respect to the Pegging Order Attribute. For example, an Order with Discretion to buy might be pegged to the Best Bid with a $0.05 passive Offset and might have a discretionary price range pegged to the Best Bid with a $0.02 passive Offset. In that case, if the Best Bid was $11, the price of the Order would be $10.95, with a discretionary price range up to $10.98. If the Best Bid moved to $10.99, the price of the Order would then be $10.94, with a discretionary price range up to $10.97. Alternatively, if the price of the Order was pegged but the discretionary price range was not, the price of the Order would be $10.94, but the discretionary price range would continue to range up to $10.98. Likewise, if the discretionary price range was pegged but the price of the Order was not, the Order would remain priced at $10.95 but with a discretionary price range of up to $10.97. A Participant may also specify a limit price beyond which the discretionary price range may not extend.

Under the circumstances described below, PSX processes an Order with Discretion by generating a Non-Displayed Order with a Time-in-Force of IOC (a "Discretionary IOC") that will attempt to access liquidity available within the discretionary price range. The Discretionary IOC will not be permitted to execute, however, if the price of the execution would trade through a Protected Quotation. If more than one Order with Discretion satisfies conditions that would cause the generation of a Discretionary IOC simultaneously, the order in which such Discretionary IOCs are presented for execution is random, based on the respective processing time for each such Order. Whenever a Discretionary IOC is generated, the underlying Order with Discretion will be withheld or removed from the PSX Book and will then be routed and/or placed on the PSX Book if the Discretionary IOC does not exhaust the full size of the underlying Order with Discretion, with its price determined by the underlying Order Type and Order Attributes selected by the Participant. Because the circumstances under which a Discretionary IOC will be generated are dependent upon a range of factors, several specific scenarios are described below.

- If an Order has been assigned a Discretion Order Attribute, but has not been assigned a Routing Order Attribute, upon entry of the Order, PSX will automatically generate a Discretionary IOC with a price equal to the highest price for an Order with Discretion to buy (lowest price for an Order with Discretion to sell) within the discretionary price range and a size equal to the full size of the underlying Order to determine if there are any Orders within the discretionary price range on the PSX Book. If the Discretionary IOC does not exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will post to the PSX Book in accordance with the parameters that apply to the underlying Order Type. Thus, for example, if a Participant enters a Price to Display Order to buy at $11 with a discretionary price range of up to $11.03, upon entry PSX will generate a Discretionary IOC to buy priced at $11.03. If there is an Order on the PSX Book to sell priced at $11.02 and an execution at $11.02 would not trade through a Protected Quotation, the Discretionary IOC will execute against the Order on the PSX Book, up to the full size of each Order. Any remaining size of the Price to Display Order would post to the PSX Book in accordance with its parameters.
- After the Order posts to the PSX Book, PSX will examine whether at any time there is an Order on the PSX Book with a price in the discretionary price range against which the Order with Discretion could

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execute. In doing so, PSX will examine all Orders (including Orders that are not Displayed). If PSX observes such an Order, it will generate a Discretionary IOC with a price equal to the highest price for an Order to buy (lowest price for an Order to sell) within the discretionary price range and a size equal to the full size of the Order.

- If an Order that uses a passive routing strategy (i.e., a strategy that does not seek routing opportunities after posting to the PSX Book) has been assigned a Discretion Order Attribute but does not have a pegged discretionary price range, upon entry of the Order, PSX will examine all Orders (including Orders that are not Displayed) on the PSX Book to determine if there is an Order on the PSX Book with a price in the discretionary price range against which the Order with Discretion could execute. If PSX observes such an Order, it will generate a Discretionary IOC with a price equal to the price of the Order on the PSX Book and a size equal to the applicable size of the Order on the PSX Book. PSX will also determine if there are any accessible quotations with prices that are within the discretionary price range at destinations on the applicable routing table for the selected routing strategy. If there are such quotations, PSX will generate one or more Discretionary IOCs to route to such destinations, with a price and size that match the price and size of the market center's quotation. If necessary to maximize execution opportunities and comply with Regulation NMS, the System's routing broker may mark such Discretionary IOCs as Intermarket Sweep Orders. If the Discretionary IOC(s) do not exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will post to the PSX Book in accordance with the parameters that apply to the underlying Order Type. PSX will then examine whether at any time there is an Order on the PSX Book with a price in the discretionary price range against which the Order with Discretion could execute. In doing so, PSX will examine all Orders (including Orders that are not Displayed). If PSX observes such an Order, it will generate a Discretionary IOC with a price equal to the price of the Order on the PSX Book and a size equal to the applicable size of the Order on the PSX Book.
- If an Order that uses a reactive routing strategy (i.e., a strategy that seeks routing opportunities after posting to the PSX Book) has been assigned a Discretion Order Attribute but does not have a pegged discretionary price range, upon entry of the Order, PSX will examine all Orders (including Orders that are not Displayed) on the PSX Book to determine if there is an Order on the PSX Book with a price in the discretionary price range against which the Order with Discretion could execute. If PSX observes such an Order, it will generate a Discretionary IOC with a price equal to the price of the Order on the PSX Book and a size equal to the applicable size of the Order on the PSX Book. PSX will also determine if there are any accessible quotations with prices that are within the discretionary price range at destinations on the applicable routing table for the selected routing strategy. If there are such quotations, PSX will generate one or more Discretionary IOCs to route to such destinations, with a price and size that match the price and size of the market center's quotation. If necessary to maximize execution opportunities and comply with Regulation NMS, the System may mark such Discretionary IOCs as Intermarket Sweep Orders. If the Discretionary IOC(s) do not exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will post to the PSX Book in accordance with the parameters that apply to the underlying Order Type. PSX will then examine whether at any time there is an Order on the PSX Book or an accessible quotation at another trading venue with a price in the discretionary price range against which the Order with Discretion could execute. In examining the PSX Book, PSX will examine all Orders (including Orders that are not Displayed). If PSX observes such an Order or quotation, it will generate a Discretionary IOC with a price equal to the price of such the Order or quotation and a size equal to the applicable size of the Order on the PSX Book or the displayed size of the quotation.
- If an Order that uses a passive routing strategy has been assigned a Discretion Order Attribute and does have a pegged discretionary price range, upon entry of the Order, PSX will examine all Orders (including Orders that are not Displayed) on the PSX Book to determine if there is an Order on the PSX Book with a price in the discretionary price range against which the Order with Discretion could execute. If PSX observes such an Order, it will generate a Discretionary IOC with a price equal to

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the price of the Order on the PSX Book and a size equal to the applicable size of the Order on the PSX Book. PSX will also determine if there are any accessible quotations with prices that are within the discretionary price range at destinations on the applicable routing table for the selected routing strategy. If there are such quotations, PSX will generate one or more Discretionary IOCs to route to such destinations, with a price and size that match the price and size of the market center's quotation. If necessary to maximize execution opportunities and comply with Regulation NMS, the System may mark such Discretionary IOCs as Intermarket Sweep Orders. If the Discretionary IOC(s) do not exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will post to the PSX Book in accordance with the parameters that apply to the underlying Order Type. Thereafter, the Order will not generate further Discretionary IOCs unless the Order is updated in a manner that causes it to receive a new timestamp, in which case the Order will behave in the same manner as a newly entered Order.

- If an Order that uses a reactive routing strategy has been assigned a Discretion Order Attribute and does have a pegged discretionary price range, upon entry of the Order, PSX will examine all Orders (including Orders that are not Displayed) on the PSX Book to determine if there is an Order on the PSX Book with a price in the discretionary price range against which the Order with Discretion could execute. If PSX observes such an Order, it will generate a Discretionary IOC with a price equal to the price of the Order on the PSX Book and a size equal to the applicable size of the Order on the PSX Book. PSX will also determine if there are any accessible quotations with prices that are within the discretionary price range at destinations on the applicable routing table for the selected routing strategy. If there are such quotations, PSX will generate one or more Discretionary IOCs to route to such destinations, with a price and size that match the price and size of the market center's quotation. If necessary to maximize execution opportunities and comply with Regulation NMS, the System may mark such Discretionary IOCs as Intermarket Sweep Orders. If the Discretionary IOC(s) do not exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will post to the PSX Book in accordance with the parameters that apply to the underlying Order Type. PSX will then examine whether at any time there is an Order on the PSX Book or an accessible quotation at another trading venue with a price in the discretionary price range against which the Order with Discretion could execute. In examining the PSX Book, PSX will examine Displayed Orders but will not examine Non-Displayed Orders. If PSX observes such an Order or quotation, it will generate a Discretionary IOC with a price equal to the price of such the Order or quotation and a size equal to the applicable size of the Order on the PSX Book or the displayed size of the quotation.

(h) Reserve Size. Reserve Size is an Order Attribute that permits a Participant to stipulate that an Order Type that is displayed may have its displayed size replenished from additional non-displayed size. An Order with Reserve Size may be referred to as a "Reserve Order." At the time of entry, the displayed size of such an Order selected by the Participant must be one or more normal units of trading; an Order with a displayed size of a mixed lot will be rounded down to the nearest round lot. A Reserve Order with displayed size of an odd lot will be accepted but with the full size of the Order displayed. Reserve Size is not available for Orders that are not displayed; provided, however, that if a Participant enters Reserve Size for a Non-Displayed Order with a Time-in-Force of IOC, the full size of the Order, including Reserve Size, will be processed as a Non-Displayed Order.

Whenever a Participant enters an Order with Reserve Size, PSX will process the Order as two Orders: a Displayed Order (with the characteristics of its selected Order Type) and a Non-Displayed Order. Upon entry, the full size of each such Order will be processed for potential execution in accordance with the parameters applicable to the Order Type. For example, a Participant might enter a Price to Display Order with 200 shares displayed and an additional 3,000 shares non-displayed. Upon entry, the Order would attempt to execute against available liquidity on the PSX Book, up to 3,200 shares. Thereafter, unexecuted portions of the Order would post to the PSX Book as a Displayed Price to Display Order and a Non-Displayed Order; provided, however, that if the remaining total size is less than the display size stipulated by the Participant, the Displayed Order will post without Reserve Size. Thus, if 3,050 shares executed upon entry, the Price to Display Order would post with a size of 150 shares and no Reserve Size.

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When an Order with Reserve Size is posted, if there is an execution against the Displayed Order that causes its size to decrease below a normal unit of trading, another Displayed Order will be entered at the level stipulated by the Participant while the size of the Non-Displayed Order will be reduced by the same amount. Any remaining size of the original Displayed Order will remain on the PSX Book. The new Displayed Order will receive a new timestamp, but the Non-Displayed Order (and the original Displayed Order, if any) will not; although the new Displayed Order will be processed by the System as a new Order in most respects at that time, if it was designated as Routable, the System will not automatically route it upon reentry. For example, if a Price to Comply Order with Reserve Size posted with a Displayed Size of 200 shares, along with a Non-Displayed Order of 3,000 and the 150 shares of the Displayed Order was executed, the remaining 50 shares of the original Price to Comply Order would remain, a new Price to Comply Order would post with a size of 200 shares and a new timestamp, and the Non-Displayed Order would be decremented to 2,800 shares. Because a new Displayed Order is entered and the Non-Displayed Order is not reentered, there are circumstances in which the Displayed Order may receive a different price than the Non-Displayed Order. For example, if, upon reentry, a Price to Display Order would lock or cross a newly posted Protected Quotation, the price of the Order will be adjusted but its associated Non-Displayed Order would not be adjusted. In that circumstance, it would be possible for the better priced Non-Displayed Order to execute prior to the Price to Display Order.

A Participant may stipulate that the Displayed Order should be replenished to its original size. Alternatively, the Participant may stipulate that the original and subsequent displayed size will be an amount randomly determined based on factors selected by the Participant. Specifically, the Participant would select both a theoretical displayed size and a range size, which may be any share amount less than the theoretical displayed size. The actual displayed size will then be determined by the System within a range in which the minimum size is the theoretical displayed size minus the range size, and the maximum size is (i) the minimum size plus (ii) an amount that is two times the range size minus one round lot. For example, if the theoretical displayed size is 600 shares and the range size is 500, the minimum displayed size will be 100 shares (600-500), and the maximum size will be 1,000 shares ((600-500) + ((2 x 500) — 100)).

When the Displayed Order with Reserve Size is executed and replenished, applicable market data disseminated by PSX will show the execution and decrementation of the Displayed Order, followed by replenishment of the Displayed Order.

In all cases, if the remaining size of the Non-Displayed Order is less than the fixed or random amount stipulated by the Participant, the full remaining size of the Non-Displayed Order will be displayed and the Non-Displayed Order will be removed.

(i) Attribution. Attribution is an Order Attribute that permits a Participant to designate that the price and size of the Order will be displayed next to the Participant's MPID in market data disseminated by PSX. An Order with Attribution is referred to as an "Attributable Order" and an Order without attribution is referred to as a "Non-Attributable Order."

(j) Intermarket Sweep Order. Designation of an Order as an Intermarket Sweep Order, or ISO, is an Order Attribute that allows the Order to be executed within PSX by Participants at multiple price levels without respect to Protected Quotations of other market centers within the meaning of Rule 600(b) under Regulation NMS. ISOs are immediately executable within PSX against Orders against which they are marketable. An Order designated as an ISO may not be assigned a Routing Order Attribute. In connection with the trading of securities governed by Regulation NMS, Intermarket Sweep Orders shall be executed exclusively within the System and the entering Participant shall be responsible for compliance with Rules 610 and 611 under Regulation NMS with respect to order protection and locked and crossed markets with respect to such Orders. Orders eligible for execution outside the System shall be processed in compliance with Regulation NMS, including accessing Protected Quotations and resolving locked and crossed markets, as instructed.

Simultaneously with the routing of an ISO to the System, one or more additional limit orders, as necessary, are routed by the entering Participant to execute against the full displayed size of any Protected Quotation with

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a price that is superior to the price of the Order identified as an Intermarket Sweep Order (as defined in Rule 600(b) under Regulation NMS). These additional routed orders must be identified as Intermarket Sweep Orders.

Upon receipt of an ISO, the System will consider the stated price of the ISO to be available for other Orders to be entered at that price, unless the ISO is not itself accepted at that price level (for example, a Post-Only Order that has its price adjusted to avoid executing against an Order on the PSX Book) or the ISO is not Displayed.

In addition, as described with respect to various Order Types, such as the Price to Comply Order, Orders on the PSX Book that had their price adjusted may be eligible to be reentered at the stated price of the ISO. For example, if a Price to Comply Order to buy at $11 would lock a Protected Offer at $11, the Price to Comply Order will be posted with a non-displayed price of $11 and a displayed price of $10.99. If the System then receives an ISO to buy at $11, the ISO will be posted at $11 and the Price to Comply Order will be reentered at $11 (if the Participant opted to have its Orders reentered). The respective priority of such reentered Orders will be maintained among multiple repriced Orders; however, other new Orders may also be received after receipt of the ISO but before the repricing of the Price to Comply Order is complete; accordingly, the priority of an Order on the PSX Book vis-à-vis a newly entered Order is not guaranteed.

(k) Display. Display is an Order Attribute that allows the price and size of an Order to be displayed to market participants via market data feeds. All Orders that are Attributable are also displayed, but an Order may be displayed without being Attributable. As discussed in Rule 3301A, a Non-Displayed Order is a specific Order Type, but other Order Types may also be non-displayed if they are not assigned a Display Order Attribute; however, depending on context, all Orders that are not displayed may be referred to as "Non-Displayed Orders." An Order with a Display Order Attribute may be referred to as a "Displayed Order."

Adopted.
June 24, 2015 (15-29).
Amendments.
July 20, 2015 (15-66).
May 2, 2016 (16-55).
November 15, 2016 (16-113).

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Nasdaq PHLX Rules, Regulation, Rule 3302. Opening Process

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The System will be opened for order entry at 8:00 a.m. and will begin to process each order in accordance with its characteristics immediately. All trades executed prior to 9:30 a.m. shall be automatically appended with the ".T" modifier.

Adopted.
September 9, 2010 (10-79).
Amendment.
December 9, 2010 (10-172).

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Nasdaq PHLX Rules, Regulation, Rule 3303. Short Sale Price Test Pursuant to Rule 201 of Regulation SHO

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(a) Definitions. For purposes of this Rule, the terms “covered security,” “listing market,” and “national best bid” shall have the same meaning as in Rule 201 of Regulation SHO.

(b) Short Sale Price Test. The System (as defined in PSX Rule 0120(x)) shall not execute or display a short sale order with respect to a covered security at a price that is less than or equal to the current national best bid if the price of that security decreases by 10% or more, as determined by the listing market for the security, from the security’s closing price on the listing market as of the end of regular trading hours on the prior day (“Trigger Price”).

(c) Duration of Short Sale Price Test. If the Short Sale Price Test is triggered by the listing market with respect to a covered security, the Short Sale Price Test shall remain in effect until the close of trading on the next trading day, as provided for in Regulation SHO Rule 201(b)(1)(ii) (the “Short Sale Period”).

(d) Re-pricing of Orders during Short Sale Period. Except as provided below, during the Short Sale Period, short sale orders that are limited to the national best bid or lower and short sale market orders will be re-priced by the System one minimum allowable price increment above the current national best bid (“Permitted Price”). To reflect declines in the national best bid, the Exchange will continue to re-price a short sale order at the lowest Permitted Price down to the order's original limit price, or if a market order, until the order is filled. Non-displayed orders between the PSX bid and offer at the time of receipt will also be re-priced upward to a Permitted Price to correspond with a rise in the national best bid.

(1) During the Short Sale Period, immediate or cancel orders (“IOC”) requiring that all or part of the order be executed immediately will be executed at a Permitted Price and higher and then cancelled, and will not be re-priced. IOC short sale orders that are inter-market sweep orders and not marked “short exempt” will be handled in the same manner as IOC orders.

(2) During the Short Sale Period, if an order was entered as a long sale order or a short sale exempt order but is subsequently marked pursuant to Phlx Rule 3306(a)(3) as a short sale order, the System will cancel the order unless it is priced at a Permitted Price or higher.

(e) Execution of Permissible Orders during the Short Sale Period. During the Short Sale Period, the System will execute and display a short sale order without regard to whether the order is at a Permitted Price or higher if, at the time of initial display of the short sale order, the order was at a price above the then current national best bid. Short sale orders that are entered into the Exchange prior to the Short Sale Period but are not displayed will be re-priced as described in (d) above.

(f) Short Exempt Orders. During the Short Sale Period, the System will execute and display orders marked “short exempt” without regard to whether the order is at a Permitted Price or higher. The System will accept orders marked “short exempt” at any time when the System is open for order entry, regardless of whether the Short Sale Price Test has been triggered.

Adopted.
February 18, 2011 (11-25).
Amendment.
May 10, 2013 (13-54), operative June 9, 2013.

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Nasdaq PHLX Rules, Regulation, Rule 3304. Data Feeds Utilized

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(a) The PSX System consumes quotation data from the below proprietary and network processor feeds for the handling, routing, and execution of orders, as well as for the regulatory compliance processes related to those functions. The Primary Source of data is used unless it is delayed by a configurable amount compared to the Secondary Source of data. The Exchange will revert to the Primary Source of data once the delay has been resolved. The configurable amount described in this rule will be made available to members via Equity Trader Alert.

Market Center	Primary Source Quotes	Secondary Source Quotes
A – NYSE American	Direct Feed	CQS/UQDF
B – Nasdaq BX	Direct Feed	CQS/UQDF
C – NYSE National	CQS/UQDF	n/a
D – FINRA ADF	CQS/UQDF	n/a
J – CBOE EDGA	Direct Feed	CQS/UQDF
K – CBOE EDGX	Direct Feed	CQS/UQDF
M – CHX	Direct Feed	CQS/UQDF
N – NYSE	Direct Feed	CQS/UQDF
P – NYSE Arca	Direct Feed	CQS/UQDF
T/Q – Nasdaq	Direct Feed	CQS/UQDF
V – IEX	CQS/UQDF	n/a
X – Nasdaq PSX	Direct Feed	CQS/UQDF
Y – CBOE BYX	Direct Feed	CQS/UQDF
Z – CBOE BZX	Direct Feed	CQS/UQDF

(b) SIP Trade and Administrative Data. The SIP is the Primary Source of trade and administrative messages such as limit-up limit-down price bands, market-wide circuit breaker decline and status messages, Regulation SHO state messages, halts and resumes, and last sale information. Where available, the Direct Feeds are the Secondary Source of such information.

Adopted.
July 16, 2014 (14-49).
Amendments.
May 5, 2015 (15-39).
August 6, 2015 (15-70).
April 21, 2016 (16-53), operative May 21, 2016.
July 12, 2016 (16-76).
August 2, 2017 (17-65).
October 18, 2017 (17-82).
November 28, 2017 (17-95).

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Adopted.
September 9, 2010 (10-79).
Amendments.
September 21, 2011 (11-108), operative October 22, 2011.
November 10, 2011 (11-153).
December 9, 2011 (11-141).
April 25, 2013 (13-24).
June 23, 2014 (14-40), operative July 23, 2014.
June 24, 2015 (15-29).

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Nasdaq PHLX Rules, Regulation, Rule 3306. Entry and Display of Quotes and Orders

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(a) Entry of Orders—Participants can enter orders into the System, subject to the following requirements and conditions:

(1) Participants shall be permitted to transmit to the System multiple orders at a single as well as multiple price levels. Each order that is designated as a Reserve Order shall indicate the amount of Reserve Size.

(2) The System shall time-stamp an order, which shall determine the time ranking of the order for purposes of processing the order.

(3) Orders can be entered into the System (or previously entered orders cancelled or modified) from 8:00 a.m. until 5:00 p.m. ET. Participants may modify a previously entered Order without cancelling it or affecting the priority of the Order on the PSX Book solely for the purpose of modifying the marking of a sell order as long, short, or short exempt; provided, however, that such a modification may be made only with respect to Orders entered through OUCH or FLITE; and provided further, that if an Order is redesignated as short, a Short Sale Period is in effect under Rule 3303, and the Order is not priced at a Permitted Price or higher under Rule 3303(d), the Order will be cancelled. In addition, a partial cancellation of an Order to reduce its share size will not affect the priority of the Order on the book; provided, however that such a partial cancellation may not be made with respect to a Pegged Order (including a Discretionary Order that is Pegged). Except as provided in Rule 3311, all other modifications of orders will result in the replacement of the original order with a new order with a new time stamp.

(4) Each Order is subject to a daily limit on the number of changes that may occur with respect to the Order; if the daily limit is reached, the Order will be cancelled. The number of permissible changes may vary by Order Type or Order Attribute and may change from time to time. The Exchange will post on its website what is considered a change for a particular Order Type and Order Attribute, and the current limits on the number of such changes.

(b) Entry of Quotes—PSX Market Makers and Equities ECNs can enter Quotes into the System from 8:00 a.m. to 5:00 p.m. Eastern Time. Quotes will be processed as Attributable Orders, with such time-in-force designation as the PSX Market Maker or Equities ECN may assign. Entry of Quotes will be subject to the requirements and conditions set forth in section (a) above.

(c) Display of Quotes and Orders—The System will display Quotes and Orders submitted to the System as follows:

(1) System Book Feed—Quotes and Orders resident in the System available for execution will be displayed via the System Book Feed.

(2) Best Priced Order Display—Pursuant to Rule 602 of Regulation NMS under the Exchange Act, the Exchange will transmit for display to the appropriate network processor for each System Security:

(i) the highest price to buy wherein the aggregate size of all displayed buy interest in the System greater than or equal to that price is one round lot or greater;

(ii) the aggregate size of all displayed buy interest in the System greater than or equal to the price in (i), rounded down to the nearest round lot;

(iii) the lowest price to sell wherein the aggregate size of all displayed sell interest in the System less than or equal to that price is one round lot or greater; and

(iv) the aggregate size of all displayed sell interest in the System less than or equal to the price in (iii), rounded down to the nearest round lot.

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(3) Exceptions—The following exceptions shall apply to the display parameters set forth in paragraphs (1) and (2) above:

(A) Reserve Size—Reserve Size shall not be displayed in the System, but shall be accessible as described in Rule 3307.

(B) Discretionary Orders—The discretionary portion of Discretionary Orders shall not be displayed but shall be made available for execution only upon the appearance of contra-side marketable trading interest, and shall be executed pursuant to Rule 3307.

(C) Non-Displayed Orders—Non-Displayed Orders are not displayed in the System, and have lower priority within the System than an equally priced Displayed Order, regardless of time stamp, and shall be executed pursuant to Rule 3307.

(4) In connection with the trading of securities governed by Regulation NMS, pursuant to rule 600(b)(4) of Regulation NMS under the Act, the Exchange has implemented such systems, procedures, and rules as are necessary to render it capable of meeting the requirements for automated quotations, as defined in rule 600(b)(3) of Regulation NMS under the Act; and immediately to identify its quotations as manual whenever it has reason to believe it is not capable of displaying automated quotations. The Exchange has adopted policies and procedures for notifying member organizations and other trading centers that it has reason to believe it is not capable of displaying automated quotations or, once manual, that it has restored the ability to display automated quotations and is preparing to identify its quotation as automated. In addition, the Exchange has adopted policies and procedures for responding to notices that it receives from other trading centers indicating that they have elected to use the "self-help" exception of rule 611(b)(1) of Regulation NMS under the Act.

Adopted.
September 9, 2010 (10-79).
Amendments.
December 9, 2010 (10-172).
April 25, 2011 (11-13).
November 10, 2011 (11-153).
April 25, 2013 (13-24).
May 10, 2013 (13-54), operative June 9, 2013.
May 16, 2013 (13-56), operative June 15, 2013.
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June 24, 2015 (15-29).
May 2, 2016 (16-55).
November 16, 2018 (18-75), operative January 28, 2019.

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Nasdaq PHLX Rules, Regulation, Rule 3307. Processing of Orders

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System orders shall be executed in accordance with one of two execution algorithms: Price/Time or Pro Rata. Securities that are subject to the Pro Rata algorithm may also be subject to the variation for Price-Setting Orders described in Rule 3307(b)(2)(B). The algorithm applicable to a particular security (including the applicability of the variation for Price-Setting Orders) will be selected by the President of the Exchange or another officer of the Exchange designated by the President for this purpose, and will be listed on a publicly available website. The Exchange will notify member organizations of changes in the algorithm applicable to a particular security (including the applicability of the variation for Price-Setting Orders) through a notice that is widely disseminated at least one month in advance of the change. In selecting the applicable algorithm (including the applicability of the variation for Price-Setting Orders), the Exchange will conduct ongoing assessments of the depth of liquidity made available by member organizations in particular stocks, with the goal of maximizing the displayed size, minimizing the quoted spread, and increasing the extent of PSX's time at the national best bid and best offer. Factors to be considered for each security would include the size of member organizations' quotes, the amount of time that PSX is at the national best bid and best offer, PSX's market share, and observed changes in volume, average execution size, and average order size.

(a) Price/Time Execution Algorithm—Under the Price/Time execution algorithm, the System shall execute trading interest within the System in the following order:

(1) Price—Better priced trading interest will be executed ahead of inferior-priced trading interest.
(2) Display—Displayed Quotes/Orders at a particular price will be executed in time priority among such interest.
(3) Non-Displayed Interest—Non-Displayed Orders and the reserve portion of Quotes and Reserve Orders (collectively, "Non-Displayed Interest") at a particular price will be executed in time priority among such interest.

(b) Pro Rata Execution Algorithm—Under the Pro Rata Execution Algorithm, the System shall execute trading interest within the System in the following order:

(1) Price—Better priced trading interest will be executed ahead of inferior-priced trading interest.
(2) Display—Displayed Orders at a particular price with a size of at least one round lot will be executed ahead of Displayed Orders with a size of less than one round lot, Non-Displayed Interest with a size of at least one round lot, Minimum Quantity Orders, and Non-Displayed Interest with a size of less than one round lot at the same price.

(A) Allocation to Displayed Orders with a Size of One Round Lot or More—As among equally priced Displayed Orders with a size of at least one round lot, the System will allocate round lot portions of incoming executable orders to displayed trading interest within the System pro rata based on the size of the Displayed Orders, rounding down to the nearest round lot. Next, portions of an order that would be executed in a size other than a round lot if they were allocated on a pro rata basis will be allocated for execution against available displayed trading interest, one round lot at a time, in the order of the displayed size (measured at the time when the pro rata allocation began) of the trading interest at that price (largest to smallest), or, as among orders with an equal size, based on time priority. Incoming orders with a size of less than one round lot will be allocated against available displayed trading

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interest in the order of the size of displayed trading interest at that price (largest to smallest), or, as among orders with an equal size, based on time priority.

Example 1:

Displayed Orders to sell at $10.00 reside on the PSX book with sizes of 600 shares (Order 1), 400 shares (Order 2), and 300 shares (Order 3).

An incoming order to buy 1,200 shares at $10.00 is entered.

The System allocates the incoming order as follows:

- 500 shares to Order 1 ((600 ÷ 1,300) x 1,200, rounded down to the nearest round lot)
- 300 shares to Order 2 ((400 ÷ 1,300) x 1,200, rounded down to the nearest round lot)
- 200 shares to Order 3 ((300 ÷ 1,300) x 1,200, rounded down to the nearest round lot)
- 100 shares to Order 1 (order with the largest displayed size at the beginning of the pro rata allocation)
- 100 shares to Order 2 (order with the next largest displayed size at the beginning of the pro rata allocation)

Example 2:

Displayed Orders to sell at $10.00 reside on the PSX book with sizes of 600 shares (Order 1), 400 shares (Order 2), and 300 shares (Order 3).

An incoming order to buy 80 shares at $10.00 is entered.

The System allocates the incoming order as follows:

- 80 shares to Order 1 (resting order with the largest displayed size)

(B) Variation for Price-Setting Orders. The Exchange may designate a security for the variation of the Pro Rata algorithm for Price-Setting Orders. For such a security, a Displayed Order with a size of at least one round lot that establishes the best price in PSX when it is entered will be a “Price-Setting Order” if such order is executed; provided, however, that a better priced order will become the Price-Setting Order if it is executed. The allocation to the Price-Setting Order will be the greater of 40% (the “Guaranteed Percentage”) or the percentage that the order would otherwise be allocated under the Pro Rata algorithm. If the Price-Setting Order receives an allocation greater than the Guaranteed Percentage, the remainder of the order will be allocated to other displayed trading interest in the manner provided in Rule 3307(b)(2)(A). If the Price-Setting Order receives the Guaranteed Percentage, the System will then allocate round lot portions of the incoming order that are not allocated to the Price- Setting Order to other displayed trading interest within the System pro rata based on the size of such Displayed Orders (excluding the Price-Setting Order), rounding down to the nearest round lot. Next, portions of an order that would be executed in a size other than a round lot if they were allocated on a pro rata basis will be allocated for execution against available displayed trading interest (excluding the Price-Setting Order), one round lot at a time, in the order of the displayed size (measured at the time when the pro rata allocation began) of the trading interest at that price (largest to smallest), or, as among orders with an equal size, based on time priority. In the case of incoming orders with a size of less than one round lot, the Price-Setting Order will receive the Guaranteed Percentage of the order, and the remainder of the order will be allocated to available displayed trading interest in the order of the size of

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displayed trading interest at that price (largest to smallest), or, as among orders with an equal size, based on time priority.

Example 3:

A Displayed Order to sell 1,000 shares at $10.01 resides on the PSX book (Order 1). A Displayed Order to sell 1,000 shares at $10.00 is entered and becomes the Price-Setting Order (Order 2). Additional Displayed Orders to sell at $10.00 with sizes of 3,000 shares (Order 3) and 1,000 shares (Order 4) are then entered.

An incoming order to buy 1,000 shares at $10.00 is entered.

The System allocates the incoming order as follows:

- 400 shares to Order 2 (40% allocated to the Price-Setting Order)
- 400 shares to Order 3 ((3,000 ÷ 4,000) x 600, rounded down to the nearest round lot)
- 100 shares to Order 4 ((1,000 ÷ 4,000) x 600, rounded down to the nearest round lot)
- 100 shares to Order 3 (order with the largest original displayed size)

Example 4:

A Displayed Order to sell 1,000 shares at $10.01 resides on the PSX book (Order 1). A Displayed Order to sell 3,000 shares at $10.00 is entered and becomes the Price-Setting Order (Order 2). Additional Displayed Orders to sell at $10.00 with sizes of 1,000 shares (Order 3) and 1,000 shares (Order 4) are then entered.

An incoming order to buy 1,000 shares at $10.00 is entered.

The System allocates the incoming order as follows:

- 600 shares to Order 2 ((3,000 ÷ 5,000) x 1,000, resulting in an allocation in excess of the Guaranteed Percentage)
- 200 shares to Order 3 ((1,000 ÷ 5,000) x 1,000)
- 200 shares to Order 4 ((1,000 ÷ 5,000) x 1,000)

Example 5:

A Displayed Order to sell 1,000 shares at $10.01 resides on the PSX book (Order 1). A Displayed Order to sell 1,000 shares at $10.00 is entered and becomes the Price-Setting Order (Order 2). Additional Displayed Orders to sell at $10.00 with sizes of 3,000 shares (Order 3) and 1,000 shares (Order 4) are then entered.

An incoming order to buy 80 shares at $10.00 is entered.

The System allocates the incoming order as follows:

- 32 shares to Order 2 (40% allocated to the Price-Setting Order)
- 48 shares to Order 3 (resting order with the largest displayed size)

(3) Displayed Odd-Lot Orders—As among equally priced Displayed Orders with a size of less than one round lot, the System will allocate incoming orders against available trading interest in the order of the size of the trading interest at that price (largest to smallest), or, as among orders with an equal size, based on time priority.

(4) Non-Displayed Interest with a Size of One Round Lot or More—As among equally priced Non-Displayed Interest with a size of at least one round lot (excluding Minimum Quantity Orders), the System will allocate portions of incoming executable orders to Non-Displayed Interest within the System pro rata based on the size of Non-Displayed Interest, rounding down to the nearest round lot. Next, portions of an order that would be executed in a size other than a round lot if they were allocated

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on a pro rata basis will be allocated for execution against available Non-Displayed Interest, one round lot at a time, in the order of the size (measured at the time when the pro rata allocation began) of the trading interest at that price (largest to smallest), or, as among orders with an equal size, based on time priority. Incoming orders with a size of less than one round lot will be allocated against available Non-Displayed Interest in the order of the size of trading interest at that price (largest to smallest), or, as among orders with an equal size, based on time priority.

(5) Minimum Quantity Orders—As among equally priced Minimum Quantity Orders, the System will allocate incoming executable orders to Minimum Quantity Orders within the System in the ascending order of the size of the minimum quantity conditions assigned to the orders. Thus, an order with a minimum quantity condition of 300 shares will be filled before an order with a minimum quantity condition of 400 shares. If there are two or more Minimum Quantity Orders with an equal minimum quantity condition, the System will determine the order of execution based on time priority.

(6) Non-Displayed Odd-Lot Orders—As among equally priced Non-Displayed Interest with a size of less than one round lot, the System will allocate incoming orders based on the size of the Non-Displayed Interest, in the order of the size of the trading interest at that price (largest to smallest), or, as among orders with an equal size, based on time priority.

(c) Exception: Anti-Internalization—As an exception to both algorithms, market participants may direct that Quotes/Orders entered into the System not execute against Quotes/Orders entered under the same MPID. In addition, market participants using the OUCH order entry protocol may assign to orders entered through a specific order entry port a unique group identification modifier that will prevent Quotes/Orders with such modifier from executing against each other. In such a case, a market participant may elect from the following options:

(A) if the interacting Quotes/Orders are equivalent in size, both Quotes/Orders will be cancelled back to their entering parties. If the interacting Quotes/Orders are not equivalent in size, share amounts equal to the size of the smaller of the two Quotes/Orders will be cancelled back to their originating parties with the remainder of the larger Quote/Order being retained by the System for potential execution;

(B) regardless of the size of the interacting Quotes/Orders, cancelling the oldest of them in full; or

(C) regardless of the size of the interacting Quotes/Orders, cancelling the most recent of them in full.

The foregoing options may be applied to all orders entered under the same MPID, or, in the case of market participants using the OUCH order entry protocol, may be applied to all orders entered through a specific order entry port.

(d) Decrementation—Upon execution, an order shall be reduced by an amount equal to the size of that execution.

(e) Price Improvement—Any potential price improvement resulting from an execution in the System shall accrue to the taker of liquidity.

Example:

Buy order resides on book at 10.

Incoming order to sell priced at 9 comes into the System

Order executes at 10 (seller get $1 price improvement)

The text of Rule 3307(f) has been approved, but not implemented. The changes will be implemented no later than March 31, 2017. The Exchange will announce the specific date in advance through an Equities Trader Alert.

(f) **Limit Order Protection ("LOP")**. LOP is a feature of PSX that prevents certain Limit Orders at prices outside of pre-set standard limits ("LOP Limit") from being accepted by the System.

(i) **Applicability**. LOP applies to all Quotes and Orders, including Quotes and Orders that have been modified, where the modification results in a new timestamp and priority. LOP does not apply to Orders with Market and Primary Pegging, Market Maker Peg Orders or Intermarket Sweep Orders. A Midpoint

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Pegging Order with a discretion price would not be subject to LOP. LOP is operational each trading day. LOP is not operational during trading halts and pauses. LOP would not apply in the event there is no established LOP Reference Price or the National Best Bid, when used as the LOP Reference Price, is equal to or less than $0.50.

(ii) **LOP Limit**. The LOP Limit shall be the greater of 10% of the LOP Reference Price or $0.50 for all securities across all trading sessions.

(iii) **LOP Reference Price**. The LOP Reference Price shall be the current National Best Bid or Best Offer, the bid for sell orders and the offer for buy orders.

(iv) **LOP Reference Threshold**. The LOP Reference Threshold for buy orders will be the LOP Reference Price (offer) plus the applicable LOP Limit. The LOP Reference Threshold for sell orders will be the LOP Reference Price (bid) minus the applicable LOP Limit.

(v) **Acceptance of Orders**. LOP will reject incoming Limit Orders that exceed the LOP Reference Threshold. Limit Orders will be rejected if the price of the Limit Order is greater than the LOP Reference Threshold for a buy Limit Order. Limit Orders will be rejected if the price of the Limit Order is less than the LOP Reference Threshold for a sell Limit Order.

Adopted.
September 9, 2010 (10-79).
Amendments.
September 30, 2010 (10-137).
October 3, 2011 (11-132), operative December 19, 2011.
November 22, 2011 (11-161).
November 23, 2011 (11-159).
April 25, 2013 (13-24).
February 4, 2014 (14-11), operative March 6, 2014.
July 14, 2014 (14-24).
August 24, 2016 (16-58), operative Mar. 31, 2017.
November 15, 2016 (16-113).
December 19, 2016 (16-124), operative January 18, 2017.

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Nasdaq PHLX Rules, Regulation, Rule 3308. Reserved

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Nasdaq PHLX Rules, Regulation, Rule 3309. Trade Reporting.

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Executions occurring as a result of orders matched on PSX shall be reported by the Exchange to an appropriate consolidated transaction reporting system. The System will identify trades executed pursuant to an exception to or exemption from rule 611 of Regulation NMS in accordance with specifications approved by the operating committee of the relevant national market system plan for an NMS Stock. If a trade is executed pursuant to both the intermarket sweep order exception of rule 611(b)(5) or (6) of Regulation NMS and the self-help exception of rule 611(b)(1) of Regulation NMS, such trade shall be identified as executed pursuant to the intermarket sweep order exception. The Exchange shall promptly notify PSX Participants of all executions of their orders as soon as the Exchange is notified that such executions have taken place.

Adopted.
September 9, 2010 (10-79).
Amendment.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Rule 3310. Anonymity

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(a) Transactions executed in the System shall be cleared and settled anonymously. The transaction reports produced by the System will indicate the details of the transactions, and shall not reveal contra party identities.

(b) The Exchange shall reveal a Participant's identity in the following circumstances:

(1) when a registered clearing agency ceases to act for a Participant, or the Participant's clearing firm, and the registered clearing agency determines not to guarantee the settlement of the Participant's trades;
(2) for regulatory purposes or to comply with an order of an arbitrator or court;
(3) if both Participants to the transaction consent;
(4) Unless otherwise instructed by a member organization, the Exchange will reveal to a member organization, no later than the end of the day on the date an anonymous trade was executed, when the member organization's Quote or Order has been decremented by another Quote or Order submitted by that same member organization.

Adopted.
September 9, 2010 (10-79).
Amendment.
April 25, 2013 (13-24).

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Nasdaq PHLX Rules, Regulation, Rule 3311. Issuer Corporate Actions Related to a Dividend, Payment or Distribution

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(a) Except as provided below, the System will automatically cancel open quotes and/or orders in all System Securities resident in the System in response to issuer corporate actions, including any dividend (whether payable in cash or securities or both), payment, distribution, forward or reverse stock split, symbol change, or change in primary listing venue, immediately prior to the opening of the System at 8:00 a.m. on the ex-date of such actions.

(b) A member may designate that all orders with a time-in-force of good-till-cancelled that are entered through one or more order entry ports specified by the member will be processed in the following manner in the event of certain issuer corporate actions as specified below. The member may opt for the processing provided in this paragraph (b) on a port-by-port basis, but all of the provisions of this paragraph shall apply to all good-till-cancelled orders entered through a port that has been specified by the member hereunder.

(1) Cash Dividend. If an issuer is paying a cash dividend, the price of an order to buy will be reduced by the amount of the sum of all dividends payable, rounded up to the nearest whole cent; provided, however, that there will be no adjustment if the sum of all dividends is less than $0.01. For example, if the sum of all dividends is $0.381, the price of the order will be reduced by $0.39. An order to sell will be retained but will receive no price adjustment.

(2) Forward Stock Split or Stock Dividend. If an issuer is implementing a forward stock split or a stock dividend (i.e., a corporate action in which additional shares are issued to holders), the order will be cancelled if its size is less than one round lot. If the order's size is greater than one round lot, (i) the size of the order will be multiplied by the ratio of post-action shares to pre-action shares, with the result rounded downward to the nearest whole share, and (ii) the price of the order will be multiplied by the ratio of pre-action shares to post-action shares, with the result rounded down to the nearest whole penny in the case of orders to buy and rounded up to the nearest whole penny in the case of orders to sell. For example, if a member has entered a goodtill- cancelled order to buy 375 shares at $10.95 per share and the issuer implemented a split or dividend under which an additional 1.25 shares would be issued for each share outstanding, the size of the order would be adjusted to 843 shares (375 x 2.25/1 = 843.75, rounded down to 843) and the price of the order would be adjusted to $4.86 per share ($10.95 per share x 1/2.25 = $4.8667 per share, rounded down to $4.86 per share). An order to sell at the same price and size would be adjusted to 843 shares with a price of $4.87 per share.

(3) Combination of Cash Dividend and Forward Stock Split or Stock Dividend. If an issuer is implementing a cash dividend and a forward stock split or stock dividend on the same date, the adjustments described above will both be applied, in the order described in the notice of the corporate actions received by the Exchange.

(4) For other corporate actions, including symbol changes, changes in primary listing venue, reverse stock splits, and dividends payable in either cash or securities at the option of the stockholder, the order will be cancelled.

(5) All of the foregoing changes will be effected immediately prior to the opening of the System at 8:00 a.m. on the ex-date of the applicable corporate action. Open orders that are retained will be re-entered by the System (as adjusted above) immediately prior to the opening of the System, such that they will retain time priority over new orders entered at or after 8:00 a.m.

Adopted.
May 16, 2013 (13-56), operative June 15, 2013.
Amendments.
July 22, 2013 (13-77), operative August 21, 2013.
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Nasdaq PHLX Rules, Regulation, Rule 3312. Clearly Erroneous Transactions

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The provisions of paragraphs (a)(2)(C), (b), and (c)(1) of this Rule, as amended on September 30, 2010, and the provisions of paragraphs (g) through (i), shall be in effect during a pilot period that expires at the close of business on October 18, 2019. If the pilot period is not either extended or approved as permanent, the prior versions of paragraphs (a)(2)(C), (b), and (c)(1) shall be in effect, and the provisions of paragraphs (g) through (i) shall be null and void.

(a) Authority to Review Transactions Pursuant to Complaint of Market Participant

(1) Definition. For purposes of this Rule, the terms of a transaction executed on PSX are "clearly erroneous" when there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security. A transaction made in clearly erroneous error and cancelled by both parties or determined by the Exchange to be clearly erroneous will be removed from the consolidated tape.

(2) Requests and Timing of Review. A member organization that receives an execution on an order that was submitted erroneously to PSX for its own or customer account may request that the Exchange review the transaction under this Rule. An official of the Exchange shall review the transaction under dispute and determine whether it is clearly erroneous, with a view toward maintaining a fair and orderly market and the protection of investors and the public interest. Such requests for review shall be made in writing via electronic complaint or other means specified from time to time by the Exchange as announced in an Equity Trader Alert. A request for review shall include information concerning the time of the transaction(s), security symbol(s), number of shares, price(s), side (bought or sold), and factual basis for believing that the trade is clearly erroneous. Upon receipt of a timely filed request that satisfies the Numerical Guidelines set forth in paragraph (a)(2)(C) the counterparty to the trade shall be notified by the Exchange as soon as practicable, but generally within 30 minutes. An Exchange official may request additional supporting written information to aid in the resolution of the matter. If requested, each party to the transaction shall provide, within 30 minutes of the request, any supporting written information. Either party to the disputed trade may request the supporting written information provided by the other party on the matter.

(A) Filing Time Periods.

(i) Except as provided in paragraph (a)(2)(A)(ii) and (a)(2)(A)(iii), any member organization or person associated with a member organization that seeks to have a transaction reviewed pursuant to paragraph (a) hereof shall submit a written complaint to the Exchange within 30 minutes of the execution time.

(ii) Routed executions from other market centers will generally have an additional 30 minutes from receipt of their Participant's timely filing, but no longer than 60 minutes from the time of the execution at issue, to file with the Exchange for review of transactions routed to PSX from that market center and executed on PSX.

(iii) In the case of an Outlier Transaction, an Exchange official may at its sole discretion, and on a case-by-case basis, consider requests received pursuant to this Rule after 30 minutes, but not longer than 60 minutes after the transaction in

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question, depending on the facts and circumstances surrounding such request. "Outlier Transaction" means a transaction where:

A. the execution price of the security is greater than three times the current Numerical Guidelines set forth in paragraph (a)(2)(C), or

B. the execution price of the security in question is not within the Outlier Transaction parameters set forth in paragraph (a)(2)(A)(iii)A. above, but the execution price breaches the 52-week high or 52-week low. In such cases, the Exchange may consider Additional Factors as outlined in paragraph (a)(2)(C)(iii), in determining if the transaction qualifies for further review or if the Exchange shall decline to act.

(B) Once a party has applied to the Exchange for review and the transaction has been determined to be eligible for review, the transaction shall be reviewed and a determination rendered, unless (i) both parties to the transaction agree to withdraw the application for review prior to the time a decision is rendered by the Exchange official, or (ii) the complainant withdraws its application for review prior to the notification of counterparties. In the event that the Exchange official determines that the transaction in dispute is clearly erroneous, the official shall declare the transaction null and void. A determination shall be made generally within 30 minutes of receipt of the complaint, but in no case later than the start of Regular Trading Hours (9:30:00 to 4:00:00) on the following trading day. The parties shall be promptly notified of the determination.

(C) Determinations of a clearly erroneous execution will be made as follows:

(i) *Numerical Guidelines*. Subject to the provisions of paragraph (a)(2)(C)(iii) below, a transaction executed shall be found to be clearly erroneous only if the price of the transaction to buy (sell) that is the subject of the complaint is greater than (less than) the Reference Price by an amount that equals or exceeds the Numerical Guidelines set forth below. The execution time of the transaction under review determines whether the threshold is Regular Trading Hours or Pre-Opening and After Hours Trading Session (which occurs before and after Regular Trading Hours). The Reference Price will be equal to the consolidated last sale immediately prior to the execution(s) under review except for: (A) Multi-Stock Events involving twenty or more securities, as described in paragraph (a)(2)(C)(ii) below; and (B) in other circumstances, such as, for example, relevant news impacting a security or securities, periods of extreme market volatility, sustained illiquidity, or widespread system issues, where use of a different Reference Price is necessary for the maintenance of a fair and orderly market and the protection of investors and the public interest.

Reference Price, Circumstance or Product	**Regular Trading Hours Numerical Guidelines (Subject transaction's % difference from the Reference Price):**	**Pre-Opening and After Hours Trading Session Numerical Guidelines (Subject transaction's % difference from the Reference Price):**
Greater than $0.00 up to and including $25.00	10%	20%
Greater than $25.00 up to and including $50.00	5%	10%
Greater than $50.00	3%	6%
Multi-Stock Event – Filings involving five or more, but less than twenty, securities whose	10%	10%

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executions occurred within a period of five minutes or less		
Multi-Stock Event – Filings involving twenty or more securities whose executions occurred within a period of five minutes or less	30%, subject to the terms of paragraph (a)(2)(C)(ii) below	30%, subject to the terms of paragraph (a)(2)(C)(ii) below
Leveraged ETF/ETN securities	Regular Trading Hours Numerical Guidelines multiplied by the leverage multiplier (i.e. 2x)	Regular Trading Hours Numerical Guidelines multiplied by the leverage multiplier (i.e. 2x)

(ii) *Multi-Stock Events Involving Twenty or More Securities*. During Multi-Stock Events involving twenty or more securities the number of affected transactions is such that immediate finality may be necessary to maintain a fair and orderly market and to protect investors and the public interest. In such circumstances, the Exchange may use a Reference Price other than consolidated last sale. To ensure consistent application across market centers when this paragraph is invoked, the Exchange will promptly coordinate with the other market centers to determine the appropriate review period, which may be greater than the period of five minutes or less that triggered application of this paragraph, as well as select one or more specific points in time prior to the transactions in question and use transaction prices at or immediately prior to the one or more specific points in time selected as the Reference Price. The Exchange will nullify as clearly erroneous all transactions that are at prices equal to or greater than 30% away from the Reference Price in each affected security during the review period selected by the Exchange and other markets consistent with this paragraph.

(iii) *Additional Factors*. Except in the context of a Multi-Stock Event involving five or more securities, an Exchange official may also consider additional factors to determine whether an execution is clearly erroneous, including but not limited to, system malfunctions or disruptions, volume and volatility for the security, derivative securities products that correspond to greater than 100% in the direction of a tracking index, news released for the security, whether trading in the security was recently halted/resumed, whether the security is an IPO, whether the security was subject to a stock-split, reorganization, or other corporate action, overall market conditions, Pre- Opening and After Hours Trading Session executions, validity of the consolidated tapes trades and quotes, consideration of primary market indications, and executions inconsistent with the trading pattern in the stock. Each additional factor shall be considered with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

(b) Procedures for Reviewing Transactions on the Exchange's Own Motion

(1) *System Disruption or Malfunctions*. In the event of any disruption or a malfunction in the operation of any electronic communications and trading facilities of the Exchange in which the nullification of transactions may be necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest exist, the President of the Exchange or any designated officer or senior level employee ("Senior Official") of the Exchange, on his or her own motion, may review such transactions and declare such transactions arising out of the operation of such facilities during such period null and void. In such events, the Senior Official will rely on the provisions of paragraph (a)(2)(C)(i)-(iii) of this Rule, but in extraordinary circumstances may also use a lower Numerical Guideline if necessary to maintain a fair and orderly market, protect investors and the public

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interest. Absent extraordinary circumstances, any such action of the Senior Official pursuant to this paragraph (b)(1) shall be taken within thirty (30) minutes of detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Senior Official must be taken by no later than the start of Regular Trading Hours on the trading day following the date of execution(s) under review. Each Member involved in the transaction shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (c)(1) below.

(2) *Senior Official Acting on Own Motion*. A Senior Official, acting on his or her own motion, may review potentially erroneous executions and declare trades null and void or shall decline to take any action in connection with the completed trade(s). In such events, the Senior Official will rely on the provisions of paragraph (a)(2)(C)(i)-(iii) of this Rule. Absent extraordinary circumstances, any such action of the Senior Official shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Senior Official must be taken by no later than the start of Regular Trading Hours on the trading day following the date of execution(s) under review. When such action is taken independently, each party involved in the transaction shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (c)(1) below.

(c) Review by the Exchange Review Council

(1) A member organization or person associated with a member organization may appeal a determination made under paragraph (a) to the Exchange Review Council. A member organization or person associated with a member organization may appeal a determination made under paragraph (b) to the Exchange Review Council unless the Senior Official making the determination also determines that the number of the affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest, and further provided that with respect to rulings made by the Exchange in conjunction with one or more additional market centers, the number of affected transactions is similarly such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest and, hence, are also non-appealable. An appeal must be made in writing, and must be received by the Exchange within thirty (30) minutes after the person making the appeal is given the notification of the determination being appealed. Once a written appeal has been received, the counterparty to the trade that is the subject of the appeal will be notified of the appeal and both parties shall be able to submit any additional supporting written information up until the time the appeal is considered by the Exchange Review Council. Either party to a disputed trade may request the written information provided by the other party during the appeal process. An appeal to the Exchange Review Council shall not operate as a stay of the determination being appealed, and the scope of the appeal shall be limited to trades which the person making the appeal is a party.

Once a party has appealed a determination to the Exchange Review Council, the determination shall be reviewed and a decision rendered, unless (i) both parties to the transaction agree to withdraw the appeal prior to the time a decision is rendered by the Exchange Review Council, or (ii) the party filing the appeal withdraws its appeal prior to the notification of counterparties. The Exchange Review Council panel shall review the facts and render a decision as soon as practicable, but generally on the same trading day as the execution(s) under review. On requests for appeal received between 3:00 ET and the close of trading in the After Hours Trading Session, a decision will be rendered as soon as practicable, but in no case later than the trading day following the date of the execution under review. Upon consideration of the record, and after such hearings as it may in its discretion order, the Exchange Review Council, pursuant to the standards set forth in this Rule, shall affirm, modify, reverse, or remand the determination.

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(2) The panel shall consist of three or more members of the Exchange Review Council, provided that no more than 50 percent of the members of any panel are directly engaged in market making activity or employed by a member organization whose revenues from market making activity exceed ten percent of its total revenues. In no case shall an Exchange Review Council Panel include a person affiliated with a party to the trade in question.

(3) The decision of the Exchange Review Council pursuant to an appeal, or a determination by an Exchange official that is not appealed, shall be final and binding upon all parties and shall constitute final action by the Exchange on the matter in issue. Any determination by an Exchange official pursuant to paragraph (a) or (b) or any decision by the Exchange Review Council pursuant to paragraph (c) shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration.

(d) Communications

(1) All materials submitted to the Exchange or the Exchange Review Council pursuant to this Rule shall be submitted in writing within the time parameters specified herein via the online complaint form available on the Exchange's website, facsimile, or such other telecommunications procedures as the Exchange may announce from time to time in an Equity Trader Alert. Materials shall be deemed received at the time indicated by the telecommunications equipment (e.g., facsimile machine or computer) receiving the materials. The Exchange, in its sole and absolute discretion, reserves the right to reject or accept any material that is not received within the time parameters specified herein. All times stated in this Rule are Eastern Time.

(2) The Exchange shall provide affected parties with prompt notice of filings and determinations under this Rule via facsimile machine, electronic mail, telephone (including voicemail), press release, system status, web posting or any other method reasonably expected to provide rapid notice to many market participants. During periods of high volatility and large numbers of requests for clearly erroneous review, the Exchange may streamline the notification process to expedite the adjudicatory review in such manner as the Exchange may announce from time to time by Equity Trader Alert.

(e) Fees

(1) Filing Fees

No fee shall be assessed to a member organization for filing two or fewer unsuccessful clearly erroneous complaints pursuant to paragraph (a)(2) during a calendar month. A member organization shall be assessed a fee of $250.00 for each additional unsuccessful complaint filed thereafter during the calendar month. An unsuccessful complaint is one in which the Exchange does not break any of the trades included in the complaint. Each security filed on is considered a separate complaint. In cases where the member organization files on multiple securities at the same time, the Exchange calculates the fee separately for each security depending upon whether the Exchange breaks any trades filed on by the member organization in that security. Adjustments or voluntary breaks negotiated by the Exchange to trades executed at prices that meet the Numerical Guidelines set forth in (a)(2)(C)(i) count as breaks by the Exchange for purposes of this paragraph. A member organization for purposes of this paragraph (e)(1) is defined by each unique broker Web CRD Number. All market participant identifiers associated with that Web CRD Number shall be included when calculating the number of unsuccessful clearly erroneous complaints for that member organization during the calendar month. No fee pursuant to this paragraph (e)(1) shall be assessed for a complaint that is (A) successful, where the final decision by the Exchange (including after appeal, if any) is to break at least one of the trades filed on by the member organization, (B) not timely filed under the parameters in paragraph (a)(2)(A), (C) withdrawn by the complainant within five (5) minutes of filing and before the Exchange has performed any substantial work on the complaint, or (D) adjudicated by the Exchange on its own motion under Rule 3312(b).

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(2) Appeal Fees

The party initiating an appeal shall be assessed a $500.00 fee if the Exchange Review Council upholds the decision of the Exchange official.

(3) Fees Charged By Another Market Center

In instances where the Exchange, on behalf of a member organization, requests a determination by another market center that a transaction is clearly erroneous, the Exchange will pass any resulting charges through to the relevant member organization.

(f) Refusal to Abide by Rulings of an Exchange Official or the Exchange Review Council

It shall be considered conduct inconsistent with just and equitable principles of trade for any member organization to refuse to take any action that is necessary to effectuate a final decision of an Exchange official or the Exchange Review Council under this Rule.

(g) Securities Subject to Limit Up-Limit Down Plan. For purposes of this paragraph, the phrase "Limit Up-Limit Down Plan" or "Plan" shall mean the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act. The provisions of paragraphs (a) through (f) above and (h) through (i) below shall govern all Exchange transactions, including transactions in securities subject to the Plan, other than as set forth in this paragraph (g). If as a result of an Exchange technology or systems issue any transaction occurs outside of the applicable price bands disseminated pursuant to the Plan, a Senior Official of the Exchange, acting on his or her own motion or at the request of a third party, shall review and declare any such trades null and void. Absent extraordinary circumstances, any such action of the Senior Official of the Exchange shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Senior Official of the Exchange must be taken by no later than the start of Regular Trading Hours on the trading day following the date on which the execution(s) under review occurred. Each Member involved in the transaction shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (c) above. In the event that a single plan processor experiences a technology or systems issue that prevents the dissemination of price bands, the Exchange will make the determination of whether to nullify transactions based on paragraphs (a) through (f) above and (h) through (i) below.

(h) ***Multi-Day Event***. A series of transactions in a particular security on one or more trading days may be viewed as one event if all such transactions were effected based on the same fundamentally incorrect or grossly misinterpreted issuance information resulting in a severe valuation error for all such transactions (the "Event"). An Officer of the Exchange or senior level employee designee, acting on his or her own motion, shall take action to declare all transactions that occurred during the Event null and void not later than the start of trading on the day following the last transaction in the Event. If trading in the security is halted before the valuation error is corrected, an Officer of the Exchange or senior level employee designee shall take action to declare all transactions that occurred during the Event null and void prior to the resumption of trading. Notwithstanding the foregoing, no action can be taken pursuant to this paragraph with respect to any transactions that have reached settlement date or that result from an initial public offering of a security. To the extent transactions related to an Event occur on one or more other market centers, the Exchange will promptly coordinate with such other market center(s) to ensure consistent treatment of the transactions related to the Event, if practicable. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each Member involved in a transaction subject to this paragraph shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (c) above.

(i) ***Trading Halts***. In the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of the Exchange, another market center or responsible single plan

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processor in connection with the transmittal or receipt of a regulatory trading halt, suspension or pause, an Officer of the Exchange or senior level employee designee, acting on his or her own motion, shall nullify any transaction in a security that occurs after the primary listing market for such security declares a regulatory trading halt, suspension or pause with respect to such security and before such regulatory trading halt, suspension or pause with respect to such security has officially ended according to the primary listing market. In addition, in the event a regulatory trading halt, suspension or pause is declared, then prematurely lifted in error and is then re-instituted, an Officer of the Exchange or senior level employee designee shall nullify transactions that occur before the official, final end of the halt, suspension or pause according to the primary listing market. Any action taken in connection with this paragraph shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction and in no circumstances later than the start of the Regular Market Session on the trading day following the date of execution(s) under review. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each Member involved in a transaction subject to this paragraph shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (c) above.

Adopted.
September 9, 2010 (10-79).
Amendments.
September 22, 2010 (10-125).
December 9, 2010 (10-172).
March 31, 2011 (11-45).
April 25, 2011 (11-13).
May 25, 2011 (11-69).
August 5, 2011 (11-110).
January 12, 2012 (12-08).
July 24, 2012 (12-100).
January 31, 2013 (13-12).
September 26, 2013 (13-97).
March 18, 2014 (14-18).
June 19, 2014 (14-27).
November 15, 2017 (17-92), January 2, 2018.
April 10, 2019 (19-14).

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Nasdaq PHLX Rules, Regulation, Rule 3315. Order Routing

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(a) Order Routing Process

(1) The Order Routing Process shall be available to Participants from 8:00 a.m. until 5:00 p.m. Eastern Time, and shall route orders as described below. All routing of orders shall comply with Rule 611 of Regulation NMS under the Act.

(A) The System provides a variety of routing options. Routing options may be combined with all available order types and times-in-force, with the exception of order types and times-in-force whose terms are inconsistent with the terms of a particular routing option. The System will consider the quotations only of accessible markets. The term "System routing table" refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. The Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. The System routing options are:

(i) – (ii) Reserved.

(iii) PSTG is a routing option under which orders check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table. If shares remain unexecuted after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another accessible market center, the System shall route the order to the locking or crossing market center. PSKN is a form of PSTG in which the entering firm instructs the System to bypass any market centers included in the PSTG System routing table that are not posting Protected Quotations within the meaning of Regulation NMS.

(iv) PSCN is a routing option under which orders check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table. If shares remain unexecuted after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center. PSKP is a form of PSCN in which the entering firm instructs the System to bypass any market centers included in the PSCN System routing table that are not posting Protected Quotations within the meaning of Regulation NMS.

(v) PTFY is a routing option under which orders check the System for available shares only if so instructed by the entering firm and are thereafter routed to destinations on the System routing table. If shares remain un-executed after routing, they are posted to the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

(vi) PMOP is a routing option under which orders route only to Protected Quotations and only for displayed size. If shares remain unexecuted after routing, they are posted to the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

(vii) PCRT is a routing option under which orders route to the Nasdaq BX Equities Market, check the System for available shares and then route to The Nasdaq Stock Market. If shares remain un-executed, they are posted to the book or cancelled. Once on the book, should the order subsequently be locked or crossed by another

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market center, the System will not route the order to the locking or crossing market center.

(viii) XDRK is a routing option under which orders check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table that are not posting Protected Quotations within the meaning of Regulation NMS. If shares remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

(ix) XCST is a routing option under which orders check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table that are not posting Protected Quotations within the meaning of Regulation NMS and to certain, but not all, exchanges. If shares remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

(x) SCAR is a routing option under which orders will check the System for available shares and simultaneously route to the Nasdaq BX Equities Market and The Nasdaq Stock Market in accordance with the System routing table. If shares remain unexecuted after routing, they are posted on the book or cancelled. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

(B) Priority of Routed Orders. Regardless of the routing option selected, orders sent by the System to other markets do not retain time priority with respect to other orders in the System and the System shall continue to execute other orders while routed orders are away at another market center. Once routed by the System, an order becomes subject to the rules and procedures of the destination market including, but not limited to, order cancellation. If a routed order is subsequently returned, in whole or in part, that order, or its remainder, shall receive a new time stamp reflecting the time of its return to the System.

(b) Routing Broker

(1) All routing by the System shall be performed by the Exchange's affiliated broker-dealer, Nasdaq Execution Services, LLC, which, in turn, shall route orders to other market centers either directly or through one or more third-party unaffiliated routing broker-dealers as directed by the Exchange. The Exchange will determine the logic that provides when, how, and where orders are routed away to other exchanges. Except as provided in subparagraph (c) below, the routing broker(s) cannot change the terms of an order or the routing instructions, nor does the routing broker have any discretion about where to route an order.

(2) Nasdaq Execution Services, LLC will not engage in any business other than: (a) as an outbound router for the Exchange and (b) any other activities it may engage in as approved by the Commission.

(3) Nasdaq Execution Services, LLC shall operate as a facility, as defined in Section 3(a)(2) of the Act, of the Exchange.

(4) For purposes of SEC Rule 17d-1, the designated examining authority of Nasdaq Execution Services, LLC shall be a self-regulatory organization unaffiliated with the Exchange or any of its affiliates. The Exchange may not use a routing broker for which the Exchange or any affiliate of the Exchange is the designated examining authority.

(5) The Exchange shall be responsible for filing with the Securities and Exchange Commission rule changes related to the operation of, and fees for services provided by, Nasdaq Execution Services, LLC and Nasdaq Execution Services, LLC shall be subject to exchange non-discrimination requirements.

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(6) The books, records, premises, officers, agents, directors and employees of Nasdaq Execution Services, LLC as a facility of the Exchange shall be deemed to be the books, records, premises, officers, agents, directors and employees of the Exchange for purposes of, and subject to oversight pursuant to, the Act. The books and records of Nasdaq Execution Services, LLC as a facility of the Exchange shall be subject at all times to inspection and copying by the Commission.

(7) Use of Nasdaq Execution Services, LLC to route orders to other market centers will be optional. Parties that do not desire to use Nasdaq Execution Services, LLC must enter orders into the System as immediate-or-cancel orders or any other order type available through the System that is ineligible for routing.

(8) Nasdaq Execution Services, LLC shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between: the Exchange and its facilities (including Nasdaq Execution Services, LLC as its routing facility) and any other entity; or, where there is a routing broker, the Exchange, the Routing Facility and any routing broker, and any other entity, including any affiliate of the routing broker (and if the routing broker or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of the routing broker or affiliate that provides the other business activities and the segment of the routing broker that provides the routing services).

(c) Market Access. In addition to the Exchange Rules regarding routing to away trading centers, Nasdaq Execution Services LLC has, pursuant to Rule 15c3-5 under the Act, implemented certain tests designed to mitigate risks associated with providing the Exchange's members and member organizations with access to such away trading centers. Pursuant to the policies and procedures developed by Nasdaq Execution Services LLC to comply with Rule 15c3-5, if an order or series of orders are deemed to be violative of applicable pre-trade requirements under Rule 15c3-5, the order will be rejected prior to routing and/or Nasdaq Execution Services LLC will seek to cancel the order if it has been routed.

(d) Cancellation of Orders and Error Account

(1) The Exchange or Nasdaq Execution Services may cancel orders as either deems to be necessary to maintain fair and orderly markets if a technical or systems issue occurs at the Exchange, Nasdaq Execution Services, or a routing destination. The Exchange or Nasdaq Execution Services shall provide notice of the cancellation to affected members as soon as practicable.

(2) Nasdaq Execution Services shall maintain an error account for the purpose of addressing positions that result from a technical or systems issue at Nasdaq Execution Services, the Exchange, a routing destination, or a non-affiliate third-party Routing Broker that affects one or more orders (“error positions”).

(A) For purposes of this Rule 3315(d), an error position shall not include any position that results from an order submitted by a member to the Exchange that is executed on the Exchange and automatically processed for clearance and settlement on a locked-in basis.

(B) Except as provided in Rule 3315(d)(2)(C), Nasdaq Execution Services shall not (i) accept any positions in its error account from an account of a member, or (ii) permit any member to transfer any positions from the member’s account to Nasdaq Execution Services’s error account.

(C) If a technical or systems issue results in the Exchange not having valid clearing instructions for a member to a trade, Nasdaq Execution Services may assume that member’s side of the trade so that the trade can be automatically processed for clearance and settlement on a locked-in basis.

(3) In connection with a particular technical or systems issue, Nasdaq Execution Services or the Exchange shall either (i) assign all resulting error positions to members in accordance with subparagraph (A) below, or (ii) have all resulting error positions liquidated in accordance with subparagraph (B) below.

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Any determination to assign or liquidate error positions, as well as any resulting assignments, shall be made in a nondiscriminatory fashion.

(A) Nasdaq Execution Services or the Exchange shall assign all error positions resulting from a particular technical or systems issue to the members affected by that technical or systems issue if Nasdaq Execution Services or the Exchange:

(i) determines that it has accurate and sufficient information (including valid clearing information) to assign the positions to all of the members affected by that technical or systems issue;
(ii) determines that it has sufficient time pursuant to normal clearance and settlement deadlines to evaluate the information necessary to assign the positions to all of the members affected by that technical or systems issue; and
(iii) has not determined to cancel all orders affected by that technical or systems issue in accordance with subparagraph (d)(1) above.

(B) If Nasdaq Execution Services or the Exchange is unable to assign all error positions resulting from a particular technical or systems issue to all of the affected members in accordance with subparagraph (A) above, or if Nasdaq Execution Services or the Exchange determines to cancel all orders affected by the technical or systems issue in accordance with subparagraph (d)(1) above, then Nasdaq Execution Services shall liquidate the error positions as soon as practicable. Nasdaq Execution Services shall:

(i) provide complete time and price discretion for the trading to liquidate the error positions to a third-party broker-dealer and shall not attempt to exercise any influence or control over the timing or methods of such trading; and
(ii) establish and enforce policies and procedures that are reasonably designed to restrict the flow of confidential and proprietary information between the third-party broker-dealer and Nasdaq Execution Services/the Exchange associated with the liquidation of the error positions.

(4) Nasdaq Execution Services and the Exchange shall make and keep records to document all determinations to treat positions as error positions and all determinations for the assignment of error positions to members or the liquidation of error positions, as well as records associated with the liquidation of error positions through the third-party broker-dealer.

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Nasdaq PHLX Rules, Regulation, Rule 3316. PHLX Kill Switch

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(a) ***Definition***. The PHLX Kill Switch is an optional tool offered at no charge that enables members to establish a pre-determined level of Net Notional Risk Exposure ("NNRE"), to receive notifications as the value of executed orders approaches the NNRE level, and to have order entry ports disabled and open orders administratively cancelled when the value of executed orders exceeds the NNRE level.

(b) ***Net Notional Risk Exposure***. Members may set a NNRE for each MPID individually. Each member is responsible for establishing and maintaining its NNRE. Members may adjust NNRE values intra-day.

(c) ***Notification***. Members will receive notifications when the total value of executed orders associated with an MPID exceeds 50, 75, 85, 90, and 95 percent of the NNRE value. When the NNRE is exceeded, the notification will include the total number of orders cancelled and remaining open in the System.

(d) ***Operation***. When triggered, a Kill Switch shall result in the immediate cancellation of all open orders of any type or duration entered by the member via the affected MPID, and in the immediate prevention of order entry of any type via the affected MPID. The member must request reactivation of the MPID before trading will be reauthorized.

Adopted.
February 4, 2014 (14-10), operative March 6, 2014.
Amendment.
October 18, 2017 (17-82).

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Nasdaq PHLX Rules, Regulation, Rule 3317. Compliance with Regulation NMS Plan to Implement a Tick Size Pilot

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(a) Tick Size Pilot Program

(1) Definitions.

(A) "Plan" means the Tick Size Pilot Plan Submitted to the Securities and Exchange Commission Pursuant to Rule 608(a)(3) of Regulation NMS under the Exchange Act.

(B) "Pilot Test Groups" means the three test groups established under the Plan, consisting of 400 Pilot Securities each, which satisfy the respective criteria established by the Plan for each such test group.

(C) Reserved.

(D) "Trade-at Intermarket Sweep Order" means a limit order for a Pilot Security that meets the following requirements:

(i) When routed to a Trading Center, the limit order is identified as a Trade-at Intermarket Sweep Order; and

(ii) Simultaneously with the routing of the limit order identified as a Trade-at Intermarket Sweep Order, one or more additional limit orders, as necessary, are routed to execute against the full size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the Pilot Security with a price that is better than or equal to the limit price of the limit order identified as a Trade-at Intermarket Sweep Order. These additional routed orders also must be marked as Trade-at Intermarket Sweep Orders or Intermarket Sweep Orders.

(E) All capitalized terms not otherwise defined in this Rule shall have the meanings set forth in the Plan, Regulation NMS under the Exchange Act, or Exchange rules, as applicable.

(2) Exchange Participation in the Plan. The Exchange is a Participant in, and subject to the applicable requirements of, the Plan, which establishes a Tick Size Pilot Program that will allow the Securities and Exchange Commission, market participants, and the public to study and assess the impact of increment conventions on the liquidity and trading of the common stocks of small capitalization companies.

(3) Member Organization Compliance. Member organizations shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the applicable requirements of the Plan.

(4) Exchange Compliance with the Plan. Exchange systems will not display, quote or trade in violation of the applicable quoting and trading requirements for a Pilot Security specified in the Plan and this Rule, unless such quotation or transaction is specifically exempted under the Plan.

(5) Pilot Securities That Drop Below $1.00 during the Pilot Period. If the price of a Pilot Security drops below $1.00 during regular trading on any given business day, such Pilot Security will continue to be subject to the Plan and the requirements enumerated in (c)(1)-(3) below and will continue to trade in accordance with such Rules as if the price of the Pilot Security had not dropped below $1.00. However, if the Closing Price of a Pilot Security on any given business day is below $1.00, such Pilot Security will be moved out of its respective Pilot Test Group into the Control Group, and may then be quoted and traded at any price increment that is currently permitted by Exchange rules for the remainder of the Pilot Period. Notwithstanding anything contained herein to the contrary, at all times during the Pilot Period, Pilot Securities (whether in the Control Group or any Pilot Test Group) will continue to be subject to the requirements contained in Paragraph (b).

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(b) Compliance with Data Collection Requirements

(1) Policies and Procedures Requirement. A Member that operates a Trading Center shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the data collection and transmission requirements of Items I and II of Appendix B of the Plan, and a Member that is a Market Maker shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the data collection and transmission requirements of Item IV of Appendix B of the Plan and Item I of Appendix C of the Plan.

(2) The Exchange shall collect and transmit to the SEC the data described in Items I and II of Appendix B of the Plan relating to trading activity in Pre-Pilot Securities and Pilot Securities on a Trading Center operated by the Exchange. The Exchange shall transmit such data to the SEC in a pipe delimited format, on a disaggregated basis by Trading Center, within 30 calendar days following month end for:

(A) Each Pre-Pilot Data Collection Security for the period beginning six months prior to the Pilot Period through thirty-one days prior to the first day of the Pilot Period; and

(B) Each Pilot Security for the period beginning thirty days prior to the first day of the Pilot Period through six months after the end of the Pilot Period. The Exchange also shall make such data publicly available on the Exchange web site within 120 calendar days following month end at no charge and shall not identify the Member that generated the data.

(3) Daily Market Maker Participation Statistics Requirement

(A) A Member that is a Market Maker shall collect and transmit to their DEA data relating to Item IV of Appendix B of the Plan, with respect to activity conducted on any Trading Center in Pre-Pilot Securities and Pilot Securities in furtherance of its status as a Market Maker, including a Trading Center that executes trades otherwise than on a national securities exchange, for transactions that have settled or reached settlement date. Market Makers shall transmit such data in a format required by their DEA by 12:00 p.m. EST on T+4:

(i) For transactions in each Pre-Pilot Data Collection Security for the period beginning six months prior to the Pilot Period through thirty-one days prior to the first day of the Pilot Period; and

(ii) For transactions in each Pilot Security for the period beginning thirty days prior to the first day of the Pilot Period through six months after the end of the Pilot Period.

(B) A Member that is a Market Maker whose DEA is not a Participant to the Plan shall transmit the data collected pursuant to paragraph (3)(A) above to the Financial Industry Regulatory Authority, Inc. (“FINRA”). Market Makers shall transmit such data in a format required by FINRA by 12:00 p.m. EST on T+4 in accordance with paragraphs (3)(A)(i) and (ii) above.

(C) The Exchange shall transmit the data collected by the DEA or FINRA pursuant to paragraphs (3)(A) and (B) above relating to Market Maker activity on a Trading Center operated by the Exchange to the SEC in a pipe delimited format within 30 calendar days following month end. The Exchange shall also make such data publicly available on the Exchange web site within 120 calendar days following month end at no charge and shall not identify the Trading Center that generated the data.

(4) Market Maker Profitability

(A) A Member that is a Market Maker shall collect and transmit to their DEA the data described in Item I of Appendix C of the Plan with respect to executions on any Trading Center that have settled or reached settlement date. Market Makers shall transmit such data in a format

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required by their DEA by 12:00 p.m. EST on T+4 for executions during and outside of Regular Trading Hours in each:

(i) Pre-Pilot Data Collection Security for the period beginning six months prior to the Pilot Period through thirty-one days prior to the first day of the Pilot Period; and

(ii) Pilot Security for the period beginning thirty days prior to the first day of the Pilot Period through six months after the end of the Pilot Period.

(B) A Member that is a Market Maker whose DEA is not a Participant to the Plan shall transmit the data collected pursuant to paragraph (4)(A) above to FINRA. Market Makers shall transmit such data in a format required by FINRA by 12:00 p.m. EST on T+4 for executions during and outside of Regular Trading Hours in accordance with paragraphs (4)(A)(i) and (ii) above.

(C) The Exchange, as DEA, shall collect the data required by Item I of Appendix C to the Plan and paragraph (b)(4)(A) above for those Members that are Market Makers for which the Exchange is DEA, and on a monthly basis transmit such data, categorized by the Control Group and each Test Group, to the SEC in a pipe delimited format. The Exchange, as DEA, shall also make the data collected pursuant to subparagraph (4) of Rule 3317(b) available to FINRA for aggregation and publication, categorized by the Control Group and each Test Group, on the FINRA website pursuant to FINRA Rules.

(5) Market Maker Registration Statistics. The Exchange shall collect and transmit to the SEC the data described in Item III of Appendix B of the Plan relating to daily Market Maker registration statistics in a pipe delimited format within 30 calendar days following month end for:

(A) For transactions in each Pre-Pilot Data Collection Security for the period beginning six months prior to the Pilot Period through the trading day immediately preceding the Pilot Period; and

(B) For transactions in each Pilot Security for the period beginning on the first day of the Pilot Period through six months after the end of the Pilot Period.

The Exchange also shall make such data publicly available on the Exchange web site within 120 calendar days following month end at no charge.

(c) Compliance with Quoting and Trading Restrictions

(1) Pilot Securities in Test Group One will be subject to the following requirement: No member organization may display, rank, or accept from any person any displayable or non-displayable bids or offers, orders, or indications of interest in increments other than $0.05. However, orders priced to trade at the midpoint of the national best bid and national best offer (“NBBO”) or best protected bid and best protected offer (“PBBO”) and orders entered in a Participant-operated retail liquidity program may be ranked and accepted in increments of less than $0.05. Pilot Securities in Test Group One may continue to trade at any price increment that is currently permitted by Rule 3301(k).

(2) Pilot Securities in Test Group Two shall be subject to the following requirements:

(A) No member organization may display, rank, or accept from any person any displayable or non-displayable bids or offers, orders, or indications of interest in increments other than $0.05. However, orders priced to trade at the midpoint of the NBBO or PBBO and orders

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entered in a Participant-operated retail liquidity program may be ranked and accepted in increments of less than $0.05.

(B) Absent any of the exceptions listed in (C) below, no member organization may execute orders in any Pilot Security in Test Group Two in price increments other than $0.05. The $0.05 trading increment will apply to all trades, including Brokered Cross Trades.

(C) Pilot Securities in Test Group Two may trade in increments less than $0.05 under the following circumstances:

(i) Trading may occur at the midpoint between the NBBO or the PBBO;
(ii) Retail Investor Orders may be provided with price improvement that is at least $0.005 better than the PBBO;
(iii) Negotiated Trades may trade in increments less than $0.05; and
(iv) Reserved.

(3) Pilot Securities in Test Group Three shall be subject to the following requirements:

(A) No member organization may display, rank, or accept from any person any displayable or non-displayable bids or offers, orders, or indications of interest in increments other than $0.05. However, orders priced to trade at the midpoint of the NBBO or PBBO and orders entered in a Participant-operated retail liquidity program may be ranked and accepted in increments of less than $0.05.

(B) Absent any of the exceptions listed in (C) below, no member organization may execute orders in any Pilot Security in Test Group Three in price increments other than $0.05. The $0.05 trading increment will apply to all trades, including Brokered Cross Trades.

(C) Pilot Securities in Test Group Three may trade in increments less than $0.05 under the following circumstances:

(i) Trading may occur at the midpoint between the NBBO or PBBO;
(ii) Retail Investor Orders may be provided with price improvement that is at least $0.005 better than the Best Protected Bid or the Best Protected Offer;
(iii) Negotiated Trades may trade in increments less than $0.05; and
(iv) Reserved.

(D) Pilot Securities in Test Group Three will be subject to the following Trade-at Prohibition:

(i) “Trade-at Prohibition” means the prohibition against executions by a Trading Center of a sell order for a Pilot Security at the price of a Protected Bid or the execution of a buy order for a Pilot Security at the price of a Protected Offer during regular trading hours.
(ii) Absent any of the exceptions listed in (iii) below, no member organization may execute a sell order for a Pilot Security in Test Group Three at the price of a Protected Bid or execute a buy order for a Pilot Security in Test Group Three at the price of a Protected Offer.
(iii) Member organizations may execute a sell order for a Pilot Security in Test Group Three at the price of a Protected Bid or execute a buy order for a Pilot Security in Test Group Three at the price of a Protected Offer if any of the following circumstances exist:

a. The order is executed as agent or riskless principal by an independent trading unit, as defined under Rule 200(f) of Regulation SHO, of a Trading Center within a member organization that has a displayed quotation as agent or riskless principal, via either a processor or an SRO Quotation Feed, at a price equal to the traded-at Protected Quotation, that was

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displayed before the order was received, but only up to the full displayed size of that independent trading unit's previously displayed quote;

b. The order is executed by an independent trading unit, as defined under Rule 200(f) of Regulation SHO, of a Trading Center within a member organization that has a displayed quotation for the account of that Trading Center on a principal (excluding riskless principal) basis, via either a processor or an SRO Quotation Feed, at a price equal to the traded-at Protected Quotation, that was displayed before the order was received, but only up to the full displayed size of that independent trading unit's previously displayed quote;

c. The order is of Block Size at the time of origin and may not be:

    A. an aggregation of non-block orders; or
    B. broken into orders smaller than Block Size prior to submitting the order to a Trading Center for execution;

d. The order is a Retail Investor Order executed with at least $0.005 price improvement;

e. The order is executed when the Trading Center displaying the Protected Quotation that was traded at was experiencing a failure, material delay, or malfunction of its systems or equipment;

f. The order is executed as part of a transaction that was not a "regular way" contract;

g. The order is executed as part of a single-priced opening, reopening, or closing transaction on the Exchange;

h. The order is executed when a Protected Bid was priced higher than a Protected Offer in the Pilot Security;

i. The order is identified as a Trade-at Intermarket Sweep Order;

j. The order is executed by a Trading Center that simultaneously routed Trade-at Intermarket Sweep Orders or Intermarket Sweep Orders to execute against the full displayed size of the Protected Quotation that was traded at;

k. The order is executed as part of a Negotiated Trade;

l. The order is executed when the Trading Center displaying the Protected Quotation that was traded at had displayed, within one second prior to execution of the transaction that constituted the Trade-at, a Best Protected Bid or Best Protected Offer, as applicable, for the Pilot Security with a price that was inferior to the price of the Trade-at transaction;

m. The order is executed by a Trading Center which, at the time of order receipt, the Trading Center had guaranteed an execution at no worse than a specified price (a "stopped order"), where:

    A. The stopped order was for the account of a customer;
    B. The customer agreed to the specified price on an order-by-order basis; and
    C. The price of the Trade-at transaction was, for a stopped buy order, equal to or less than the National Best Bid in the Pilot Security at the time of execution or, for a stopped sell order, equal to or greater than the National Best Offer in the Pilot

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Security at the time of execution, as long as such order is priced at an acceptable increment;

n. The order is for a fractional share of a Pilot Security, provided that such fractional share order was not the result of breaking an order for one or more whole shares of a Pilot Security into orders for fractional shares or was not otherwise effected to evade the requirements of the Trade-at Prohibition or any other provisions of the Plan; or

o. The order is to correct a bona fide error, which is recorded by the Trading Center in its error account. A bona fide error is defined as:

A. The inaccurate conveyance or execution of any term of an order including, but not limited to, price, number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold; lost or otherwise misplaced order tickets; short sales that were instead sold long or vice versa; or the execution of an order on the wrong side of a market;

B. The unauthorized or unintended purchase, sale, or allocation of securities, or the failure to follow specific client instructions;

C. The incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals, or securities positions reflected in an account; or

D. A delay, outage, or failure of a communication system used to transmit market data prices or to facilitate the delivery or execution of an order.

(iv) No member organization shall break an order into smaller orders or otherwise effect or execute an order to evade the requirements of the Trade-at Prohibition of this Rule or any other provisions of the Plan.

(d) Operation of Order Types and Order Attributes

This section sets forth PSX's specific procedures for handling, executing, re-pricing and displaying of certain Order Types and Order Attributes applicable to Pilot Securities. Unless otherwise indicated, this section applies to orders in all three Test Group Pilot Securities.

(1) All Order Types. Any Order Type in a security of any of the Test Groups that requires a price and does not otherwise qualify for an exception, will not be accepted if it is in a minimum price increment other than $0.05. This minimum price increment applies to repricing and rounding by the System, unless otherwise noted below.

Subject to the provisions below, if the entered limit price of an Order in a Test Group Three Pilot Security, entered through RASH or FIX, locked or crossed a Protected Quotation and the NBBO changes so that the Order can be ranked closer to its original entered limit price, the price of the Order will be adjusted repeatedly in accordance with changes to the NBBO.

(2) Price to Comply Order. A Price to Comply Order in a Test Group Pilot Security will operate as described in Rule 3301A(b)(1) except as provided under this paragraph. If a Price to Comply Order for a Test Group Three Pilot Security is partially executed upon entry and the remainder would lock a Protected Quotation of another market center, the unexecuted portion of the Order will be cancelled. If the Order is not executable against any previously posted orders on the Exchange Book, and the limit price of a buy (sell) Price to Comply Order in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the Order will display at one minimum price increment

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below (above) the Protected Quotation, and the Order will be ranked on the Exchange Book at the current midpoint of NBBO.

A Price to Comply Order in a Test Group Three Pilot Security entered through OUCH or FLITE may be adjusted in the following manner after initial entry and posting to the Exchange Book:

- If entered at a price that locked a Protected Quotation, and if the NBBO changes such that it can be ranked and displayed at the price of the Protected Quotation that it locked, the Price to Comply Order will be adjusted to rank and display at its original entered limit price.
- If entered at a price that crossed a Protected Quotation, and if the NBBO changes such that it can be ranked at the price of the Protected Quotation it crossed, the Price to Comply Order, based on the participant's choice, may either be (i) cancelled or (ii) adjusted to rank at the price of the Protected Quotation it crossed upon entry with its displayed price remaining unchanged.
- If, after being posted on the Exchange Book, the non-displayed price of a Price to Comply Order becomes locked or crossed by a Protected Quotation due to a change in the NBBO, or if the Price to Comply Order is at an impermissible price under Regulation NMS or the Plan and it cannot otherwise be adjusted as above, the Price to Comply Order will be cancelled.

(3) Non-Displayed Order. A Non-Displayed Order in a Test Group Pilot Security will operate as described in Rule 3301A(b)(3) except as provided under this paragraph. A resting Non-Displayed Order in a Test Group Three Pilot security cannot execute at the price of a Protected Quotation of another market center unless the incoming Order otherwise qualifies for an exception to the Trade-at prohibition provided under Rule 3317(c)(3)(D). If the limit price of a buy (sell) Non-Displayed Order in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the Order will be ranked on the Exchange Book at either one minimum price increment below (above) the National Best Offer (National Best Bid) or at the midpoint of the NBBO, whichever is higher (lower). If a resting Non-Displayed Order in a Test Group Three Pilot Security entered through RASH or FIX becomes locked or crossed by a Protected Quotation due to a change in the NBBO, or if the Non-Displayed Order is at an impermissible price under Regulation NMS or the Plan, the Non- Displayed Order will be repriced to a price that is at either one minimum price increment below (above) the National Best Offer (National Best Bid) or at the midpoint of the NBBO, whichever is higher (lower) and will receive a new timestamp.

A Non-Displayed Order in a Test Group Three Pilot Security entered through OUCH or FLITE may be adjusted in the following manner after initial entry and posting to the Exchange Book:

- If entered at a price that locked a Protected Quotation, and if the NBBO changes such that it can be ranked at the price of the Protected Quotation that it locked, the Non-Displayed Order will be adjusted to rank at its original entered limit price.
- If entered at a price that crossed a Protected Quotation, and if the NBBO changes such that it can be ranked at the price of the Protected Quotation it crossed, the Order, based on the Participant's choice, may either be (i) cancelled or (ii) adjusted to rank at the price of the Protected Quotation it crossed.
- If entered at a price that locked or crossed a Protected Quotation, and if the NBBO changes such that it cannot be ranked at the price of the Protected Quotation it locked or crossed but can be ranked closer to its original limit price, the Non-Displayed Order will be adjusted to the new midpoint of the NBBO.
- If, after being posted on the Exchange Book, the Non-Displayed Order becomes locked or crossed by a Protected Quotation due to a change in the NBBO, or if the Non-Displayed Order is at an impermissible price under Regulation NMS or the Plan and it cannot otherwise be adjusted as above, the Non-Displayed Order will be cancelled.

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(4) Post-Only Order. A Post-Only Order in a Test Group Pilot Security will operate as described in Rule 3301A(b)(4) except as provided under this paragraph. For orders that are not attributable, if the limit price of a buy (sell) Post-Only Order in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the Order will display at one minimum price increment below (above) the Protected Quotation, and the Order will be ranked on the Exchange Book at the current midpoint of the NBBO.

A Non-Attributable Post-Only Order in a Test Group Three Pilot Security entered through OUCH or FLITE may be adjusted in the following manner after initial entry and posting to the Exchange Book:

- If entered at a price that locked a Protected Quotation, and if the NBBO changes such that it can be ranked and displayed at the price of the Protected Quotation that it locked,, the Post-Only Order will be adjusted to rank and display at its original entered limit price.
- If entered at a price that crossed a Protected Quotation, and if the NBBO changes such that it can be ranked at the price of the Protected Quotation it crossed, the Post-Only Order, based on the Participant's choice, may either be (i) cancelled or (ii) adjusted to rank at the price of the Protected Quotation it crossed upon entry with its displayed price remaining unchanged.
- If, after being posted on the Exchange Book, the non-displayed price of a resting Post-Only Order becomes locked or crossed by a Protected Quotation due to a change in the NBBO, or if the Post-Only Order is at an impermissible price under Regulation NMS or the Plan and it cannot otherwise be adjusted as above, the Post-Only Order will be cancelled.

(5) Market Maker Peg Order. A Market Maker Peg Order in a Test Group Pilot Security will operate as described in Rule 3301A(b)(5) except as provided under this paragraph. The displayed price of a Market Maker Peg Order in a Test Group Pilot Security will be rounded up (down) to the nearest minimum price increment for bids (offers), if it would otherwise display at an increment smaller than the minimum price increment. For example, if the NBB is $10.05 and NBO is $10.15, and the Designated Percentage (as defined in Rule 3213) is 28%, the displayed price of a Market Maker Peg Order to buy 100 shares of a Test Group Pilot Security would be $7.25 (i.e., $10.05 – ($10.05 x 0.28) = $7.236, rounded up to $7.25). Using the same market, but with a Market Maker Peg Order to sell 100 shares, the displayed price of the Order would be $12.95 (i.e., $10.15 + ($10.15 x 0.28) = $12.992, rounded down to $12.95).

(6) Midpoint Peg Post-Only Order. A Midpoint Peg Post-Only Order in a Test Group Pilot Security will operate as described in Rule 3301A(b)(6) except as provided under this paragraph. A Midpoint Peg Post-Only Order in a Test Group Pilot Security may execute at the midpoint of the NBBO in an increment other than the minimum price increment.

(7) Midpoint Pegging. An Order with Midpoint Pegging in a Test Group Pilot Security will operate as described in Rule 3301B(d) except as provided under this paragraph. An order in a Test Group Pilot Security with Midpoint Pegging may execute at the midpoint of the NBBO in an increment other than the minimum price increment.

(8) Reserve Size. An Order with Reserve Size in a Test Group Pilot Security will operate as described in Rule 3301B(h) except as provided under this paragraph. A resting Order in a Test Group Three Pilot Security with a Reserve Size (either a Price to Comply Order or a Price to Display Order through RASH or FIX) may not execute the non-displayed Reserve Size at the price of a Protected Quotation of another market center unless the incoming Order otherwise qualifies for an exception to the Trade-at prohibition provided under Rule 3317(c)(3)(D). If an Order with Reserve Size for a Test Group Three Pilot Security is partially executed upon entry and the remainder would lock a Protected Quotation of another market center, the unexecuted portion of the Order will be cancelled. If the Order is not executable against any previously posted orders on the Exchange Book, and the limit price of a buy (sell) Price to Comply Order with Reserve Size in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the displayed portion of the Order will display at one minimum price increment below (above) the Protected Quotation, and the displayed and non-displayed

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portions of the Order will be ranked on the Exchange Book at the current midpoint of the NBBO. If the Order is not executable against any previously posted orders on the Exchange Book, and the limit price of a buy (sell) Price to Display Order with Reserve Size in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the displayed portion of the Order will be display and be ranked at one minimum price increment below (above) the Protected Quotation, and the non-displayed portion of the Order will be ranked on the Exchange Book at the current midpoint of the NBBO. If after being posted to the Exchange Book, the NBBO changes so that the Order with Reserve Size in a Test Group Three Pilot Security would no longer be executable at its ranked price due to the requirements of Regulation NMS or the Plan, the order will be adjusted in the same manner as described above.

(9) Good-till-Cancelled. An Order with a Time-in-Force of Good-till-Cancelled in a Test Group Pilot Security will operate as described in Rule 3301B(a)(3) except as provided under this paragraph. An order in a Test Group Security with a Good-till-Cancelled Time-in-Force that is adjusted pursuant to Rule 3311(b) will be adjusted based on a $0.05 increment.

Commentary:

.01 The terms used in this Rule 4770 shall have the same meaning as provided in the Plan, unless otherwise specified.

.02 For purposes of the reporting requirement in Appendix B.II.(n), a Trading Center shall report "Y" to their DEA where it is relying upon the Retail Investor Order exception to Test Groups Two and Three, and "N" in all other instances.

.03 For purposes of Appendix B.I, the field "Affected by Limit-Up Limit-Down bands" shall be included. A Trading Center shall report a value of "Y" to their DEA when the ability of an order to execute has been affected by the Limit-Up Limit-Down (LULD) bands in effect at the time of order receipt. A Trading Center shall report a value of "N" to their DEA when the ability of an order to execute has not been affected by the LULD bands in effect at the time of order receipt. For purposes of Appendix B.I, the Participants shall classify all orders in Pilot and Pre-Pilot Securities that may trade in a foreign market as: (1) fully executed domestically or (2) fully or partially executed on a foreign market. For purposes of Appendix B.II, the Participants shall classify all orders in Pilot and Pre-Pilot Securities that may trade in a foreign market as: (1) directed to a domestic venue for execution; (2) may only be directed to a foreign venue for execution; or (3) fully or partially directed to a foreign venue at the discretion of the Member.

.04 (a) For purposes of Appendix B.I.a(14), B.I.a(15), B.I.a(21) and B.I.a(22), the time ranges shall be changed as follows:

(1) Appendix B.I.a(14A): The cumulative number of shares of orders executed from 100 microseconds to less than 1 millisecond after the time of order receipt;
(2) Appendix B.I.a(15): The cumulative number of shares of orders executed from 1millisecond to less than 100 milliseconds after the time of order receipt;
(3) Appendix B.I.a(21A): The cumulative number of shares of orders canceled from 100 microseconds to less than 1 millisecond after the time of order receipt; and
(4) Appendix B.I.a(22): The cumulative number of shares of orders canceled from 1 millisecond to less than 100 milliseconds after the time of order receipt.

(b) For purposes of Appendix B.I.a(21) through B.I.a(27), unexecuted Immediate or Cancel orders shall be categorized separately irrespective of the duration of time after order receipt.

.05 For purposes of Appendix B.I.a(31)-(33), the relevant measurement is the time of order receipt.

.06 For purposes of Appendix B, the following order types and numbers shall be included and assigned the following numbers: "not held" orders (18); clean cross orders (19); auction orders (20); and orders that cannot otherwise be classified, including orders received when the NBBO is crossed (21); and

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limit order priced more than $0.10 away from the NBBO (22). For purposes of order types 12-14 in Appendix B, such order types shall include all orders and not solely “resting” orders.

.07 A Member shall not be deemed a Trading Center for purposes of Appendix B of the Plan where that Member only executes orders otherwise than on a national securities exchange for the purpose of: (i) correcting a bona fide error related to the execution of a customer order; (ii) purchases a security from a customer at a nominal price solely for purposes of liquidating the customer’s position; or (iii) completing the fractional share portion of an order.

.08 A Trading Center shall begin the data collection required pursuant to Appendix B.I.a(1) through B.II.(y) of the Plan and Item I of Appendix C of the Plan on April 4, 2016. The requirement that the Exchange or their DEA provide information to the SEC within 30 days following month end pursuant to Appendix B and C of the Plan shall commence at the beginning of the Pilot Period. Notwithstanding the provisions of paragraphs (b)(2)(B), (b)(3)(C), and (b)(5) of this Rule, with respect to data for the Pre- Pilot and Pilot Period, the requirement that the Exchange or DEA make Appendix B data publicly available on the Exchange’s or DEA’s web site shall commence on August 31, 2017. Notwithstanding the provisions of paragraph (b)(4) of this Rule, the Exchange or DEA shall make Appendix C data for the Pre-Pilot Period through January 2017 publicly available on the Exchange or DEA’s web site by February 28, 2017.

.09 For purposes of Appendix B.IV, the count of the number of Market Makers used in the calculation of share (trade) participation shall be added to each category. For purposes of Appendix B.IV(b) and (c), share participation and trade participation shall be calculated by using a total count instead of a share-weighted average or a trade-weighted average. For purposes of Appendix B, B.IV(d) (cross-quote share (trade) participation), (e) (inside-the-quote share (trade) participation), (f) (at-the-quote share (trade) participation), and (g) (outside-the-quote share (trade) participation), shall be calculated by reference to the National Best Bid or National Best Offer in effect immediately prior to the trade.

.10 For purposes of Item I of Appendix C, the Participants shall calculate daily Market Maker realized profitability statistics for each trading day on a daily last in, first out (LIFO) basis using reported trade price and shall include only trades executed on the subject trading day. The daily LIFO calculation shall not include any positions carried over from previous trading days. For purposes of Item I.c of Appendix C, the Participants shall calculate daily Market Maker unrealized profitability statistics for each trading day on an average price basis. Specifically, the Participants must calculate the volume weighted average price of the excess (deficit) of buy volume over sell volume for the current trading day using reported trade price. The gain (loss) of the excess (deficit) of buy volume over sell volume shall be determined by using the volume weighted average price compared to the closing price of the security as reported by the primary listing exchange. In calculating unrealized trading profits, the Participant also shall report the number of excess (deficit) shares held by the Market Maker, the volume weighted average price of that excess (deficit), and the closing price of the security as reported by the primary listing exchange used in reporting unrealized profit.

.11 “Pre-Pilot Data Collection Securities” are the securities designated by the Participants for purposes of the data collection requirements described in Items I, II and IV of Appendix B and Item I of Appendix C of the Plan for the period beginning six months prior to the Pilot Period through thirty-one days prior to the Pilot Period. The Participants shall compile the list of Pre-Pilot Data Collection Securities by selecting all NMS stocks with a market capitalization of $5 billion or less, a Consolidated Average Daily Volume (CADV) of 2 million shares or less and a closing price of $1 per share or more. The market capitalization and the closing price thresholds shall be applied to the last day of the Pre-Pilot measurement period, and the CADV threshold shall be applied to the duration of the Pre-Pilot measurement period. The Pre-Pilot measurement period shall be the three calendar months ending on the day when the Pre-Pilot Data Collection Securities are selected. The Pre-Pilot Data Collection Securities shall be selected thirty days prior to the commencement of the six-month Pre-Pilot Period.

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.12 This Rule shall be in effect during a pilot period to coincide with the pilot period for the Plan (including any extensions to the pilot period for the Plan).

.13 For purposes of qualifying for the Block Size exception under paragraph (c)(3)(D)(iii) of this Rule, the Order must have a size of 5,000 shares or more and the resulting execution upon entry must have a size of 5,000 shares or more in aggregate.

Adopted.
March 23, 2016 (16-39).
Amendments.
June 29, 2016 (16-73), operative July 29, 2016.
August 29, 2016 (16-90).
October 7, 2016 (16-92).
October 17, 2016 (16-106).
October 31, 2016 (16-110).
November 14, 2016 (16-114).
November 30, 2016 (16-118).
December 13, 2016 (16-121).
February 28, 2017 (17-22).
April 28, 2017 (17-33).

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Nasdaq PHLX Rules, Regulation, Rule 3401. Definitions

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For purposes of the Rule 3400 Series:

(a) "Bunched Order" shall mean two or more orders that are aggregated prior to execution.

(b) "Customer" shall mean a person other than a broker or dealer.

(c) "Nasdaq PSX" or "PSX" shall mean the service provided by the Exchange that, among other things, provides for the automated execution and reporting of transactions in securities.

(d) "Electronic Communication Network" shall mean any electronic system that widely disseminates to third parties orders entered therein by an exchange market maker or over-the-counter market maker, and permits such orders to be executed in whole or in part, and as further defined in rule 600 of SEC Regulation NMS.

(e) "Electronic Order" shall mean an order captured by a member organization in an electronic order-routing or execution system.

(f) "Index Arbitrage Trade" shall mean an arbitrage trading strategy involving the purchase or sale of a "basket" or group of securities in conjunction with the purchase or sale, or intended purchase or sale, of one or more cash-settled options or futures contracts on index stock groups, or options on any such futures contracts in an attempt to profit by the price difference, as further defined in New York Stock Exchange rule 132B.

(g) "Intermarket sweep order" shall have the same meaning as contained in Rule 600 of SEC Regulation NMS.

(h) "Manual Order" shall mean an order that is captured by a member organization other than in an electronic order-routing or execution system.

(i) "Order" shall mean any oral, written, or electronic instruction to effect a transaction in an equity security listed on the Exchange or The Nasdaq Stock Market that is received by a member organization from another person for handling or execution, or that is originated by a department of a member organization for execution by the same or another broker or dealer that is a FINRA member or an Exchange member organization, other than any such instruction to effect a proprietary transaction originated by a trading desk in the ordinary course of a member organization's market making activities.

(j) "Order Audit Trail System" shall mean the automated system owned and operated by FINRA that is designed to capture order information in equity securities listed on the Exchange and The Nasdaq Stock Market reported by member organizations for integration with trade and quotation information to provide FINRA with an accurate time sequenced record of orders and transactions.

(k) "Program Trade" shall mean a trading strategy involving the related purchase or sale of a group of 15 or more securities having a total market value of $1 million or more, as further defined in New York Stock Exchange rule 132B.

(l) "Reporting Agent" shall mean a third party that enters into any agreement with a member organization pursuant to which the Reporting Agent agrees to fulfill such member organization's obligations under Rule 3405.

(m) "Reporting Member Organization" shall mean a member organization that receives or originates an order and has an obligation to record and report information under Rules 3404 and 3405. A member organization shall not be considered a Reporting Member Organization in connection with an order, if the following conditions are met:

(1) the member organization engages in a non-discretionary order routing process, pursuant to which it immediately routes, by electronic or other means, all of its orders to a single receiving Reporting Member Organization;
(2) the member organization does not direct and does not maintain control over subsequent routing or execution by the receiving Reporting Member Organization;

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(3) the receiving Reporting Member Organization records and reports all information required under Rules 3404 and 3405 with respect to the order; and

(4) the member organization has a written agreement with the receiving Reporting Member Organization specifying the respective functions and responsibilities of each party to effect full compliance with the requirements of Rules 3404 and 3405.

(n) "Proprietary Trading Firm" shall mean an Exchange member organization that trades its own capital and that does not have customers, and that is not a FINRA member. The funds used by a Proprietary Trading firm must be exclusively firm funds and all trading must be in the firm's accounts. Traders must be owners of, employees of, or contractors to the firm.

Adopted.
September 9, 2010 (10-79).
Amendments.
April 25, 2011 (11-13).
October 18, 2017 (17-82).

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Nasdaq PHLX Rules, Regulation, Rule 3402. Applicability

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(a) Unless otherwise indicated, the requirements of the Rule 3400 Series are in addition to the requirements contained elsewhere in the Rules of the Exchange.

(b) Unless otherwise indicated, the requirements of the Rule 3400 Series shall apply to all Exchange member organizations and to their associated persons.

(c) Unless otherwise indicated, the requirements of the Rule 3400 Series shall apply to all executed or unexecuted orders for equity securities listed on the Exchange or on The Nasdaq Stock Market.

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September 9, 2010 (10-79).
Amendment.
October 18, 2017 (17-82).

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Nasdaq PHLX Rules, Regulation, Rule 3403. Synchronization of Member Organization Business Clocks

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Each member organization shall synchronize its business clocks that are used for purposes of recording the date and time of any event that must be recorded pursuant to the rules of the Exchange, with reference to a time source as designated by the Exchange, and shall maintain the synchronization of such business clocks in conformity with such procedures as are prescribed by the Exchange.

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Nasdaq PHLX Rules, Regulation, Rule 3404. Recording of Order Information

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With respect to orders for securities listed on The Nasdaq Stock Market or the Exchange, member organizations and persons associated with a member organization shall comply with the following Rule:

(a) Procedures

(1) Subject to the terms and conditions contained in Rules 3402 through 3406, each Reporting Member Organization shall:

(A) immediately following receipt or origination of an order, record each item of information described in paragraph (b) of this Rule that applies to such order, and record any additional information described in paragraph (b) of this Rule that applies to such order immediately after such information is received or becomes available; and

(B) immediately following the transmission of an order to another broker or dealer that is a FINRA member or an Exchange member organization, or from one department to another within the same member organization, record each item of information described in paragraph (c) of this Rule that applies with respect to such transmission; and

(C) immediately following the modification, cancellation, or execution of an order, record each item of information described in paragraph (d) of this Rule that applies with respect to such modification, cancellation, or execution.

(2) Each required record of the time of an event shall be expressed in terms of hours, minutes, and seconds.

(3) Each Reporting Member Organization shall, by the end of each business day, record each item of information required to be recorded under this Rule in such electronic form as is prescribed by the Exchange from time to time.

(4) Maintaining and Preserving Records

(A) Each Reporting Member Organization shall maintain and preserve records of the information required to be recorded under this Rule for the period of time and accessibility specified in SEC rule 17a-4(b).

(B) The records required to be maintained and preserved under this Rule may be immediately produced or reproduced on "micrographic media" as defined in SEC rule 17a-4(f)(1)(i) or by means of "electronic storage media" as defined in SEC rule 17a-4(f)(1)(ii) that meet the conditions set forth in SEC rule 17a-4(f) and be maintained and preserved for the required time in that form.

(b) Order Origination and Receipt

Unless otherwise indicated, the following order information must be recorded under this Rule when an order is received or originated. For purposes of this Rule, the order origination or receipt time is the time the order is received from the customer.

(1) an order identifier meeting such parameters as may be prescribed by the Exchange assigned to the order by the Reporting Member Organization that uniquely identifies the order for the date it was received;

(2) the identification symbol assigned by the Exchange to the security to which the order applies;

(3) the market participant symbol assigned by the Exchange to the Reporting Member Organization;

(4) the identification of any department or the identification number of any terminal where an order is received directly from a customer;

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(5) where the order is originated by a Reporting Member Organization, the identification of the department of the member organization that originates the order;
(6) where the Reporting Member Organization is a party to an agreement described in Rule 3405(c), the identification of the Reporting Agent;
(7) the number of shares to which the order applies;
(8) the designation of the order as a buy or sell order;
(9) the designation of the order as a short sale order;
(10) the designation of the order as a market order, limit order, stop order or stop limit order;
(11) any limit or stop price prescribed in the order;
(12) the date on which the order expires, and, if the time in force is less than one day, the time when the order expires;
(13) the time limit during which the order is in force;
(14) any request by a customer that an order not be displayed, or that a block size order be displayed, pursuant to rule 604(b) of SEC Regulation NMS;
(15) special handling requests, specified by the Exchange for purposes of this Rule;
(16) the date and time the order is originated or received by a Reporting Member Organization;
(17) an identification of the order as related to a Program Trade or an Index Arbitrage Trade;
(18) the type of account, i.e., retail, wholesale, employee, proprietary, or any other type of account designated by the Exchange, for which the order is submitted; and
(19) if the member is relying on the exception provided in FINRA Rule 5320.02 with respect to the order, the unique identification of any appropriate information barriers in place at the department within the member where the order was received or originated.

(c) Order Transmittal

Order information required to be recorded under this Rule when an order is transmitted includes the following.

(1) When a Reporting Member Organization transmits an order to a department within the member organization, the Reporting Member Organization shall record:

(A) the order identifier assigned to the order by the Reporting Member Organization,
(B) the market participant symbol assigned by the Exchange to the Reporting Member Organization,
(C) the date the order was first originated or received by the Reporting Member Organization,
(D) an identification of the department and nature of the department to which the order was transmitted,
(E) the date and time the order was received by that department,
(F) the number of shares to which the transmission applies, and
(G) any special handling requests.

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(2) When a member organization electronically transmits an order to another broker or dealer that is a FINRA member or an Exchange member organization, other than an order transmitted electronically for execution on an Electronic Communications Network:

(A) the transmitting Reporting Member Organization shall record:

(i) the order identifier assigned to the order by the Reporting Member Organization and the routed order identifier, if different, which the transmitting Reporting Member Organization also must provide to the receiving broker or dealer,
(ii) the market participant symbol assigned by the Exchange to the Reporting Member Organization,
(iii) the market participant symbol assigned by the Exchange to the broker or dealer to which the order is transmitted,
(iv) the date the order was first originated or received by the Reporting Member Organization,
(v) the date and time the order is transmitted,
(vi) the number of shares to which the transmission applies, and
(vii) whether the order is an intermarket sweep order; and

(B) the receiving broker or dealer shall record, in addition to all other information items in Rule 3404(b) that apply with respect to such order:

(i) the routed order identifier assigned to the order by the member organization that transmits the order and
(ii) the market participant symbol assigned by the Exchange to the member organization that transmits the order.

(3) When a member organization electronically transmits an order for execution on an Electronic Communications Network:

(A) the transmitting Reporting Member Organization shall record:

(i) the fact that the order was transmitted to an Electronic Communications Network,
(ii) the order identifier assigned to the order by the Reporting Member Organization and the routed order identifier, if different, which the transmitting Reporting Member

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Organization also must provide to the receiving Electronic Communications Network,

(iii) the market participant symbol assigned by the Exchange to the Reporting Member Organization,

(iv) the market participant symbol assigned by the Exchange to the Electronic Communications Network to which the order is transmitted,

(v) the date the order was first originated or received by the Reporting Member Organization,

(vi) the date and time the order is transmitted,

(vii) the number of shares to which the transmission applies, and

(viii) whether the order is an intermarket sweep order; and

(B) the receiving Electronic Communications Network shall record:

(i) the fact that the order was received by an Electronic Communications Network,

(ii) the routed order identifier assigned to the order by the member organization that transmits the order,

(iii) the market participant symbol assigned by FINRA to the transmitting Reporting Member Organization, and

(iv) other information items in Rule 3404(b) that apply with respect to such order, which must include information items (1), (2), (3), (6), (7), (8), (10), (11), (12), (13), (15), and (16).

(4) When a member organization manually transmits an order to another broker that is a FINRA member or an Exchange member organization, other than to an Electronic Communications Network:

(A) the transmitting Reporting Member Organization shall record:

(i) the fact that the order was transmitted manually,

(ii) the order identifier assigned to the order by the Reporting Member Organization,

(iii) the market participant symbol assigned by the Exchange to the Reporting Member Organization,

(iv) the market participant symbol assigned by the Exchange to the broker or dealer to which the order is transmitted,

(v) the date the order was first originated or received by the Reporting Member Organization,

(vi) the date and time the order is transmitted,

(vii) the number of shares to which the transmission applies,

(viii) for each order to be included in a bunched order, the bunched order route indicator assigned to the bunched order by the Reporting Member Organization, and

(ix) whether the order is an intermarket sweep order; and

(B) the receiving broker or dealer shall record, in addition to all other information items in Rule 3404(b) that apply with respect to such order:

(i) the fact that the order was received manually and

(ii) the market participant symbol assigned by the Exchange to the member organization that transmits the order.

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(5) When a member organization manually transmits an order to an Electronic Communications Network:

(A) the transmitting Reporting Member Organization shall record:

(i) the fact that the order was transmitted manually,
(ii) the order identifier assigned to the order by the Reporting Member Organization,
(iii) the market participant symbol assigned by the Exchange to the Reporting Member Organization,
(iv) the market participant symbol assigned by the Exchange to the Electronic Communications Network to which the order is transmitted,
(v) the date the order was first originated or received by the Reporting Member Organization,
(vi) the date and time the order is transmitted,
(vii) the number of shares to which the transmission applies,
(viii) for each order to be included in a bunched order, the bunched order route indicator assigned to the bunched order by the Reporting Member Organization, and
(ix) whether the order is an intermarket sweep order; and

(B) the receiving Electronic Communications Network shall record:

(i) the fact that the order was received manually,
(ii) the market participant symbol assigned by the Exchange to the transmitting Reporting Member Organization, and
(iii) other information items in Rule 3404(b) that apply with respect to such order, which must include information items (1), (2), (3), (6), (7), (8), (10), (11), (12), (13), (15), and (16).

(6) When a member organization transmits an order to a person that is not a FINRA member or an Exchange member organization, including but not limited to a national securities exchange, the Reporting Member Organization shall record:

(A) the fact that the order was transmitted to a non-member,
(B) the order identifier assigned to the order by the Reporting Member Organization,
(C) the market participant symbol assigned by FINRA to the Reporting Member Organization,
(D) the date the order was first originated or received by the Reporting Member Organization,
(E) the date and time the order is transmitted,
(F) the number of shares to which the transmission applies,
(G) for each manual order to be included in a bunched order, the bunched order route indicator assigned to the bunched order by the Reporting Member Organization,
(H) the routed order identifier or other unique identifier required by the non-member receiving the order, as applicable,
(I) identification of the non-member where the trade was transmitted, and
(J) whether the order is an intermarket sweep order.

(d) Order Modifications, Cancellations, and Executions

Order information required to be recorded under this Rule when an order is modified, canceled, or executed includes the following.

(1) When a Reporting Member Organization modifies or receives a modification to the terms of the order, the Reporting Member Organization shall record, in addition to all other applicable information items

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(including a new order identifier) that would apply as if the modified order were originated or received at the time of the modification:

(A) the order identifier assigned to the order by the Reporting Member Organization prior to the modification,
(B) the date and time the modification was originated or received, and
(C) the date the order was first originated or received by the Reporting Member Organization,

(2) When the Reporting Member Organization cancels or receives a cancellation of an order, in whole or part, the Reporting Member Organization shall record:

(A) the order identifier assigned to the order by the Reporting Member Organization,
(B) the market participant symbol assigned by the Exchange to the Reporting Member Organization,
(C) the date the order was first originated or received by the Reporting Member Organization,
(D) the date and time the cancellation was originated or received,
(E) if the open balance of an order is canceled after a partial execution, the number of shares canceled, and
(F) whether the order was canceled on the instruction of a customer or the Reporting Member Organization.

(3) When a Reporting Member Organization executes an order, in whole or in part, the Reporting Member Organization shall record:

(A) the order identifier assigned to the order by the Reporting Member Organization,
(B) the market participant symbol assigned by the Exchange to the Reporting Member Organization,
(C) the date the order was first originated or received by the Reporting Member Organization,
(D) the Reporting Member Organization's number assigned for purposes of identifying transaction data in PSX, the Nasdaq Market Center, ADF, Trade Reporting Facility or other system or service as may be designated by the Exchange,
(E) the designation of the order as fully or partially executed,
(F) the number of shares to which a partial execution applies and the number of unexecuted shares remaining,
(G) the identification number of the terminal where the order was executed,
(H) the date and time of execution;
(I) the execution price,
(J) the capacity in which the member organization executed the transaction (e.g., agency, principal or riskless principal), and
(K) the national securities exchange or facility operated by a registered securities association where the trade was reported.

(e) Exchange member organizations shall assign and enter a unique order identifier, in the form prescribed by the Exchange, to all orders that are electronically transmitted to PSX. An order identifier shall not be required for orders that are manually transmitted.

Adopted.
September 9, 2010 (10-79).
Amendments.
April 25, 2011 (11-13).
May 25, 2011 (11-69).
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Nasdaq PHLX Rules, Regulation, Rule 3405. Order Data Transmission Requirements

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(a) Securities Listed on Nasdaq.

Except as provided in paragraph (b), with respect to orders for securities listed on The Nasdaq Stock Market, Exchange member organizations and persons associated with a member organization shall comply with subsections (d), (e), and (f) of this Rule at all times.

(b) Proprietary Trading Firms.

Proprietary Trading Firms and their associated persons shall be required to comply with subsections (d), (e), and (f) of this Rule only when they receive a request from the Exchange to submit order information with respect to specific time periods identified in such request. Nothing in this Rule shall be construed to limit the obligations of Proprietary Trading Firms and their associated persons under any other Rule of the 3400 Series, including but not limited to, Rule 3404.

(c) Securities Listed on the Exchange.

With respect to orders for securities listed on the Exchange, Exchange member organizations and their associated persons shall be required to comply with subsections (d), (e), and (f) of this Rule for orders for securities listed on the Exchange only when they receive a request from the Exchange to submit order information with respect to specific time periods identified in such request. Nothing in this Rule shall be construed to limit the obligations of Exchange member organizations and their associated persons under any other Rule of the 3400 Series, including but not limited to, Rule 3404.

(d) General Requirement

All applicable order information required to be recorded under Rule 3404 shall be transmitted to FINRA's Order Audit Trail System by each Reporting Member Organization or by a Reporting Agent pursuant to an agreement described by paragraph (c) of this Rule.

(e) Method of Transmitting Data

(1) Order information shall be transmitted in electronic form, as may be prescribed by the Exchange from time to time, to a receiving location designated by the Exchange.

(2) Each Reporting Member Organization shall transmit to the Order Audit Trail System a report containing each applicable item of order information identified in Rule 3404(b), (c), and (d) whenever an order is originated, received, transmitted to another department within the member organization or to another broker or dealer that is a FINRA member or an Exchange member organization, modified, canceled, or executed. Each report shall be transmitted on the day such event occurred; provided, however, that if any item of information identified in Rule 3404(b), (c), and (d) is not available on such day, then the report shall be transmitted on the day that all such items of information become available. Order information reports may be aggregated into one or more transmissions, during such business hours as may be prescribed by the Exchange.

(f) Reporting Agent Agreements

(1) Any Reporting Member Organization may enter into an agreement with a Reporting Agent pursuant to which the Reporting Agent agrees to fulfill the obligations of such Reporting Member Organization under this Rule. Any such agreement shall be evidenced in writing, which shall specify the respective functions and responsibilities of each party to the agreement that are required to effect full compliance with the requirements of this Rule.

(2) All written documents evidencing an agreement described in paragraph (1) shall be maintained by each party to the agreement.

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(3) Each Reporting Member Organization remains primarily responsible for compliance with the requirements of this Rule, notwithstanding the existence of an agreement described in this paragraph.

Adopted.
September 9, 2010 (10-79).
Amendments.
May 25, 2011 (11-69).
October 18, 2017 (17-82).

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Nasdaq PHLX Rules, Regulation, Rule 3406. Violation of Order Audit Trail System Rules

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Failure of a member organization or person associated with a member organization to comply with any of the requirements of the Rule 3400 Series may be considered conduct that is inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Rule 707.

Adopted.
September 9, 2010 (10-79).

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Nasdaq PHLX Rules, Regulation, Rule 3407. Exemption to the Order Recording and Data Transmission Requirements

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(a) The Exchange, for good cause shown after taking into consideration all relevant factors, may exempt subject to specified terms and conditions, a member organization from the recording and order data transmission requirements of Rules 3404 and 3405, respectively, for manual orders, if such exemption is consistent with the protection of investors and the public interest, and the member organization meets the following criteria:

(1) the member organization and current control affiliates and associated persons of the member organization have not been subject within the last five years to any final disciplinary action, and within the last ten years to any disciplinary action involving fraud;
(2) the member organization has annual revenues of less than $2 million;
(3) the member organization does not conduct any market making activities in equity securities listed on the Exchange;
(4) the member organization does not execute principal transactions with its customers (with limited exception for principal transactions executed pursuant to error corrections); and
(5) the member organization does not conduct clearing or carrying activities for other firms.

(b) An exemption provided pursuant to this Rule shall not exceed a period of two years. At or prior to the expiration of a grant of exemptive relief under this Rule, a member organization meeting the criteria set forth in paragraph (a) above may request a subsequent exemption, which will be considered at the time of the request consistent with the protection of investors and the public interest.

(c) This Rule shall be in effect until July 10, 2011.

Adopted.
September 9, 2010 (10-79).

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Nasdaq PHLX Rules, Regulation, Rule 8001. Regulation of the Exchange and its Member Organizations

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The Exchange and FINRA are parties to the FINRA Regulatory Contract pursuant to which FINRA has agreed to perform certain functions described in these rules on behalf of the Exchange. Exchange rules that refer to the Phlx Regulation Department, Exchange Regulation staff, Exchange staff, and Exchange departments should be understood as also referring to FINRA staff and FINRA departments acting on behalf of the Exchange pursuant to the FINRA Regulatory Contract.

Notwithstanding the fact that the Exchange has entered into the Regulatory Contract with FINRA to perform some of the Exchange's functions, the Exchange shall retain ultimate legal responsibility for, and control of, such functions.

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Nasdaq PHLX Rules, Regulation, Rule 8100. General Provisions

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Nasdaq PHLX Rules, Regulation, Rule 8110. Availability of Manual to Customers

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Member organizations shall keep and maintain current paper or electronic copies of the FINRA and the Exchange Manuals in a readily accessible place and shall make them available for examination by customers upon request.

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Nasdaq PHLX Rules, Regulation, Rule 8120. Definitions

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(a) Unless otherwise provided, terms used in the Rule 8000 Series shall have the meaning as defined in Rule 1.

(b) The term "Adjudicator" shall have the meaning as defined in Rule 9120.

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Nasdaq PHLX Rules, Regulation, Rule 8200. Investigations

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Nasdaq PHLX Rules, Regulation, Rule 8210. Provision of Information and Testimony and Inspection and Copying of Books

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(a) Authority of the Phlx Regulation Department, Including FINRA Staff

For the purpose of an investigation, complaint, examination, or proceeding authorized by the By-Laws or Exchange Rules, the Phlx Regulation Department, including FINRA staff shall have the right to:

(1) require a member, member organization, person associated with a member organization, or person subject to the Exchange's jurisdiction to provide information orally, in writing, or electronically (if the requested information is, or is required to be, maintained in electronic form) and to testify at a location specified by the Phlx Regulation Department, including FINRA staff, under oath or affirmation administered by a court reporter or a notary public if requested, with respect to any matter involved in the investigation, complaint, examination, or proceeding; and

(2) (2) inspect and copy the books, records, and accounts of such member, member organization or person with respect to any matter involved in the investigation, complaint, examination, or proceeding.

(b) Other SROs and Regulators

The Phlx Regulation Department, including FINRA staff, also may exercise the authority set forth in paragraph (a) for the purpose of an investigation, complaint, examination, or proceeding conducted by another domestic or foreign self-regulatory organization, association, securities or contract market, or regulator of such markets with which the Exchange has entered into an agreement providing for the exchange of information and other forms of material assistance solely for market surveillance, investigative, enforcement, or other regulatory purposes.

(c) Requirement to Comply

No member, member organization or person shall fail to provide information or testimony or to permit an inspection and copying of books, records, or accounts pursuant to this Rule.

(d) Notice

A notice under this Rule shall be deemed received by the member, member organization or person to whom it is directed by mailing or otherwise transmitting the notice to the last known business address of the member organization or the last known residential address of the member or person as reflected in the Central Registration Depository. If the Phlx Regulation Department staff, including FINRA staff, responsible for mailing or otherwise transmitting the notice to the member, member organization or person has actual knowledge that the address in the Central Registration Depository is out of date or inaccurate, then a copy of the notice shall be mailed or otherwise transmitted to:

(1) the last known business address of the member organization or the last known residential address of the member or person as reflected in the Central Registration Depository, and

(2) any other more current address of the member, member organization or the person known to the Adjudicator or the Phlx Regulation Department, including FINRA staff who is responsible for mailing or otherwise transmitting the notice.

(e) Electronic Interface

In carrying out its responsibilities under this Rule, the Exchange may, as appropriate, establish programs for the submission of information to FINRA on a regular basis through a direct or indirect electronic interface between FINRA and Exchange member organizations.

(f) Inspection and Copying

A witness, upon proper identification, may inspect the official transcript of the witness's own testimony. Upon written request, a person who has submitted documentary evidence or testimony in an investigation may procure

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a copy of the person's documentary evidence or the transcript of the person's testimony upon payment of the appropriate fees, except that prior to the issuance of a complaint arising from the investigation, the Phlx Regulation Department, including FINRA staff, may for good cause deny such request.

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Nasdaq PHLX Rules, Regulation, Rule 8211. Automated Submission of Trading Data

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(a) A member organization shall submit the trade data specified below in automated format as may be prescribed by the Phlx Regulation Department, including FINRA staff, from time to time. This information shall be supplied with respect to any transaction or transactions that are the subject of a request for information made by the Phlx Regulation Department, including FINRA staff.

(b) If the transaction was a proprietary transaction effected or caused to be effected by the member organization for any account in which such member organization, or person associated with a member organization, is directly or indirectly interested, such member organization shall submit or cause to be submitted the following information:

(1) Clearing house number, or alpha symbol as used by the member organization submitting the data;
(2) Clearing house number(s), or alpha symbol(s) as may be used from time to time, of the member organization(s) on the opposite side of the transaction;
(3) Identifying symbol assigned to the security;
(4) Date transaction was executed;
(5) Number of shares, or quantity of bonds or options contracts for each specific transaction and whether each transaction was a purchase, sale, short sale, or, if an options contract, whether open long or short or close long or short;
(6) Transaction price;
(7) Account number; and
(8) Market center where transaction was executed.

(c) If the transaction was effected or caused to be effected by the member organization for any customer account, such member organization shall submit or cause to be submitted the following information:

(1) The data described in subparagraphs (b)(1) through (8) above;
(2) The customer name, address(es), branch office number, registered representative number, whether order was solicited or unsolicited, date account opened, employer name, and the tax identification number(s); and
(3) If the transaction was effected for another member organization, whether the other member organization was acting as principal or agent.

(d) In addition to the above trade data, a member organization shall submit such other information in such automated format as may from time to time be required by the Phlx Regulation Department.

(e) Pursuant to the Rule 9600 Series, the Exchange may exempt a member organization from the requirement that the data prescribed in paragraphs (b) through (d) above be submitted to the Phlx Regulation Department, including FINRA staff, in an automated format for good cause shown.

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Nasdaq PHLX Rules, Regulation, Rule 8300. Sanctions

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Nasdaq PHLX Rules, Regulation, Rule 8310. Sanctions for Violation of the Rules

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(a) Imposition of Sanction

After compliance with the Rule 9000 Series, the Exchange may impose one or more of the following sanctions on a member, member organization or person associated with a member organization for each violation of the federal securities laws, rules or regulations thereunder, or the Exchange Rules, or may impose one or more of the following sanctions on a member, member organization or person associated with a member organization for any neglect or refusal to comply with an order, direction, or decision issued under the Rules of the Exchange:

(1) censure a member, member organization or person associated with a member organization;
(2) impose a fine upon a member, member organization or person associated with a member organization;
(3) suspend the membership of a member organization, suspend the permit of a member, or suspend the registration of a person associated with a member organization for a definite period or a period contingent on the performance of a particular act;
(4) expel a member, member organization, cancel the membership of a member organization, revoke or cancel the permit of a member, or revoke or cancel the registration of a person associated with a member organization;
(5) suspend or bar a member, member organization or person associated with a member organization from association with all member organizations;
(6) impose a temporary or permanent cease and desist order against a member, member organization or a person associated with a member organization; or
(7) impose any other fitting sanction.

(b) Assent to Sanction

Each party to a proceeding resulting in a sanction shall be deemed to have assented to the imposition of the sanction unless such party files a written application for appeal, review, or relief pursuant to the Rule 9000 Series.

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Nasdaq PHLX Rules, Regulation, IM-8310-1. Effect of a Suspension, Revocation, Cancellation, or Bar

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If the Exchange or the Commission issues an order that imposes a suspension, revocation, or cancellation of the registration of a person associated with a member organization or a member, or bars a person or member from further association with any member organization, a member organization shall not allow such person or member to remain associated with it in any capacity, including a clerical or ministerial capacity. If the Exchange or the Commission suspends a person associated with a member organization or a member, the member organization also shall not pay or credit any salary, or any commission, profit, or other remuneration that results directly or indirectly from any securities transaction, that the person associated with a member organization or member might have earned during the period of suspension.

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Nasdaq PHLX Rules, Regulation, Rule IM-8310-3. Release of Disciplinary Complaints, Decisions and Other Information

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(a) The Phlx Regulation Department shall, in response to a request, release to the requesting party a copy of any identified disciplinary complaint or disciplinary decision issued by the Exchange or any committee thereof; provided, however, that each copy of:

(1) a disciplinary complaint shall be accompanied by the following statement: "The issuance of a disciplinary complaint represents the initiation of a formal proceeding by Nasdaq PHLX in which findings as to the allegations in the complaint have not been made and does not represent a decision as to any of the allegations contained in the complaint. Because this complaint is unadjudicated, you may wish to contact the respondent before drawing any conclusions regarding the allegations in the complaint."

(2) a disciplinary decision that is released prior to the expiration of the time period provided under the Rule 9000 Series for appeal or call for review within the Exchange or while such an appeal or call for review is pending, shall be accompanied by a statement that the findings and sanctions imposed in the decision may be increased, decreased, modified, or reversed by the Exchange;

(3) a final decision of the Exchange that is released prior to the time period provided under the Act for appeal to the Commission or while such an appeal is pending, shall be accompanied by a statement that the findings and sanctions of the Exchange are subject to review and modification by the Commission; and

(4) a final decision of the Exchange that is released after the decision is appealed to the Commission shall be accompanied by a statement as to whether the effectiveness of the sanctions has been stayed pending the outcome of proceedings before the Commission.

(b)

(1) The Phlx Regulation Department shall release to the public information with respect to any disciplinary complaint initiated by the Department of Enforcement or the Department of Market Regulation of FINRA as defined in Rules 9120(f) and (g), respectively, containing an allegation of a violation of a designated statute, rule or regulation of the Commission or the Exchange, as determined by the Chief Regulatory Officer of the Exchange (a "Designated Rule"); and may also release such information with respect to any disciplinary complaint or group of disciplinary complaints that involve a significant policy or enforcement determination where the release of information is deemed by the Chief Regulatory Officer to be in the public interest.

(2) Information released to the public pursuant to paragraph (b)(1) shall be accompanied by the statement required under paragraph (a)(1).

(c)

(1) The Phlx Regulation Department shall release to the public information with respect to any disciplinary decision issued pursuant to the Rule 9000 Series imposing a suspension, cancellation or expulsion of a member organization or member; suspension or revocation of a member's permit; or suspension or revocation of the registration of a member or person associated with a member organization; or suspension or barring of a member organization, member or person associated with a member organization from association with all member organizations; or imposition of monetary sanctions of $10,000 or more upon a member organization, member or person associated with a member organization; or containing an allegation of a violation of a Designated Rule; and may also release such information with respect to any disciplinary decision or group of decisions that involve a significant policy or enforcement determination where the release of information is deemed by the Chief Regulatory Officer to be in the public interest. The Phlx Regulation Department also may release to

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the public information with respect to any decision issued pursuant to the Rule 9550 Series imposing a suspension or cancellation of the member organization or member or a suspension or bar of the association of a member or a person with a member organization, unless the Phlx Regulation Department determines otherwise. The Phlx Regulation Department may, in its discretion, determine to waive the requirement to release information with respect to a disciplinary or other decision under those extraordinary circumstances where the release of such information would violate fundamental notions of fairness or work an injustice. The Phlx Regulation Department also shall release to the public information with respect to any temporary cease and desist order issued pursuant to the Rule 9800 Series. The Phlx Regulation Department may release to the public information on any disciplinary or other decision issued pursuant to the Rule 9000 Series, not specifically enumerated in this paragraph, regardless of sanctions imposed, so long as the names of the parties and other identifying information is redacted.

(A) The Phlx Regulation Department shall release to the public, in unredacted form, information with respect to any disciplinary decision issued pursuant to the Rule 9300 Series that does not meet one or more of the criteria in IM-8310-3(c)(1) for the release of information to the public, provided that the underlying decision issued pursuant to the Rule 9200 Series meets one or more of the criteria in IM-8310-3(c)(1) for the release of information to the public, and information regarding such decision has been released to the public in unredacted form.

(B) In the event there is more than one respondent in a disciplinary decision issued pursuant to the Rule 9000 Series, and sanctions imposed on one or more, but not all, of the respondents meet one or more of the criteria in IM-8310-3(c)(1) for the release of information to the public, the Phlx Regulation Department shall release to the public, in unredacted form, information with respect to the respondent(s) who meet such criteria, and may release to the public, in redacted form, information with respect to the respondent(s) who do not meet such criteria. Notwithstanding the foregoing, the Phlx Regulation Department shall release to the public, in unredacted form, information with respect to any respondent in a disciplinary decision issued pursuant to the Rule 9300 Series if the sanctions imposed on such respondent in the underlying decision issued pursuant to the Rule 9200 Series meet one or more of the criteria for release of information to the public, and information with respect to that respondent has been released in unredacted form.

(2) Information released to the public pursuant to paragraph (c)(1) shall be accompanied by a statement to the extent required for that type of information under paragraphs (a)(2)-(4).

(d) If a decision issued pursuant to the Rule 9000 Series other than by the Exchange Review Council is not appealed to or called for review by the Exchange Review Council, the decision shall become effective on a date set by the Phlx Regulation Department but not before the expiration of 45 days after the date of decision.

(e) Notwithstanding paragraph (d), expulsions and bars imposed pursuant to the provisions of Rules 9216 and 9270 shall become effective upon approval or acceptance by the Exchange Review Council, and information regarding any sanctions imposed pursuant to those Rules may be released to the public pursuant to paragraph (c) immediately upon such approval or acceptance.

(f) If a decision issued pursuant to the Rule 9000 Series is called for review by the Exchange Board, the decision shall be stayed pending a final determination and decision by the Board.

(g) If a decision of the Exchange imposing monetary sanctions of $10,000 or more or a penalty of expulsion, revocation, or suspension of a member, member organization and/or barring of a person from being associated with all member organizations is appealed to the Commission, notice thereof shall be given to the membership and to the press as soon as possible after receipt by the Exchange of notice from the Commission of such appeal and the Exchange's notice shall state whether the effectiveness of the Board's decision has been stayed pending the outcome of proceedings before the Commission.

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(h) In the event an appeal to the courts is filed from a decision by the Commission in a case previously appealed to it from a decision of the Exchange, involving the imposition of monetary sanctions of $10,000 or more or a penalty of expulsion, revocation, or suspension of a member, member organization and/or barring of a person from being associated with all member organizations, notice thereof shall be given to the membership as soon as possible after receipt by the Exchange of a formal notice of appeal. Such notice shall include a statement whether the order of the Commission has been stayed.

(i) Any order issued by the Commission of revocation or suspension of a member organization's broker/dealer registration with the Commission; or the suspension or expulsion of a member or member organization from the Exchange; or the barring of a person associated with a member organization from association with all broker/dealers or membership; or the imposition of monetary sanctions of $10,000 or more shall be released to the public through a notice containing the effective date thereof sent as soon as possible after receipt by the Exchange of the order of the Commission.

(j) Cancellations of membership or registration pursuant to the Rules of the Exchange shall be released to the public as soon after the effective date of the cancellation as possible.

(k) Releases to the public referred to in paragraphs (b) and (c) above shall identify the Rules of the Exchange or SEC Rules violated, and shall describe the conduct constituting such violation. Releases may also identify the member organization with which an individual was associated at the time the violations occurred if such identification is determined by the Phlx Regulation Department to be in the public interest.

(l) The Phlx Regulation Department shall release to the public, in the form issued by the Exchange Review Council, information with respect to any decision issued by the Exchange Review Council pursuant to Rule 923(a). In its discretion, the Exchange Review Council may have redacted certain information from such decisions prior to their issuance.

Adopted.
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 8320. Payment of Fines, Other Monetary Sanctions, or Costs; Summary Action for Failure to Pay

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(a) Payment to Treasurer

All fines and other monetary sanctions shall be paid to the Treasurer of the Exchange.

Subject to the following conditions and procedures, a member or member organization may pay a regulatory fine via an installment plan:

(1) The member or member organization must check the installment plan option on the election of payment form included with the letter of acceptance, waiver, and consent ("AWC").
(2) The fine under the AWC must be fifty thousand dollars ($50,000) or more. A fine of less than fifty thousand dollars ($50,000) is not eligible for the installment plan.
(3) A down payment of twenty-five percent (25%) or more of the total fine must be submitted with the signed AWC.
(4) An installment package, including a promissory note and payment schedule, will be mailed to the member or member organization upon receipt of the down payment, as required in paragraph (3) above.
(5) An executed (signed and notarized) promissory note for the unpaid balance of the fine must be returned with the first installment payment.
(6) The term of the installment plan shall not exceed four (4) years after the execution of the AWC. The member or member organization may elect monthly or quarterly payments.

(b) Summary Suspension or Expulsion

After seven days notice in writing, the Exchange may summarily suspend or expel from membership a member or member organization that fails to:

(1) pay promptly a fine or other monetary sanction imposed pursuant to Rule 8310 or cost imposed pursuant to Rule 8330 when such fine, monetary sanction, or cost becomes finally due and payable; or
(2) terminate immediately the association of a person who fails to pay promptly a fine or other monetary sanction imposed pursuant to Rule 8310 or a cost imposed pursuant to Rule 8330 when such fine, monetary sanction, or cost becomes finally due and payable.

(c) Summary Revocation of Registration

After seven days notice in writing, the Exchange may summarily revoke the registration of a person associated with a member organization if such person fails to pay promptly a fine or other monetary sanction imposed pursuant to Rule 8310 or a cost imposed pursuant to Rule 8330 when such fine, monetary sanction, or cost becomes finally due and payable.

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Nasdaq PHLX Rules, Regulation, Rule 8330. Costs of Proceedings

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A member, member organization or person associated with a member organization disciplined pursuant to Rule 8310 shall bear such costs of the proceeding, as the Adjudicator deems fair and appropriate under the circumstances.

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Nasdaq PHLX Rules, Regulation, Rule 9001. Regulatory Contract with FINRA

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The Exchange and FINRA are parties to the FINRA Regulatory Contract, pursuant to which FINRA has agreed to perform certain functions described in the Rule 9000 Series on behalf of the Exchange. Rules of the Exchange that refer to the Phlx Regulation Department, the Phlx Regulation Department staff, Exchange staff, and Exchange departments should be understood as also referring to FINRA staff and FINRA departments acting on behalf of the Exchange pursuant to the FINRA Regulatory Contract.

Notwithstanding the fact that the Exchange has entered into the FINRA Regulatory Contract with FINRA to perform some of the Exchange's functions, the Exchange shall retain ultimate legal responsibility for, and control of, such functions.

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Nasdaq PHLX Rules, Regulation, Rule 9100. Application and Purpose

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Nasdaq PHLX Rules, Regulation, Rule 9110. Application

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(a) Proceedings

The Rule 9000 Series is the Code of Procedure and includes proceedings for disciplining a member, member organization or person associated with a member organization; proceedings for regulating the activities of a member organization experiencing financial or operational difficulties; proceedings for summary or non-summary suspensions, cancellations, bars, prohibitions, or limitations; and proceedings for obtaining relief from the eligibility requirements of the Exchange By-Laws and the Rules of the Exchange. The Rule 9100 Series is of general applicability to all proceedings set forth in the Rule 9000 Series, unless a Rule specifically provides otherwise.

(b) Rights, Duties, and Obligations of Members, Member Organizations and Associated Persons

Unless otherwise specified, a member and a person associated with a member organization shall have the same rights as a member organization and shall be subject to the same duties and obligations under the Code of Procedure.

Except as otherwise permitted under the By-Laws or the Act and as set forth in more detail in the Rule 9000 Series, in any disciplinary proceeding under the Rules, any member, member organization or person associated with a member organization shall be given the opportunity to have a hearing at which such member, member organization or person associated with an member organization shall be entitled to be heard in person or by counsel or by a representative as provided in the Rules. Such persons may present any relevant material in accordance with the Rules. In any such proceeding against a member, member organization or against a person associated with a member organization to determine whether the member, member organization or the person associated with a member organization shall be disciplined:

(1) specific charges shall be brought;
(2) such member, member organization or person associated with a member organization shall be notified of and be given an opportunity to defend against such charges;
(3) a record shall be kept; and
(4) any determination shall include a statement setting forth:

- (i) any act or practice, in which such member, member organization or person associated with a member organization may be found to have engaged, or which such member, member organization or person associated with a member organization may be found to have omitted;
- (ii) the rule, regulation, or statutory provision of which any such act or practice, or omission to act, is deemed to be in violation;
- (iii) the basis upon which any findings are made; and
- (iv) the sanction imposed.

(c) Incorporation of Defined Terms and Cross References

Unless otherwise provided, terms used in the Rule 9000 Series shall have the meaning as defined in Rule 1 and Rule 9120.

(d) Jurisdiction

Any member, member organization, or any partner, officer, director or person employed by or associated with any member organization (the Respondent) who is alleged to have violated or aided and abetted a violation of the Securities Exchange Act of 1934 (Exchange Act), the rules and regulations thereunder, the By-Laws and Rules of the Exchange or any interpretation thereof, and the Rules, Regulations, resolutions and stated policies of the Board of Directors or any Committee of the Exchange, shall be subject to the disciplinary jurisdiction of the Exchange, and after notice and opportunity for a hearing may be appropriately disciplined by expulsion,

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suspension, fine, censure, limitation or termination as to activities, functions, operations, or association with a member organization, or any other fitting sanction in accordance with the provisions of these disciplinary Rules.

An individual member, or a partner, officer, director or person employed by or associated with a member organization may be charged with any violation within the disciplinary jurisdiction of the Exchange committed by employees under his supervision or by the member organization with which he is associated, as though such violations were his own. A member organization may be charged with any violation within the disciplinary jurisdiction of the Exchange committed by its officers, directors, or employees or by a member or other person who is associated with such member organization, as though such violation were its own.

Any member, or any partner, officer, director, or person employed by or associated with a member organization, and any member organization shall continue to be subject to the disciplinary jurisdiction of the Exchange following the termination of such person's permit or the termination of the employment by or the association with a member organization of such member or partner, officer, director or person, or following the deregistration of a member organization from the Exchange; provided, that the Exchange serves written notice to such former member, partner, officer, director, employee, associated person or member organization within one year of receipt by the Exchange of notice of such termination or deregistration that the Exchange is making inquiry into a matter or matters which occurred prior to the termination of such person's status as a member, or as a partner, officer, director or person employed by or associated with a member organization, or prior to the deregistration of such member organization.

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Nasdaq PHLX Rules, Regulation, Rule 9120. Definitions

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(a) "Adjudicator"

The term "Adjudicator" means:

(1) a body, board, committee, group, or natural person that presides over a proceeding and renders a decision;
(2) a body, board, committee, group, or natural person that presides over a proceeding and renders a recommended or proposed decision which is acted upon by an Adjudicator described in (1); or
(3) a natural person who serves on a body, board, committee, or group described in (1) or (2).

The term includes a Review Subcommittee as defined in paragraph (bb), a Subcommittee as defined in paragraph (dd), an Extended Proceeding Committee as defined in paragraph (n), and a Statutory Disqualification Committee as defined in paragraph (cc).

(b) "Chief Hearing Officer"

The term "Chief Hearing Officer" means the Hearing Officer that manages the Office of Hearing Officers, or his or her delegatee. The Chief Hearing Officer may be FINRA's Chief Hearing Officer pursuant to the Regulatory Contract, if approved by the Exchange Board of Directors at least annually.

(c) "Chief Regulatory Officer"

The term "Chief Regulatory Officer" means the Chief Regulatory Officer of the Exchange, or his or her delegatee, who shall be a person who reports to the Chief Regulatory Officer of the Exchange.

(d) "Code"

The term "Code" refers to the Code of Procedure.

(e) "Counsel to the Exchange Review Council"

The term "Counsel to the Exchange Review Council" means an attorney that reports to the Chief Regulatory Officer of the Exchange who is responsible for advising the Exchange Review Council, the Review Subcommittee, a Subcommittee, or an Extended Proceeding Committee regarding a disciplinary proceeding on appeal or review before the Exchange Review Council.

(f) "Department of Enforcement"

The term "Department of Enforcement" means the Department of Enforcement of FINRA Regulation, acting on behalf of the Exchange pursuant to the FINRA Regulatory Contract.

(g) "Department of Market Regulation"

The term "Department of Market Regulation" means the Department of Market Regulation of FINRA, acting on behalf of the Exchange pursuant to the FINRA Regulatory Contract.

(h) "Department of Member Regulation"

The term "Department of Member Regulation" means the Department of Member Regulation of FINRA, acting on behalf of the Exchange pursuant to the FINRA Regulatory Contract.

(i) "Director"

The term "Director" means a member of the Board of Directors of the Exchange.

(j) "Document"

The term "Document" means writing, drawing, graph, chart, photograph, recording, or any other data compilation, including data stored by computer, from which information can be obtained.

(k) "Extended Hearing"

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The term "Extended Hearing" means a disciplinary proceeding described in Rule 9231(c).

(l) "Extended Hearing Panel"

The term "Extended Hearing Panel" means an Adjudicator that is constituted under Rule 9231(c) to conduct a disciplinary proceeding that is classified as an "Extended Hearing" and is governed by the Rule 9200 Series.

(m) "Extended Proceeding"

The term "Extended Proceeding" means a disciplinary proceeding described in Rule 9331(a)(2).

(n) "Extended Proceeding Committee"

The term "Extended Proceeding Committee" means an appellate Adjudicator that is constituted under Rule 9331 to participate in the Exchange Review Council's consideration of a disciplinary proceeding that is classified as an "Extended Proceeding" and governed by the Rule 9300 Series.

(o) "Head of Enforcement"

The term "Head of Enforcement" means the individual that manages the Department of Enforcement of FINRA, or his or her delegatee in the Department of Enforcement.

(p) "Head of Market Regulation"

The term "Head of Market Regulation" means the individual that manages the Department of Market Regulation of FINRA, or his or her delegatee in the Department of Market Regulation.

(q) "Head of Member Regulation"

The term "Head of Member Regulation" means the individual that manages the Department of Member Regulation of FINRA, or his or her delegatee in the Department of Member Regulation.

(r) "Hearing Officer"

The term "Hearing Officer" means an attorney who is appointed by the Chief Hearing Officer to act in an adjudicative role and fulfill various adjudicative responsibilities and duties described in the Rule 9200 Series regarding disciplinary proceedings, the Rule 9550 Series regarding expedited proceedings, and the Rule 9800 Series regarding temporary cease and desist proceedings brought against members, member organizations and associated persons. Hearing Officers may be drawn from FINRA's pool of Hearing Officers pursuant to the Regulatory Contract, if approved by the Exchange Board of Directors at least annually.

(s) "Hearing Panel"

The term "Hearing Panel" means an Adjudicator that is constituted under Rule 9231 to conduct a disciplinary proceeding governed by the Rule 9200 Series, that is constituted under the Rule 9520 Series or the Rule 9550 Series to conduct a proceeding, or that is constituted under the Rule 9800 Series to conduct a temporary cease and desist proceeding.

(t) "Interested Staff"

The term "Interested Staff" means, in the context of:

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(1) a disciplinary proceeding under the Rule 9200 Series and the Rule 9300 Series:

(A) the Head of the Phlx Regulation Department;
(B) an Exchange employee of the Phlx Regulation Department who reports, directly or indirectly, to the Head of the Phlx Regulation Department;
(C) an Exchange employee who directly participated in the authorization of the complaint;
(D) an Exchange employee who directly participated in an examination, investigation, prosecution, or litigation related to a specific disciplinary proceeding, and a department head to whom such employee reports;
(E) the Head of the Department of Enforcement;
(F) a FINRA employee of the Department of Enforcement who reports, directly or indirectly, to the Head of Enforcement;
(G) a FINRA employee who directly participated in the authorization of the complaint;
(H) a FINRA employee who directly participated in an examination, investigation, prosecution, or litigation related to a specific disciplinary proceeding, and a district director or department head to whom such employee reports;
(I) the Head of the Department of Market Regulation; or
(J) an employee of the Department of Market Regulation who reports, directly or indirectly, to the Head of the Department of Market Regulation; or

(2) a proceeding under the Rule 9520 Series or Rule 9550 Series:

(A) the head of the Exchange or FINRA department or office that issues the notice or petition or is designated as a Party;
(B) an Exchange employee or a FINRA employee who reports, directly or indirectly, to such person;
(C) an Exchange employee or a FINRA employee who directly participated in the authorization or initiation of the proceeding;
(D) an Exchange employee who directly participated in an examination, investigation, prosecution, or litigation related to a specific proceeding, and a department head to whom such employee reports; or
(E) a FINRA employee who directly participated in an examination, investigation, prosecution, or litigation related to a specific proceeding, and a district director or department head to whom such employee reports; or

(3) a proceeding under the Rule 9600 Series:

(A) the head of the Exchange or FINRA department or office that issues the decision granting or denying an exemption or is designated as a Party;
(B) an Exchange employee or a FINRA employee who reports, directly or indirectly, to such person;
(C) an Exchange employee or a FINRA employee who directly participated in the exemption proceeding;
(D) an Exchange employee who directly participated in an examination, investigation, prosecution, or litigation related to a specific exemption proceeding, and a department head to whom such employee reports; or
(E) a FINRA employee who directly participated in an examination, investigation, prosecution, or litigation related to a specific exemption proceeding, and a district director or department head to whom such employee reports; or

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(4) a proceeding under the Rule 9800 Series:

(A) the Head of the Phlx Regulation Department;
(B) an employee of the Phlx Regulation Department who reports, directly or indirectly, to the Head of the Phlx Regulation Department;
(C) the Head of Enforcement;
(D) a FINRA employee who reports, directly or indirectly, to the Head of Enforcement;
(E) an Exchange employee or FINRA employee who directly participated in the authorization of the notice that initiates a temporary cease and desist proceeding;
(F) an Exchange employee or FINRA employee who directly participated in an examination, investigation, prosecution, or litigation related to a specific temporary cease and desist proceeding, and a district director or department head to whom such employee reports;
(G) the Head of the Department of Market Regulation; or
(H) a FINRA employee who reports, directly or indirectly, to the Head of the Department of Market Regulation.

(u) "the Exchange Board"

The term "the Exchange Board" means the Board of Directors of the Exchange.

(v) "Phlx Regulation" or "Phlx Regulation Department"

The term "Phlx Regulation" or "Phlx Regulation Department" means the department of the Exchange that administers the Code, and includes the Phlx Enforcement Department.

(w) "Office of Disciplinary Affairs"

The term "Office of Disciplinary Affairs" means the Office of Disciplinary Affairs for FINRA, acting on behalf of the Exchange pursuant to the FINRA Regulatory Contract.

(x) "Office of Hearing Officers"

The term "Office of Hearing Officers" means the Office of Hearing Officers of FINRA, acting on behalf of the Exchange pursuant to the FINRA Regulatory Contract.

(y) "Panelist"

The term "Panelist," as used in the Rule 9200 Series, the Rule 9550 Series, and the Rule 9800 Series, means a member of a Hearing Panel or Extended Hearing Panel who is not a Hearing Officer. As used in the Rule 9300 Series, the term means a current or former member of the Exchange Review Council or a former Director who is appointed to serve on a Subcommittee or an Extended Proceeding Committee.

(z) "Party"

With respect to a particular proceeding, the term "Party" means:

(1) in the Rule 9200 Series, the Rule 9300 Series, and the Rule 9800 Series, the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation or a Respondent;
(2) in the Rule 9400 Series, the Phlx Regulation Department, Department of Enforcement or the Department of Market Regulation, or a member, member organization or associated person that is the subject of a notice under Rule 9400(a)(2);
(3) in the Rule 9520 Series, the Department of Member Regulation or a member organization that is the subject of a notice or files an application under Rule 9522;
(4) in the Rule 9550 Series, the Exchange or FINRA department or office that issued the notice or, if another Exchange or FINRA department or office is named as the party handling the matter on behalf of the issuing department or office, the Exchange or FINRA department or office that is so designated or a member, member organization or person that is the subject of a notice under the Rule 9550 Series; or

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(5) in the Rule 9600 Series, the department or office designated under Rule 9620 to issue the decision granting or denying an exemption or a member organization that seeks the exemption under Rule 9610.

(aa) "Respondent"

The term "Respondent" means, in a disciplinary proceeding governed by the Rule 9200 Series and in an appeal or review governed by the Rule 9300 Series, an Exchange member, member organization or associated person against whom a complaint is issued. In a proceeding governed by the Rule 9800 Series, the term "Respondent" means an Exchange member, member organization or associated person that has been served a notice initiating a cease and desist proceeding.

(bb) "Review Subcommittee"

The term "Review Subcommittee" means a body appointed by the Exchange Review Council pursuant to the Exchange By-Laws.

(cc) "Statutory Disqualification Committee"

The term "Statutory Disqualification Committee" means a Subcommittee of the Exchange Review Council that makes a recommended decision to grant or deny an application for relief from the eligibility requirements of the Exchange to the Exchange Review Council pursuant to the Rule 9520 Series.

(dd) "Subcommittee"

The term "Subcommittee" means an Adjudicator that is:

(1) constituted under Rule 9331(a) to participate in the Exchange Review Council's consideration of an appeal or a review of a disciplinary proceeding pursuant to the Rule 9300 Series;
(2) constituted under Rule 9559(q) or Rule 9630 to conduct a review proceeding.

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Nasdaq PHLX Rules, Regulation, Rule 9130. Service; Filing of Papers

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Nasdaq PHLX Rules, Regulation, Rule 9131. Service of Complaint and Document Initiating a Proceeding

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(a) Service on Each Party

A complaint shall be served on each Party by the Department of Enforcement or the Department of Market Regulation. A document initiating a proceeding shall be served on each Party by the Party or person initiating such proceeding or his or her counsel or representative.

(b) How Served

A complaint or document initiating a proceeding shall be served pursuant to Rule 9134.

(c) Filing Requirement

A complaint that is served upon a Respondent and each document initiating a proceeding that is served upon a Party, along with the certificate of service executed in connection with the service upon such Respondent or Party, shall be filed with the Phlx Regulation Department pursuant to Rule 9135.

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Nasdaq PHLX Rules, Regulation, Rule 9132. Service of Orders, Notices, and Decisions by Adjudicator

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(a) Service on Each Party

An order, notice, or decision issued by a Hearing Officer, Hearing Panel or Extended Hearing Panel under the Rule 9200 Series shall be served on each Party, or each Party's counsel, or other person the Party designates to represent him or her in a proceeding by the Office of Hearing Officers. An order, notice, or decision issued by any other Adjudicator shall be served by that Adjudicator.

(b) How Served

An order, notice, or decision shall be served pursuant to Rule 9134.

(c) Service Upon Counsel or Other Person Acting In Representative Capacity

Whenever service is required to be made upon a person represented by counsel or a representative who has filed a notice of appearance pursuant to Rule 9141, service shall be made upon counsel or the representative. The Adjudicator, at its discretion, may also order that service be made upon the person.

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Nasdaq PHLX Rules, Regulation, Rule 9133. Service of Papers Other Than Complaints, Orders, Notices, or Decisions

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(a) Service on Each Party

Other than a complaint, order, notice, or decision, any paper, including an answer and a motion, shall be served on each Party by the Party on whose behalf such paper was prepared or by his or her counsel or representative.

(b) How Served

The paper shall be served pursuant to Rule 9134.

(c) Filing Requirement

The paper that is served upon a Party, along with the certificate of service executed in connection with the service upon such Party, shall be filed with the Phlx Regulation Department pursuant to Rule 9135.

(d) Service upon Counsel or Other Person Acting in Representative Capacity

Whenever service is required to be made upon a person represented by counsel or a representative who has filed a notice of appearance pursuant to Rule 9141, service shall be made upon counsel or the representative. The Adjudicator, at its discretion, may also order that service be made upon the person.

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Nasdaq PHLX Rules, Regulation, Rule 9134. Methods of, Procedures for Service

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(a) Methods

The following methods of service are permitted:

(1) **Personal Service**

Personal service may be accomplished by handing a copy of the papers to the person required to be served; leaving a copy at the person's office with an employee or other person in charge thereof; or leaving a copy at the person's dwelling or usual place of abode with a person of suitable age and discretion then residing therein;

(2) **Service by Mail by U.S. Postal Service**

Service by mail may be accomplished by mailing the papers through the U.S. Postal Service by using first class mail, first class certified mail, first class registered mail, or Express Mail, except that a complaint shall be served upon a Respondent by U.S. Postal Service first class certified mail or Express Mail; or

(3) **Service by Courier**

Service by courier may be accomplished by sending the papers through a courier service that generates a written confirmation of receipt or of attempts at delivery.

(b) Procedures

(1) **Service on Natural Persons**

Papers served on a natural person may be served at the natural person's residential address, as reflected in the Central Registration Depository, if applicable. When a Party or other person responsible for serving such person has actual knowledge that the natural person's Central Registration Depository address is out of date, duplicate copies shall be served on the natural person at the natural person's last known residential address and the business address in the Central Registration Depository of the entity with which the natural person is employed or affiliated. Papers may also be served at the business address of the entity with which the natural person is employed or affiliated, as reflected in the Central Registration Depository, or at a business address, such as a branch office, at which the natural person is employed, or at which the natural person is physically present during a normal business day. The Hearing Officer may waive the requirement of serving documents (other than complaints) at the addresses listed in the Central Registration Depository if there is evidence that these addresses are no longer valid, and there is a more current address available. If a natural person is represented by counsel or a representative, papers served on the natural person, excluding a complaint or a document initiating a proceeding, shall be served on the counsel or representative.

(2) **Service on Entities**

Papers served on an entity shall be made by service on an officer, partner of a partnership, managing or general agent, a contact employee as set forth on Form BD, or any other agent authorized by appointment or by law to accept service. Such papers shall be served at the entity's business address as reflected in the Central Registration Depository, if applicable; provided, however, that when the Party or other person responsible for serving such entity has actual knowledge that an entity's Central Registration Depository address is out of date, duplicate copies shall be served at the entity's last known address. If an entity is represented by counsel or a representative, papers served on such entity, excluding a complaint or document initiating a proceeding, shall be served on such counsel or representative.

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(3) **When Service Is Complete**

Personal service and service by courier or express delivery are complete upon delivery. Service by mail is complete upon mailing.

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Nasdaq PHLX Rules, Regulation, Rule 9135. Filing of Papers with Adjudicator: Procedure

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(a) When to File

Papers that are required to be filed with an Adjudicator within a time limit specified by the Adjudicator or within a time limit set forth in the Rules shall be deemed timely if received within the time limit, unless otherwise ordered by an Adjudicator, except complaints, which shall be deemed timely filed upon mailing or delivery to the Office of Hearing Officers. Other papers that are required to be filed shall be deemed timely if, on the same day such papers are served, they are also hand-delivered, mailed via U.S. Postal service first class mail, or sent by courier to the Office of Hearing Officers.

(b) Where to File

All papers required to be filed pursuant to the Rule 9200 Series and any notice of appeal or review required to be filed pursuant to the Rule 9300 Series shall be filed with the Office of Hearing Officers. All other papers required to be filed pursuant to the Rule 9000 Series shall be filed where specified in the Rule, or if not specified in the Rule, with the Adjudicator, unless the Adjudicator orders otherwise.

(c) Certificate of Service

Papers filed with an Adjudicator or the Office of Hearing Officers shall be accompanied by a certificate of service stating the name of the person or persons served, the date on which service is made, the method of service and, if service is not made in person, the address to which service is made. Such certificate shall be executed by the person who made the service. If the method of service on a Party is different from the method of service on any other Party, the certificate shall state why such different method was used.

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Nasdaq PHLX Rules, Regulation, Rule 9136. Filing of Papers: Form

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(a) Specifications

Papers filed in connection with any proceeding under the Rule 9200 Series and the Rule 9300 Series shall:

(1) be on unglazed white paper measuring 8 1/2 × 11 inches, but to the extent that the reduction of a larger document would render it illegible, such document may be filed on larger paper;
(2) be typewritten or printed in either 10 or 12 point typeface or otherwise reproduced by a process that produces a permanent and plainly legible copy;
(3) include at the head of the paper, or on a title page, the title of the proceeding, the names of the Parties, the subject of the particular paper or pleading, and the number assigned to the proceeding;
(4) be paginated at the bottom of the page and with all margins at least one inch wide;
(5) be double-spaced, with double-spaced footnotes and single-spaced indented quotations; and
(6) be stapled, clipped, or otherwise fastened in the upper left corner, but not bound.

(b) Signature Required

All papers shall be signed and dated pursuant to Rule 9137.

(c) Number of Copies

A signed original and three copies of all papers shall be filed with the Adjudicator.

(d) Form of Briefs

A brief containing more than ten pages shall include a table of contents, and an alphabetized table of cases, statutes, and other authorities cited, with references to the pages of the brief wherein they are cited.

(e) Scandalous or Impertinent Matter

Any scandalous or impertinent matter contained in any brief, pleading, or other filing, or in connection with any oral presentation in a proceeding may be stricken on order of an Adjudicator. Any matter stricken by an Adjudicator by this Rule shall be marked "Stricken" and preserved. Matters stricken in a proceeding governed by the Rule 9200 Series shall be preserved under Rule 9267(b).

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Nasdaq PHLX Rules, Regulation, Rule 9137. Filing of Papers: Signature Requirement and Effect

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(a) General Requirements

Following the issuance of a complaint in a disciplinary proceeding, or the initiation of another proceeding, every filing of a Party represented by counsel or a representative shall be signed by at least one counsel or representative of record in his or her name and shall state the business address and telephone number of such counsel or representative. A Party who appears on his or her own behalf shall sign his or her individual name and state his or her address and telephone number on every filing.

(b) Effect of Signature

(1) The signature of a counsel, representative, or Party shall constitute a certification that:

(A) the person signing the filing has read the filing;
(B) to the best of his or her knowledge, information, and belief, formed after reasonable inquiry, the filing is well grounded in fact and is warranted by existing law or a good faith argument for the extension, modification, or reversal of existing law; and
(C) the filing is not made for any improper purpose, such as to harass, cause unnecessary delay, or needlessly to increase the cost of adjudication.

(2) If a filing is not signed, an Adjudicator may strike the filing, unless it is signed promptly after the omission is called to the attention of the person making the filing.

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Nasdaq PHLX Rules, Regulation, Rule 9138. Computation of Time

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(a) Calendar Day

In the Rule 9000 Series, "day" means calendar day.

(b) Formula

In computing any period of time, the day of the act, event, or default from which the period of time designated in the Code begins to run shall not be included. The last day of the period so computed shall be included, unless it is a Saturday, Sunday, or Federal holiday, in which event the period runs until the end of the next day that is not a Saturday, Sunday, or Federal holiday. Intermediate Saturdays, Sundays, and Federal holidays shall be excluded from the computation when the period prescribed is ten days or less, not including any additional time for service by mail allowed by paragraph (c).

(c) Additional Time For Service by Mail

If service is made by U.S. Postal Service first class, certified, or registered mail, three days shall be added to the prescribed period for response.

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Nasdaq PHLX Rules, Regulation, Rule 9140. Proceedings

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Nasdaq PHLX Rules, Regulation, Rule 9141. Appearance and Practice; Notice of Appearance

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(a) Representing Oneself

In any proceeding, a person may appear on his or her own behalf. When a person first makes any filing or otherwise appears on his or her own behalf before an Adjudicator in a proceeding, he or she shall file with the Adjudicator, or otherwise state on the record, and keep current, an address at which any notice or other written communication required to be served upon or furnished to him or her may be sent and a telephone number where he or she may be reached during business hours.

(b) Representing Others

A person shall not be represented before an Adjudicator, except as provided in this paragraph. Subject to the prohibitions of Rules 9150 and 9280, a person may be represented in any proceeding by an attorney at law admitted to practice before the highest court of any state of the United States, the District of Columbia, or any commonwealth, territory, or possession of the United States. A member of a partnership may represent the partnership; and a bona fide officer of a corporation, trust, or association may represent the corporation, trust, or association. When a person first makes any filing or otherwise appears in a representative capacity before an Adjudicator in a proceeding, that person shall file with the Adjudicator, and keep current a Notice of Appearance. The Notice of Appearance is a written notice stating the name of the proceeding; the representative's name, business address, and telephone number; and the name and address of the person or persons represented. Any individual appearing or practicing in a representative capacity before an Adjudicator may be required to file a power of attorney with the Adjudicator showing his or her authority to act in such capacity.

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Nasdaq PHLX Rules, Regulation, Rule 9142. Withdrawal by Attorney or Representative

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An attorney for a Party or other person authorized to represent others by Rule 9141 may withdraw by giving notice to the Adjudicator. The notice shall be in writing, set forth the good cause for withdrawal, and, unless circumstances do not permit, be given at least 30 days prior to withdrawal.

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Nasdaq PHLX Rules, Regulation, Rule 9143. Ex Parte Communications

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(a) Prohibited Communications

Unless on notice and opportunity for all Parties to participate, or to the extent required for the disposition of ex parte matters as authorized by the Rule 9000 Series:

(1) No Party, or counsel to or representative of a Party, or Interested Staff shall make or knowingly cause to be made an ex parte communication relevant to the merits of a proceeding to an Adjudicator who is participating in a decision with respect to that proceeding, or to Exchange Staff who is participating or advising in the decision of an Adjudicator with respect to that proceeding; and

(2) No Adjudicator who is participating in a decision with respect to a proceeding, or no Exchange Staff who is participating or advising in the decision of an Adjudicator with respect to a proceeding shall make or knowingly cause to be made to a Party, a counsel or representative to a Party, or Exchange Staff an ex parte communication relevant to the merits of that proceeding.

(b) Disclosure of Prohibited Communication

An Adjudicator who is participating in a decision with respect to a proceeding, or Exchange Staff who is participating or advising in the decision of an Adjudicator, who receives, makes, or knowingly causes to be made a communication prohibited by this Rule shall place in the record of the proceeding:

(1) all such written communications;
(2) memoranda stating the substance of all such oral communications; and
(3) all written responses and memoranda stating the substance of all oral responses to all such communications.

(c) Remedies

Upon receipt of a communication made or knowingly caused to be made by any Party, any counsel or representative to a Party, or any Interested Staff in violation of subparagraph (a)(1), the Phlx Regulation Department or an Adjudicator may, to the extent consistent with the interests of justice, the policies underlying the Act, and the Rules of the Exchange, order the Party responsible for the communication, or the Party who may benefit from the ex parte communication made, to show cause why the Party's claim or interest in the proceeding should not be dismissed, denied, disregarded, or otherwise adversely affected by reason of such ex parte communication. All participants to a proceeding may respond to any allegations or contentions contained in a prohibited ex parte communication placed in the record. Such responses shall be placed in the record.

(d) Timing

In a disciplinary proceeding governed by the Rule 9200 Series and the Rule 9300 Series, the prohibitions of this Rule shall apply beginning with the authorization of a complaint as provided in Rule 9211, unless the person responsible for the communication has knowledge that the complaint shall be authorized, in which case the prohibitions shall apply beginning at the time of his or her acquisition of such knowledge.

(e) Waiver of Ex Parte Prohibition

(1) **Offer of Settlement**

If a Respondent submits an offer of settlement under Rule 9270, the submission constitutes a waiver by such Respondent of any claim that the prohibitions against ex parte communications were violated by a person or body in connection with such person's or body's participation in discussions regarding the terms and conditions of the offer of settlement and the order of acceptance, or other consideration of the offer of settlement and order of acceptance, including acceptance or rejection of such offer of settlement and order of acceptance.

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(2) **Letter of Acceptance, Waiver, and Consent**

If a member, member organization or a person associated with a member organization submits an executed letter of acceptance, waiver, and consent under Rule 9216(a), the submission constitutes a waiver by such member, member organization or person associated with a member organization of any claim that the prohibitions against ex parte communications were violated by a person or body in connection with such person's or body's participation in discussions regarding the terms and conditions of the letter of acceptance, waiver, and consent, or other consideration of the letter of acceptance, waiver, and consent, including acceptance or rejection of such letter of acceptance, waiver, and consent.

(3) **Minor Rule Violation Plan and Violation Letters**

If a member, member organization or a person associated with a member organization submits an executed minor rule violation plan letter or violation letter under Rule 9216(b), the submission constitutes a waiver by such member, member organization or person associated with a member organization of any claim that the prohibitions against ex parte communications by a person or body in connection with such person's or body's participation in discussions regarding the terms and conditions of the minor rule violation plan letter or violation letter, or other consideration of the minor rule violation plan letter or violation letter, including acceptance or rejection of such minor rule plan violation letter or violation letter.

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Nasdaq PHLX Rules, Regulation, Rule 9144. Separation of Functions

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(a) Interested Staff

Except as counsel or a witness in a proceeding or as provided in the Rule 9550 Series, Interested Staff is prohibited from advising an Adjudicator regarding a decision or otherwise participating in a decision of an Adjudicator. An Adjudicator is prohibited from advising Interested Staff regarding a decision or otherwise participating in a decision of Interested Staff, including the decision to issue a complaint and a decision whether to appeal or cross-appeal a disciplinary proceeding to the Exchange Review Council.

(b) Separation of Adjudicators

A Hearing Officer, including the Chief Hearing Officer, or a Panelist of a Hearing Panel or an Extended Hearing Panel, is prohibited from participating in: a decision whether to issue a complaint pursuant to Rule 9211; a decision whether to appeal or cross-appeal a disciplinary proceeding to the Exchange Review Council pursuant to Rule 9311; and a discussion or decision relating to a call for review, a review, or an appeal pursuant to the Rule 9300 Series. A Director is prohibited from participating in a discussion or a decision relating to the above referenced acts with the Review Subcommittee or the Adjudicators referenced above.

(c) Waiver of Prohibitions of Separation of Functions

(1) **Offer of Settlement**

If a Respondent submits an offer of settlement under Rule 9270, the submission constitutes a waiver by such Respondent of any claim of violation of paragraph (a) or (b) by a person or body in connection with such person's or body's participation in discussions regarding the terms and conditions of the offer of settlement and the order of acceptance, or other consideration of the offer of settlement and order of acceptance, including acceptance or rejection of such offer of settlement and order of acceptance.

(2) **Letter of Acceptance, Waiver, and Consent**

If a member, member organization or a person associated with a member organization submits an executed letter of acceptance, waiver, and consent under Rule 9216(a), the submission constitutes a waiver by such member, member organization or person associated with a member organization of any claim of violation of paragraph (a) or (b) by a person or body in connection with such person's or body's participation in discussions regarding the terms and conditions of the letter of acceptance, waiver, and consent, or other consideration of the proposed letter of acceptance, waiver, and consent, including acceptance or rejection of such letter of acceptance, waiver, and consent.

(3) **Minor Rule Violation Plan and Violation Letters**

If a member, member organization or a person associated with a member organization submits an executed minor rule violation plan letter or violation letter under Rule 9216(b), the submission constitutes a waiver by such member, member organization or person associated with a member organization of any claim of violation of paragraph (a) or (b) by a person or body in connection with such person's or body's participation in discussions regarding the terms and conditions of the minor rule violation plan letter or violation letter, or other consideration of the minor rule violation plan letter or violation letter, including acceptance or rejection of such minor rule violation plan letter or violation letter.

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Nasdaq PHLX Rules, Regulation, Rule 9145. Rules of Evidence; Official Notice

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(a) Rules of Evidence

The formal rules of evidence shall not apply in a proceeding brought under the Rule 9000 Series.

(b) Official Notice

In a proceeding governed by the Rule 9000 Series, an Adjudicator may take official notice of such matters as might be judicially noticed by a court, or of other matters within the specialized knowledge of the Exchange as an expert body. Before an Adjudicator proposes to take official notice of a matter, it shall permit a Party the opportunity to oppose or otherwise comment upon the proposal to take official notice.

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Nasdaq PHLX Rules, Regulation, Rule 9146. Motions

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(a) General Requirement for Motions

A Party may make a written or oral motion, subject to limitations set forth below. A Party or other person may make a motion under Rule 9146(k), subject to limitations set forth below.

(b) Adjudicator May Require a Written Motion

If a Party makes an oral motion, an Adjudicator may order that such motion be set forth in writing, after considering the facts and circumstances, including whether:

(1) the hearing or conference in which the Party makes such motion is being recorded; and
(2) the opposing Parties shall be fully informed and shall have adequate notice and opportunity to respond to such motion.

(c) Specificity

All motions shall state the specific relief requested and the basis therefor.

(d) Time For Filing Opposition or Other Response to Motion

Unless otherwise ordered by an Adjudicator, any Party may file an opposition or other response to a written motion and the opposition or response shall be filed within 14 days after service of the motion. If no response is filed within the response period, the Party failing to respond shall be deemed to have waived any objection to the granting of the motion. A Party shall be afforded an opportunity to respond to an oral motion at the time the oral motion is made, unless the Adjudicator orders that the Party shall be granted additional time to respond.

(e) Oral Argument

An Adjudicator may allow oral argument on motions. Oral argument may take place in person or by telephone.

(f) Frivolous Motions

An Adjudicator may deny dilatory, repetitive, or frivolous motions without awaiting a response.

(g) No Stay

Unless otherwise ordered by an Adjudicator, the filing of a motion does not stay a proceeding.

(h) Reply

The moving Party shall have no right to reply to the opposition or other response of the other Parties unless an Adjudicator permits a reply to be filed. Unless otherwise ordered by an Adjudicator, a movant's reply submission shall be filed within five days after the Adjudicator serves the order granting the motion to file a reply or a Party serves the opposition or other response to which the Adjudicator previously ordered that a reply could be filed.

(i) Page Limit, Format Requirements

Unless otherwise ordered by an Adjudicator, submissions in support of or in opposition to motions shall not exceed ten double-spaced pages, including double-spaced footnotes, exclusive of pages containing any table of contents, table of authorities, or addenda.

(j) Disposition of Procedural Motions; Disposition of Motions for Summary Disposition

(1) In the Rule 9200 Series, a motion on a procedural matter may be decided by a Hearing Officer. A motion for summary disposition of a cause of action set forth in a complaint shall be decided by a majority vote of the Hearing Panel or, if applicable, the Extended Hearing Panel.
(2) In the Rule 9300 Series, a motion on a procedural matter may be decided by Counsel to the Exchange Review Council, the Review Subcommittee, a Subcommittee or, if applicable, an Extended Proceeding Committee, or the Exchange Review Council. A motion for disposition of a cause of action shall be

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decided by the Exchange Review Council, except that a motion to dismiss a case for abandonment made under Rule 9344 may be decided by the Review Subcommittee.

(3) In the Rule 9500 Series, a motion shall be decided by an Adjudicator.

(k) Motion For Protective Order

(1) A Party, a person who is the owner, subject, or creator of a Document subject to production under Rule 8210 or any other Rule which may be introduced as evidence in a disciplinary proceeding, or a witness who testifies at a hearing in a disciplinary proceeding may file a motion requesting a protective order to limit disclosure or prohibit from disclosure to other Parties, witnesses or other persons, except the Department of Enforcement and the Department of Market Regulation and the Phlx Regulation Department staff, Documents or testimony that contain confidential information. The motion shall include a general summary or extract of the Documents or testimony without revealing confidential details. If the movant seeks a protective order against disclosure to other Parties, copies of the Documents shall not be served on the other Parties. Unless the Documents are unavailable, the movant shall file for in camera inspection a sealed copy of the Documents for which the order is sought. If the movant is not a Party, the motion shall be served on each Party by the movant using a method in Rule 9134(a) and filed with the Adjudicator. A motion for a protective order shall be granted only upon a finding that disclosure of the Document or testimony would have a demonstrated adverse business effect on the movant or would involve an unreasonable breach of the movant's personal privacy.

(2) If a protective order is granted, the order shall set forth the restrictions on use and disclosure of such Document or testimony. An Adjudicator does not have the authority to issue a protective order that would limit in any manner the use by the staff of the Phlx Regulation Department of such Documents or testimony in the Phlx Regulation Department staff's performance of their regulatory and self-regulatory responsibilities and functions, including the transmittal, without restriction to the recipient, of such Documents or testimony to state, federal, or foreign regulatory authorities or other self-regulatory organizations. An Adjudicator does not have the authority to issue a protective order that purports to protect from production such Documents or testimony in the event that the Exchange is subject to a subpoena requiring that the Documents or testimony be produced.

(l) General

All motions, oppositions or responses, replies, and any other filings made in a proceeding shall comply with Rules 9133, 9134, 9135, 9136 and 9137.

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Nasdaq PHLX Rules, Regulation, Rule 9147. Rulings On Procedural Matters

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The Exchange Board, the Exchange Review Council, a Hearing Officer, or any other Adjudicator shall have full authority, except as otherwise provided by the Code, to rule on a procedural motion and any other procedural or administrative matter arising during the course of a proceeding conducted pursuant to the Code, subject to the rights of review or appeal provided by the Code.

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Nasdaq PHLX Rules, Regulation, Rule 9148. Interlocutory Review

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Except as provided in Rule 9280, there shall be no interlocutory review of a ruling or order issued by any Adjudicator in a proceeding governed by the Code. If an Adjudicator grants interlocutory review of a ruling or order, such review shall not stay a proceeding, except under Rule 9280 or as otherwise ordered by the Adjudicator.

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Nasdaq PHLX Rules, Regulation, Rule 9150. Exclusion from Rule 9000 Series Proceeding

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(a) Exclusion

An Adjudicator may exclude an attorney for a Party or other person authorized to represent others by Rule 9141 from acting as counsel, acting in any representative capacity, or otherwise appearing in a particular Rule 9000 Series proceeding for contemptuous conduct under Rule 9280 or unethical or improper professional conduct in that proceeding. If an attorney for a Party, or other person authorized to represent others by Rule 9141, is excluded from a disciplinary hearing or conference, or any portion thereof, such attorney or person may seek review by the Exchange Review Council of such exclusion under Rule 9280(c).

(b) Other Proceedings Not Precluded

Prohibiting an attorney or other person authorized to represent others by Rule 9141 from practicing or appearing in an Exchange proceeding shall not preclude the Exchange from initiating other proceedings against such person.

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Nasdaq PHLX Rules, Regulation, Rule 9160. Recusal or Disqualification

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No person shall participate as an Adjudicator in a matter governed by the Code as to which he or she has a conflict of interest or bias, or circumstances otherwise exist where his or her fairness might reasonably be questioned. In any such case the person shall recuse himself or herself, or shall be disqualified as follows:

(a) Exchange Board

The Chair of the Exchange Board shall have authority to order the disqualification of a Director, and a majority of the Exchange Board excluding the Chair of the Exchange Board, shall have authority to order the disqualification of the Chair;

(b) Exchange Review Council, Review Subcommittee, or Certain Subcommittees

The Chair of the Exchange Review Council shall have authority to order the disqualification of a member of the Exchange Review Council or the Review Subcommittee, a member of a Subcommittee appointed pursuant to Rule 9559(q) or the Rule 9600 Series, a Hearing Panel appointed pursuant to the Rule 9520 Series, and the Statutory Disqualification Committee; and a majority of the Exchange Review Council excluding the Chair of the Exchange Review Council shall have authority to order the disqualification of the Chair of the Exchange Review Council;

(c) Rule 9331 Subcommittee or Extended Proceeding Committee

Disqualification of a Panelist of a Subcommittee or Extended Proceeding Committee appointed under the Rule 9300 Series shall be governed by Rule 9332;

(d) Reserved

(e) Panelist of Hearing Panel or Extended Hearing Panel

Disqualification of a Panelist of a Hearing Panel or Extended Hearing Panel appointed under the Rule 9200 Series shall be governed by Rule 9234; and

(f) Hearing Officer

Disqualification of a Hearing Officer of a Hearing Panel or an Extended Hearing Panel shall be governed by Rule 9233.

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Nasdaq PHLX Rules, Regulation, Rule 9200. Disciplinary Proceedings

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Nasdaq PHLX Rules, Regulation, Rule 9210. Complaint and Answer

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Nasdaq PHLX Rules, Regulation, Rule 9211. Authorization of Complaint

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(a) Complaint

(1) If the Phlx Regulation Department, Department of Enforcement, or the Department of Market Regulation believes that any Exchange member, member organization or associated person is violating or has violated any rule, regulation, or statutory provision, including the federal securities laws and the regulations thereunder, which the Exchange has jurisdiction to enforce, the Phlx Regulation Department, the Department of Enforcement, or the Department of Market Regulation may request authorization from the FINRA Office of Disciplinary Affairs to issue a complaint.

When the number of violations under Exchange Rules is determined based upon an exception-based surveillance program, the Phlx Regulation Department, Department of Enforcement, or the Department of Market Regulation may aggregate, or "batch," individual violations of Exchange order handling Rules and consider such "batched" violations as a single offense only in accordance with the guidelines set forth in the Exchange's Numerical Criteria for Bringing Cases for Violations of Exchange Order Handling Rules. In addition, the Phlx Regulation Department, Department of Enforcement, or the Department of Market Regulation may batch individual violations of Rule 1014(c)(i)(A) pertaining to quote spread parameters (and corresponding Options Floor Procedure Advice F-6). In the alternative, the Phlx Regulation Department, Department of Enforcement, or the Department of Market Regulation may request authorization from the FINRA Office of Disciplinary Affairs to issue a complaint when (i) the Phlx Regulation Department, Department of Enforcement, or the Department of Market Regulation determines that there exists a pattern or practice of violative conduct without exceptional circumstances, or (ii) any single instance of violative conduct without exceptional circumstances is deemed to be egregious.

(2) The Exchange Board shall have the authority to direct the Phlx Regulation Department, including the FINRA Office of Disciplinary Affairs, to authorize and the Department of Enforcement or the Department of Market Regulation to issue a complaint when, on the basis of information and belief, the Exchange Board is of the opinion that any Exchange member, member organization or associated person is violating or has violated any rule, regulation, or statutory provision, including the federal securities laws and the regulations thereunder, which the Exchange has jurisdiction to enforce.

(b) Commencement of Disciplinary Proceeding

A disciplinary proceeding shall begin when the complaint is served and filed.

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Nasdaq PHLX Rules, Regulation, Rule 9212. Complaint Issuance — Requirements, Service, Amendment, Withdrawal, and Docketing

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(a) Form, Content, Notice, Docketing, and Service

(1) If a complaint is authorized, the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation shall issue the complaint. Each complaint shall be in writing and signed by the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation. The complaint shall specify in reasonable detail the conduct alleged to constitute the violative activity and the rule, regulation, or statutory provision the Respondent is alleged to be violating or to have violated. If the complaint consists of several causes of action, each cause shall be stated separately. Complaints shall be served by the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation on each Party pursuant to Rules 9131 and 9134, and filed at the time of service with the Office of Hearing Officers pursuant to Rules 9135, 9136, and 9137.

(2) At the time of issuance of a complaint, the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation may propose an appropriate location for the hearing.

(b) Amendments to Complaint

The Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation may file and serve an amended complaint once as a matter of course at any time before the Respondent answers the complaint. Otherwise, upon motion by the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation, the Hearing Officer may permit the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation to amend the complaint, including amendments so as to make the complaint conform to the evidence presented, after considering whether the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation has shown good cause for the amendment and whether any

Respondent will suffer any unfair prejudice if the amendment is allowed. Amendments to complaints will be freely granted when justice so requires.

(c) Withdrawal of Complaint

With prior leave of the Hearing Officer, the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation may withdraw a complaint. If the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation withdraws the complaint before the earlier of (1) the Hearing Panel's or, if applicable, the Extended Hearing Panel's, issuance of a ruling on a motion for summary disposition, or (2) the start of the hearing on the merits, the withdrawal of the complaint by the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation shall be without prejudice and the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation shall be permitted to refile a case based on allegations concerning the same facts and circumstances that are set forth in the withdrawn complaint. If the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation requests to withdraw such complaint after the occurrence of either of the two events set forth in (1) and (2) in this paragraph, the Hearing Panel or, if applicable, the Extended Hearing Panel, after considering the facts and circumstances of the request, shall determine whether the withdrawal shall be granted with prejudice.

(d) Disciplinary Proceeding Docket

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The Office of Hearing Officers shall promptly record each complaint filed with it in the Exchange's disciplinary proceeding docket, and record in the disciplinary proceeding docket each event, filing, and change in the status of a disciplinary proceeding.

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Nasdaq PHLX Rules, Regulation, Rule 9213. Assignment of Hearing Officer and Appointment of Panelists to Hearing Panel or Extended Hearing Panel

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(a) Assignment of Hearing Officer

As soon as practicable after the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation has filed a complaint with the Office of Hearing Officers, the Chief Hearing Officer shall assign a Hearing Officer to preside over the disciplinary proceeding and shall serve the Parties with notice of the Hearing Officer's assignment pursuant to Rule 9132.

(b) Appointment of Panelists

As soon as practicable after assigning a Hearing Officer to preside over a disciplinary proceeding, the Chief Hearing Officer shall appoint Panelists pursuant to Rules 9231 and 9232 to a Hearing Panel or, if the Chief Hearing Officer determines that an Extended Hearing Panel should be appointed, to an Extended Hearing Panel.

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Nasdaq PHLX Rules, Regulation, Rule 9214. Consolidation or Severance of Disciplinary Proceedings

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(a) Consolidation Initiated by Chief Hearing Officer

The Chief Hearing Officer may order the consolidation of two or more disciplinary proceedings, upon his or her own motion, under circumstances where such consolidation would further the efficiency of the disciplinary process, and where the subject complaints involve common questions of law or fact, or one or more of the same Respondents. In determining whether to order the consolidation of such disciplinary proceedings, the Chief Hearing Officer shall consider:

(1) whether the same or similar evidence reasonably would be expected to be offered at each of the hearings;
(2) whether the proposed consolidation would conserve the time and resources of the Parties; and
(3) whether any unfair prejudice would be suffered by one or more Parties as a result of the consolidation.

If the Chief Hearing Officer proposes to consolidate two or more disciplinary proceedings, the Chief Hearing Officer shall serve upon the Parties notice of the proposed consolidation of disciplinary proceedings, together with a copy of each relevant complaint and any answer that has been filed thereto, pursuant to Rule 9132. The Parties shall have 14 days after service to file a response, stating any arguments in favor of or opposition to consolidation.

(b) Consolidation Initiated by a Party

A Party may file a motion to consolidate two or more disciplinary proceedings if such consolidation would further the efficiency of the disciplinary process, if the subject complaints involve common questions of law or fact or one or more of the same Respondents, or if one or more of the factors favoring consolidation set forth in paragraph (a) appear to be present. If a Party moves to consolidate two or more disciplinary proceedings, the Party shall file such motion, together with a copy of each relevant complaint and any answer thereto that has been filed, with the Office of Hearing Officers, and, pursuant to Rule 9133, shall serve the same upon the Parties in each of the cases proposed to be consolidated. The Parties shall have 14 days after service to file a response, stating any arguments in favor of or opposition to consolidation, and shall serve the response upon the Parties in each of the cases proposed to be consolidated. The Chief Hearing Officer shall issue an order approving or denying the request for consolidation.

(c) Impact on Hearing Panel or Extended Hearing Panel

If the Chief Hearing Officer issues an order to consolidate two or more disciplinary proceedings for which Hearing Panels or, if applicable, Extended Hearing Panels, have been appointed, the Chief Hearing Officer's order shall specify which Hearing Panel or, if applicable, Extended Hearing Panel, shall preside over the consolidated disciplinary proceeding, or shall appoint a new Hearing Panel or, if applicable, Extended Hearing Panel, to preside, based on the criteria set forth in Rules 9231 and 9232.

(d) Severance Initiated by Chief Hearing Officer

The Chief Hearing Officer may order the severance of a disciplinary proceeding into two or more disciplinary proceedings, upon his or her own motion. In determining whether to order the severance of such disciplinary proceedings, the Chief Hearing Officer shall consider:

(1) whether the same or similar evidence reasonably would be expected to be offered at each of the possible hearings;
(2) whether the severance would conserve the time and resources of the Parties; and
(3) whether any unfair prejudice would be suffered by one or more Parties if the severance is (not) ordered.

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If the Chief Hearing Officer proposes to sever a disciplinary proceeding, the Chief Hearing Officer shall serve upon the Parties notice of the proposed severance of disciplinary proceedings pursuant to Rule 9132. The Parties shall have 14 days after service to file a response, stating any arguments in favor of or opposition to severance.

(e) Severance Initiated by a Party

A Party may file a motion to sever a disciplinary proceeding if one or more of the factors favoring severance set forth in paragraph (d) appear to be present. If a Party moves to sever a disciplinary proceeding, the Party shall file such motion with the Office of Hearing Officers, and, pursuant to Rule 9133, shall serve the same upon each of the parties to the action proposed to be severed. The Parties shall have 14 days after service to file a response, stating any arguments in favor of or opposition to severance, and shall serve the response upon the Parties in the case proposed to be severed. The Chief Hearing Officer shall issue an order approving or denying the request for severance.

(f) Impact on Hearing Panel or Extended Hearing Panel of Severance

If the Chief Hearing Officer issues an order to sever a disciplinary proceeding for which a Hearing Panel or, if applicable, Extended Hearing Panel, has been appointed, the Chief Hearing Officer's order shall specify whether the same Hearing Panel or, if applicable, Extended Hearing Panel, shall preside over the severed disciplinary proceedings, or shall appoint a new Hearing Panel(s) or, if applicable, Extended Hearing Panel(s), to preside over any or all of the severed proceedings, based on the criteria set forth in Rules 9231 and 9232.

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Nasdaq PHLX Rules, Regulation, Rule 9215. Answer to Complaint

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(a) Form, Service, Notice

Pursuant to Rule 9133, each Respondent named in a complaint shall serve an answer to the complaint on all other Parties within 25 days after service of the complaint on such Respondent, and at the time of service shall file such answer with the Office of Hearing Officers pursuant to Rules 9135, 9136 and 9137. The Hearing Officer assigned to a disciplinary proceeding pursuant to Rule 9213 may extend such period for good cause. Upon the receipt of a Respondent's answer, the Office of Hearing Officers shall promptly send written notice of the receipt of such answer to all Parties.

(b) Content, Affirmative Defenses

Unless otherwise ordered by the Hearing Officer, an answer shall specifically admit, deny, or state that the Respondent does not have and is unable to obtain sufficient information to admit or deny, each allegation in the complaint. When a Respondent intends to deny only part of an allegation, the Respondent shall specify so much of it as is admitted and deny only the remainder. A statement of lack of information shall be deemed a denial. Any allegation not denied in whole or in part shall be deemed admitted. Any affirmative defense shall be asserted in the answer.

(c) Motion for More Definite Statement

A Respondent may file with an answer a motion for a more definite statement of specified matters of fact or law to be considered or determined. Such motion shall state why each such matter of fact or law should be required to be made more definite. If the motion is granted, the order granting such motion shall set the periods for filing such a statement and any answer thereto.

(d) Amendments to Answer

Upon motion by a Respondent, the Hearing Officer may, after considering good cause shown by the Respondent and any unfair prejudice which may result to any other Party, permit an answer to be amended.

(e) Extension of Time to Answer Amended Complaint

If a complaint is amended pursuant to Rule 9212(b), the time for filing an answer or amended answer shall be the greater of the original time period within which the Respondent is required to respond, or 14 days after service of the amended complaint. If any Respondent has already filed an answer, such Respondent shall have 14 days after service of the amended complaint, unless otherwise ordered by the Hearing Officer, within which to file an amended answer.

(f) Failure to Answer, Default

If a Respondent does not file an answer or make any other filing or request related to the complaint with the Office of Hearing Officers within the time required, the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation shall send a second notice to such Respondent requiring an answer within 14 days after service of the second notice. The second notice shall state that failure of the Respondent to reply within the period specified shall allow the Hearing Officer, in the exercise of his or her discretion, pursuant to Rule 9269 to: (1) treat as admitted by the Respondent the allegations in the complaint; and (2) issue a default decision against the Respondent. If the Respondent fails to file an answer with the Office of Hearing Officers within the time required, the Hearing Officer may issue, a default decision against the Respondent pursuant to Rule 9269.

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Nasdaq PHLX Rules, Regulation, Rule 9216. Acceptance, Waiver, and Consent; Violation of Floor Procedure Advices; Violation of Order and Decorum Regulations

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(a) Acceptance, Waiver, and Consent Procedures

(1) Notwithstanding Rule 9211, if the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation has reason to believe a violation has occurred and the member, member organization or associated person does not dispute the violation, the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation may prepare and request that the member, member organization or associated person execute a letter accepting a finding of violation, consenting to the imposition of sanctions, and agreeing to waive such member's, member organization's or associated person's right to a hearing before a Hearing Panel or, if applicable, an Extended Hearing Panel, and any right of appeal to the Exchange Review Council, the Commission, and the courts, or to otherwise challenge the validity of the letter, if the letter is accepted. The letter shall describe the act or practice engaged in or omitted, the rule, regulation, or statutory provision violated, and the sanction or sanctions to be imposed. Unless the letter states otherwise, the effective date of any sanction(s) imposed will be a date to be determined by the Phlx Regulation Department staff.

(2)

(A) If a member, member organization or person associated with a member organization submits an executed letter of acceptance, waiver, and consent, by the submission such member, member organization or person associated with a member organization also waives:

(i) any right of such member, member organization or person associated with a member organization to claim bias or prejudgment of the Chief Regulatory Officer, the Exchange Review Council, or any member of the Exchange Review Council, in connection with such person's or body's participation in discussions regarding the terms and conditions of the letter of acceptance, waiver, and consent, or other consideration of the letter of acceptance, waiver, and consent, including acceptance or rejection of such letter of acceptance, waiver, and consent; and

(ii) any right of such member, member organization or person associated with a member organization to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the letter of acceptance, waiver, and consent, or other consideration of the letter of acceptance, waiver, and consent, including acceptance or rejection of such letter of acceptance, waiver, and consent.

(B) If a letter of acceptance, waiver, and consent is rejected, the member, member organization or associated person shall be bound by the waivers made under subparagraphs (a)(1) and (a)(2)(A) for conduct by persons or bodies occurring during the period beginning on the date the letter of acceptance, waiver, and consent was executed and submitted and ending upon the rejection of the letter of acceptance, waiver, and consent.

(3) If the member, member organization or associated person executes the letter of acceptance, waiver, and consent, it shall be submitted to the Exchange Review Council. The Review Subcommittee or the Office of Disciplinary Affairs may accept such letter or refer it to the Exchange Review Council for acceptance or rejection by the Exchange Review Council. The Review Subcommittee may reject such letter or refer it to the Exchange Review Council for acceptance or rejection by the Exchange Review Council.

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(4) If the letter is accepted by the Exchange Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs, it shall be deemed final and shall constitute the complaint, answer, and decision in the matter. If the letter is rejected by the Review Subcommittee or the Exchange Review Council, the Phlx Regulation Department may take any other appropriate disciplinary action with respect to the alleged violation or violations. If the letter is rejected, the member, member organization or associated person shall not be prejudiced by the execution of the letter of acceptance, waiver, and consent under subparagraph (a)(1) and the letter may not be introduced into evidence in connection with the determination of the issues set forth in any complaint or in any other proceeding.

(b) Procedure for Violation of Floor Procedure Advices Other than Regulations Concerning Violation of Order, Decorum, Health, Safety and Welfare on the Exchange

(1) The following process is followed for fines assessed under a plan pursuant to SEC Rule 19d-1(c)(2):

(A) Notwithstanding Rule 9211, the Exchange Review Council may, subject to the requirements set forth in subparagraphs (b)(1)(B) through (b)(1)(E) and in SEC Rule 19d-1(c)(2), impose a fine (not to exceed $2,500) on any member, member organization, or any partner, officer, director or person employed by or associated with any member organization with respect to any rule listed in IM-9216. If the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation has reason to believe a violation has occurred and if the member, member organization or associated person does not dispute the violation, the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation may prepare and request that the member, member organization or associated person execute a minor rule violation plan letter accepting a finding of violation, consenting to the imposition of sanctions, and agreeing to waive such member's, member organization's or associated person's right to a hearing before a Hearing Panel or, if applicable, an Extended Hearing Panel, and any right of appeal to the Exchange Review Council, the Commission, and the courts, or to otherwise challenge the validity of the letter, if the letter is accepted. The letter shall describe the act or practice engaged in or omitted, the rule, regulation, or statutory provision violated, and the sanction or sanctions to be imposed. Unless the letter states otherwise, the effective date of any sanction(s) imposed will be a date to be determined by the Phlx Regulation Department staff.

(B)

(i) If a member, member organization or person associated with a member organization submits an executed minor rule violation plan letter, by the submission such member, member organization or person associated with a member organization also waives:

(a) any right of such member, member organization or person associated with a member organization to claim bias or prejudgment of the Chief Regulatory Officer, the Exchange Review Council, or any member of the Exchange Review Council, in connection with such person's or body's participation in discussions regarding the terms and conditions of the minor rule violation plan letter or other consideration of the minor rule violation plan letter, including acceptance or rejection of such minor rule violation plan letter; and

(b) any right of such member, member organization or person associated with a member organization to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the minor rule violation

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plan letter or other consideration of the minor rule violation plan letter, including acceptance or rejection of such minor rule violation plan letter.

(ii) If a minor rule violation plan letter is rejected, the member, member organization or person associated with a member organization shall be bound by the waivers made under subparagraphs (b)(1)(A) and (b)(1)(B)(i) for conduct by persons or bodies occurring during the period beginning on the date the minor rule violation plan letter was executed and submitted and ending upon the rejection of the minor rule violation plan letter.

(C) If the member, member organization or person associated with a member organization executes the minor rule violation plan letter, it shall be submitted to the Exchange Review Council. The Review Subcommittee or the Office of Disciplinary Affairs may accept such letter or refer it to the Exchange Review Council for acceptance or rejection by the Exchange Review Council. The Review Subcommittee may reject such letter or refer it to the Exchange Review Council for acceptance or rejection by the Exchange Review Council.

(D) If the letter is accepted by the Exchange Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs, it shall be deemed final and the Exchange shall report the violation to the Commission as required by the Commission pursuant to a plan approved under SEC Rule 19d-1(c)(2). If the letter is rejected by the Review Subcommittee or the Exchange Review Council, the Phlx Regulation Department may take any other appropriate disciplinary action with respect to the alleged violation or violations. If the letter is rejected, the member, member organization or associated person shall not be prejudiced by the execution of the minor rule violation plan letter under subparagraph (b)(1)(A) and the letter may not be introduced into evidence in connection with the determination of the issues set forth in any complaint or in any other proceeding.

(E) For purposes of imposing fines under the Option Floor Procedure Advices, when the number of violations under Exchange Rules is determined based upon an exception-based surveillance program the Phlx Regulation Department, Department of Enforcement, or the Department of Market Regulation may aggregate, or "batch," individual violations of order handling Options Floor Procedure Advices, and consider such "batched" violations as a single Occurrence only in accordance with the guidelines set forth in the Exchange's Numerical Criteria for Bringing Cases for Violations of Phlx Order Handling Rules. In addition, the Phlx Regulation Department, Department of Enforcement, or the Department of Market Regulation may batch individual violations of Rule 1014(c)(i)(A) pertaining to quote spread parameters (and corresponding Options Floor Procedure Advice F-6). In the alternative, the Phlx Regulation Department, Department of Enforcement, or the Department of Market Regulation may request authorization from the FINRA Office of Disciplinary Affairs to issue a complaint when (i) the Phlx Regulation Department, Department of Enforcement, or the Department of Market Regulation determines that there exists a pattern or practice of violative conduct without exceptional circumstances, or (ii) any single instance of violative conduct without exceptional circumstances is deemed to be egregious.

(2) The following process is followed for fines assessed that are not subject to a plan pursuant to SEC Rule 19d-1(c)(2):

(A) Notwithstanding Rule 9211, the Exchange Review Council may, subject to the requirements set forth in subparagraphs (b)(2)(B) through (b)(2)(E), impose a fine, in excess of $2,500 but not to exceed $10,000, on any member, member organization, or any partner, officer, director or person employed by or associated with any member organization with respect to any rule listed in IM-9216. If the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation has reason to believe a violation has occurred and if the member, member organization or associated person does not dispute the violation, the Phlx Regulation Department, the Department of Enforcement or the Department of Market

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Regulation may prepare and request that the member, member organization or associated person execute a violation letter accepting a finding of violation, consenting to the imposition of sanctions, and agreeing to waive such member's, member organization's or associated person's right to a hearing before a Hearing Panel or, if applicable, an Extended Hearing Panel, and any right of appeal to the Exchange Review Council, the Commission, and the courts, or to otherwise challenge the validity of the letter, if the letter is accepted. The letter shall describe the act or practice engaged in or omitted, the rule, regulation, or statutory provision violated, and the sanction or sanctions to be imposed. Unless the letter states otherwise, the effective date of any sanction(s) imposed will be a date to be determined by the Phlx Regulation Department staff.

(B)

(i) If a member, member organization or person associated with a member organization submits an executed violation letter, by the submission such member, member organization or person associated with a member organization also waives:

(a) any right of such member, member organization or person associated with a member organization to claim bias or prejudgment of the Chief Regulatory Officer, the Exchange Review Council, or any member of the Exchange Review Council, in connection with such person's or body's participation in discussions regarding the terms and conditions of the violation letter or other consideration of the violation letter, including acceptance or rejection of such violation letter; and

(b) any right of such member, member organization or person associated with a member organization to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the violation letter or other consideration of the violation letter, including acceptance or rejection of such violation plan letter.

(ii) If a violation letter is rejected, the member, member organization or person associated with a member organization shall be bound by the waivers made under subparagraphs (b)(2)(A) and (b)(2)(B)(i) for conduct by persons or bodies occurring during the period beginning on the date the violation plan letter was executed and submitted and ending upon the rejection of the violation letter.

(C) If the member, member organization or associated person executes the violation letter, it shall be submitted to the Exchange Review Council. The Review Subcommittee or the Office of Disciplinary Affairs may accept such letter or refer it to the Exchange Review Council for acceptance or rejection by the Exchange Review Council. The Review Subcommittee may reject such letter or refer it to the Exchange Review Council for acceptance or rejection by the Exchange Review Council.

(D) If the letter is accepted by the Exchange Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs, it shall be deemed final and the Exchange shall report the violation to the Commission as required by the Commission pursuant to SEC Rule 19d-1(c)(1). If the letter is rejected by the Review Subcommittee or the Exchange Review Council, the Phlx Regulation Department may take any other appropriate disciplinary action with respect to the alleged violation or violations. If the letter is rejected, the member, member organization or associated person shall not be prejudiced by the execution of the violation letter under subparagraph (b)(2)(A) and the letter may not be introduced into evidence in

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connection with the determination of the issues set forth in any complaint or in any other proceeding.

(E) For purposes of imposing fines under the Option Floor Procedure Advices, when the number of violations under Exchange Rules is determined based upon an exception-based surveillance program the Phlx Regulation Department, Department of Enforcement, or the Department of Market Regulation may aggregate, or "batch," individual violations of order handling Options Floor Procedure Advices, and consider such "batched" violations as a single Occurrence only in accordance with the guidelines set forth in the Exchange's Numerical Criteria for Bringing Cases for Violations of Phlx Order Handling Rules. In addition, the Phlx Regulation Department, Department of Enforcement, or the Department of Market Regulation may batch individual violations of Rule 1014(c)(i)(A) pertaining to quote spread parameters (and corresponding Options Floor Procedure Advice F-6). In the alternative, the Phlx Regulation Department, Department of Enforcement, or the Department of Market Regulation may request authorization from the FINRA Office of Disciplinary Affairs to issue a complaint when (i) the Phlx Regulation Department, Department of Enforcement, or the Department of Market Regulation determines that there exists a pattern or practice of violative conduct without exceptional circumstances, or (ii) any single instance of violative conduct without exceptional circumstances is deemed to be egregious.

(c) Procedure for Violation of Regulations that Relate to Administration of Order, Decorum, Health, Safety and Welfare on the Exchange

Notwithstanding Rule 9211 and paragraph (b) above, an Options Exchange Official or Exchange Staff may impose the following sanctions on members, member organizations and associated persons for violations of regulations relating to order, decorum, health, safety and welfare under Section H of the Option Floor Procedure Advices. In most cases, the Exchange will enforce compliance with the regulations under Section H of the Option Floor Procedure Advices pursuant to this rule. While ordinarily a finding of a violation will result in the appropriate pre-set fine and/or sanction, an Options Exchange Official or Exchange Staff may request authorization of a complaint directly from the Office of Disciplinary Affairs, or refer the matter to the Department of Enforcement or the Department of Market Regulation, where it shall proceed in accordance with the Rule 8000 and 9000 Series. In the case of repeat violations of a regulation by the same individual, the amount of the fine is determined by the number of such violations which have occurred within the year immediately preceding the current violation.

(1) An Options Exchange Official and Exchange Staff may impose on members, member organizations and associated persons, fines for breaches of regulations that relate to administration of order, decorum, health, safety, and welfare on the Exchange or an Options Exchange Official may request authorization of a complaint directly from the Office of Disciplinary Affairs, or refer the matter to

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the Department of Enforcement or the Department of Market Regulation, where it shall proceed in accordance with Rule 8000 and 9000 Series.

The procedure to be followed in cases where a pre-set fine of up to $10,000.00 is summarily assessed is as follows:

(A) **Notice of Fine.** Notice of fine for breach of such regulations shall be given by the issuance of a written citation. Exchange Staff shall serve the written citations that are issued by the Options Exchange Official. The cited party may accept or contest the written citation.

(B) **Time and Place of Hearing.** If the written citation is contested, the Exchange shall fix a mutually convenient time and place of hearing, notice of which must be given in advance and may be given orally.

(C) **Record.** An appropriate record shall be kept. The costs of the making of such a transcript, including, but not limited to, the costs for the court reporter, reproduction of the transcript and producing copies thereof, shall be equally borne by the Exchange and by the cited party.

(D) **Procedure.** The hearing shall be conducted by a Hearing Director appointed by the Chair of the Exchange Review Council, and will be conducted in whatever manner will permit full presentation of the evidence.

(E) **Finding.** The finding of the Hearing Director shall be rendered at the close of the hearing. The Hearing Director may decide that: (i) the citation should be overturned; (ii) the citation is valid as issued; or (iii) the citation as issued should be modified to specify either a higher or lower fine than the one on the notice as issued.

(F) **Forum Fee.** If a person contests a citation imposed under Rule 9216(c) and the citation is upheld by the reviewing body, the reviewing body will impose a forum fee against the person in the amount of $100.

(G) **No Right of Appeal.** The finding of the Hearing Director shall be final. There shall be no appeal from such finding.

(H) **Report to Securities and Exchange Commission (SEC).** A report in appropriate form shall be made to the SEC. As provided by SEC Rule 19d-1(c)(1), no report shall be made in the case of citations for breaches of regulations relating to order, decorum, health, safety and welfare or administration of the Exchange if a citation is not contested and the fine is $1,000 or less, or if the Hearing Director finds in favor of the appellant.

(2) An Options Exchange Official and an officer of the Exchange may exclude a member and any associated person from the trading floor for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange that occurred on the trading floor or on the premises immediately adjacent to the trading floor. Specifically, members and associated persons shall be excluded if they pose an immediate threat to the safety of persons or property, are seriously disrupting Exchange operations, or are in possession of a firearm. Members or associated persons so excluded may be excluded for a period of up to five (5) business days.

(A) For purposes of this Rule, an "officer of the Exchange" shall refer to an officer who is a vice president or higher.

(B) For purposes of this Rule and the Regulations promulgated thereunder, the "premises immediately adjacent to the trading floor" shall include the following: (1) all premises other than the trading floor that are under Exchange control, and (2) premises in the building where the Exchange maintains its principal office and place of business, namely FMC Tower, 2929 Walnut Street, Philadelphia, Pennsylvania.

(C) Exclusion from the floor may not be the exclusive sanction for breaches of this Rule and the regulations thereunder. In addition to exclusion, a member or associated person may also be subject to a fine or Exchange staff may request authorization of a complaint directly from the Office of Disciplinary Affairs, or refer the matter to the Department of Enforcement or the

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Department of Market Regulation, where it shall proceed in accordance with Rule 8000 and 9000 Series.

(D) If a member shall be excluded for a period exceeding forty-eight hours, an expedited hearing ("Expedited Hearing") will be held before the Chair of the Exchange Review Council or a member of the Exchange Review Council designated by the Chair ("Expedited Hearing Officer") within forty-eight (48) business hours after the members' exclusion from the trading floor. Written notice will be provided to the member of the date, time and place of the hearing. The member may be represented by counsel. The Expedited Hearing Officer or his or her designee shall conduct an Expedited Hearing. The Expedited Hearing Officer shall allow both the member or his or her representative and Exchange staff to present arguments. The Expedited Hearing Officer shall make a determination of whether to continue the member's exclusion from the trading floor for a period of up to five (5) business days. The determination shall be based on the severity of the threat posed to persons on the trading floor, the disruptiveness caused by the actor and the safety and welfare of persons on the trading floor. The Expedited Hearing Officer shall make a ruling at the time of the hearing and a written decision will be provided to the member following the hearing. Members shall not be excluded from electronic trading, but will not be permitted to be physically present on the trading floor for the duration of any exclusion.

(E) The procedure to be followed when a member is to be excluded from the trading floor is as follows:

(i) **No Further Right of Appeal.** The determination that a member shall be excluded is final. There shall be no appeal from such determination.

(ii) **Report to the SEC.** A report in appropriate form shall be made to the SEC. However, no report shall be made in a case where a clerical employee is excluded from the trading floor for not more than five days for a breach of regulations relating to order, decorum, health, safety and welfare or administration of the Exchange if the clerical employee has not sought an adjudication, including a hearing, or otherwise exhausted his administrative remedies at the Exchange with respect to the matter, as provided by Rule 19b-1(c) of the Act.

Adopted.
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule IM-9216. Violations Appropriate for Disposition Under Plan Pursuant to SEC Rule 19d-1(c)(2)

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• EQUITY FLOOR PROCEDURE ADVICES (fines equal to or less than $2,500)

A-1 Record of Orders on PSX

A-2 Failure to Comply with an Exchange Inquiry

A-3 Supervisory Procedures Relating to ITSFEA

A-4 Fingerprinting Personnel

A-5 Training

A-6 Failure to Provide Notification of Changes in Business Operations

A-7 Failure to Timely Submit Amendments to Form U4, Form U5 and Form BD

• OPTION FLOOR PROCEDURE ADVICES AND ORDER & DECORUM REGULATIONS (fines equal to or less than $2,500; does not include Order & Decorum Regulations under Paragraph (H))

B-1 Responsibility to Make Markets

B-2 Crowd Courtesy

B-3 Trading Requirements

B-4 ROTs Entering Orders from On-Floor and Off-Floor for Execution on the Exchange

B-5 Agency-Principal Restrictions

B-6 Priority of Options Orders for Equity Options, Index Options and U.S. Dollar-Settled Foreign Currency Options by Account Type (EQUITY OPTION, INDEX OPTION AND U.S. DOLLAR-SETTLED FOREIGN CURRENCY OPTION ONLY), Section F

B-8 Use of Floor Brokers by an ROT While on the Floor

B-12 ROTs and Specialists Entering Orders for Execution on Other Exchanges in Multiply Traded Options

C-1 Ascertaining the Presence of Registered Options Traders in a Trading Crowd

C-2 Options Floor Broker Management System

C-3 Handling Orders of ROTs and Other Registered Options Market Makers

C-4 Floor Brokers Handling Orders for Same Firm

C-5 ROTs Acting as Floor Brokers

C-7 Responsibility to Represent Orders to the Trading Crowd

C-9 Floor Brokers and Clerks Trading in their Customer Accounts

E-1 Required Staffing of Options Floor

F-2 Allocation, Time Stamping, Matching and Access to Matched Trades

F-4 Orders Executed as Spreads, Straddles, Combinations or Synthetics and Other Order Ticket Marking Requirements

F-5 Changes or Corrections to Material Terms of a Matched Trade

F-6 Option Quote Parameters

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F-8 Failure to Comply with an Exchange Inquiry

F-9 Affiliations

F-11 Splitting Orders

F-12 Responsibility for Assigning Participation

F-13 Supervisory Procedures Relating to ITSFEA

F-15 Minor Infractions of Position/Exercise Limits and Hedge Exemptions

F-19 Clearing Agents' Responsibility for Carrying Positions in Market Maker Accounts

F-23 Clerks in the Crowd

F-25 Fingerprinting Floor Personnel

F-27 Options Exchange Official Rulings

F-30 Options Trading Floor Training

F-31 Communications and Equipment

F-33 Failure to Provide Notification of Changes in Business Operations

F-34 Failure to Timely Submit Amendments to Form U4, Form U5 and Form BD

F-35 Violations of Exercise and Exercise Advice Rules for Noncash-Settled Equity

Option Contracts

G-1 Index Option Exercise Advices

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Nasdaq PHLX Rules, Regulation, Rule 9220. Request for Hearing; Extensions of Time, Postponements, Adjournments

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Nasdaq PHLX Rules, Regulation, Rule 9221. Request for Hearing

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(a) Respondent Request for Hearing

With the filing of any Respondent's answer, such Respondent may:

(1) request a hearing; and
(2) propose an appropriate location for the hearing.

If a Respondent requests a hearing, a hearing shall be granted. A Respondent who fails to request a hearing with the filing of his or her answer waives the right to a hearing unless a Hearing Officer, Hearing Panel, or, if applicable, an Extended Hearing Panel, grants, for good cause shown, a later filed motion by such Respondent requesting a hearing.

(b) Hearing Officer Order Requiring Hearing

In the absence of a request for a hearing from any Respondent, the Hearing Officer may order any complaint set down for hearing.

(c) Authority of Hearing Panel, Extended Hearing Panel to Order Hearing

If all Respondents waive a hearing, and the Hearing Officer does not order a hearing on his or her own motion, the Hearing Panel or, if applicable, the Extended Hearing Panel, may order a hearing or may consider the matter on the record, as defined in Rule 9267. If fewer than all Respondents waive a hearing, the Hearing Officer, the Hearing Panel, or, if applicable, the Extended Hearing Panel, may, in the exercise of its discretion, order that a hearing be held as to all Respondents. Alternatively, the Hearing Officer, the Hearing Panel, or, if applicable, the Extended Hearing Panel, may conduct a hearing as to only those Respondents who requested a hearing and consider the matter on the record as to those Respondents who waived a hearing.

(d) Notice of Hearing

The Hearing Officer shall issue a notice stating the date, time, and place of the hearing, and whether the hearing shall be held before a Hearing Panel or an Extended Hearing Panel, and shall serve such notice on the Parties at least 28 days before the hearing, unless:

(1) in the discretion of the Hearing Officer, he or she determines that extraordinary circumstances require a shorter notice period; or
(2) the Parties waive the notice period.

Adopted.
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Nasdaq PHLX Rules, Regulation, Rule 9222. Extensions of Time, Postponements, and Adjournments

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(a) Availability

At any time prior to the issuance of the decision of the Hearing Panel or, if applicable, the Extended Hearing Panel, the Hearing Officer may, for good cause shown, extend or shorten any time limits prescribed by the Code for the filing of any papers and may, consistent with paragraph (b), postpone or adjourn any hearing.

(b) Limitations on Postponements, Adjournments, and Extensions

A hearing shall begin at the time and place ordered, unless the Hearing Officer, for good cause shown, changes the place of the hearing, postpones the commencement of the hearing, or adjourns a convened hearing for a reasonable period of time, subject to the limitations in subparagraph (b)(2).

(1) Additional Considerations

In considering a motion for the postponement of the start of a hearing or, adjournment once a hearing has begun, the Hearing Officer shall consider:

(A) the length of the proceeding to date;
(B) the number of postponements, adjournments, or extensions already granted;
(C) the stage of the proceedings at the time of the request;
(D) potential harm to the investing public if an extension of time, adjournment, or postponement is granted; and
(E) such other matters as justice may require.

(2) Time Limit

Postponements, adjournments, or extensions of time for filing papers shall not exceed 28 days unless the Hearing Officer states on the record or provides by written order the reasons a longer period is necessary.

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Nasdaq PHLX Rules, Regulation, Rule 9230. Appointment of Hearing Panel, Extended Hearing Panel

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Nasdaq PHLX Rules, Regulation, Rule 9231. Appointment by the Chief Hearing Officer of Hearing Panel or Extended Hearing Panel or Replacement Hearing Officer

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(a) Appointment

The Chief Hearing Officer shall appoint a Hearing Panel or an Extended Hearing Panel to conduct the disciplinary proceeding and issue a decision.

(b) Hearing Panel

The Hearing Panel shall be composed of a Hearing Officer and two Panelists, except as provided in paragraph (e) and in Rule 9234(a), (c), (d), or (e). The Hearing Officer shall serve as the chair of the Hearing Panel. Each Panelist shall be associated with a member organization of the Exchange or retired therefrom.

(1) The Chief Hearing Officer shall select as a Panelist a person who:

(A) previously served on the Exchange Review Council;
(B) previously served on a disciplinary subcommittee of the Exchange Review Council, including a Subcommittee, an Extended Proceeding Committee, or their predecessor subcommittees;
(C) previously served as a Director, or as a Governor of the Exchange prior to its acquisition by Nasdaq, Inc., but does not serve currently in that position; or
(D) is a FINRA Panelist approved by the Exchange Board at least annually, including a member of FINRA's Market Regulation Committee or a person who previously served on the Market Regulation Committee not earlier than four years before the date the complaint was served upon the Respondent who was the first served Respondent in the disciplinary proceeding for which the Hearing Panel or the Extended Hearing Panel is being appointed, or from other sources the Board deems appropriate given the responsibilities of Panelists.

(c) Extended Hearing Panel

Upon consideration of the complexity of the issues involved, the probable length of the hearing, or other factors that the Chief Hearing Officer deems material, the Chief Hearing Officer may determine that a matter shall be designated an Extended Hearing, and that such matter shall be considered by an Extended Hearing Panel. The Extended Hearing Panel shall be composed of a Hearing Officer and two Panelists, except as provided in Rule 9234(a), (c), (d), or (e). The Hearing Officer will serve as the chair of the Extended Hearing Panel. The Panelists shall be associated with a member organization of the Exchange, or retired therefrom. The Chief Hearing Officer shall have discretion to compensate any or all Panelists of an Extended Hearing Panel at the rate then in effect for arbitrators appointed under the FINRA Rule 12000 and 13000 Series. The Chief Hearing Officer shall select as a Panelist a person who meets the criteria set forth in paragraph (b)(1).

(d) Observer

A person who is qualified to serve as a Panelist may be designated by the Chief Hearing Officer to serve as an observer to a Hearing Panel or an Extended Hearing Panel. If the Chief Hearing Officer designates more than two people to serve as observers to a Hearing Panel or an Extended Hearing Panel, the Chief Hearing Officer shall obtain the consent of the Parties. An observer may attend any hearing of a disciplinary proceeding and observe the proceeding, but may not vote or participate in any other manner in the hearing or the deliberations of the Hearing Panel or the Extended Hearing Panel, or participate in the administration of the disciplinary proceeding.

(e) Appointment of Replacement Hearing Officer

In the event that a Hearing Officer withdraws, is incapacitated, or otherwise is unable to continue service after being appointed, the Chief Hearing Officer shall appoint a replacement Hearing Officer. To ensure fairness to

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the parties and expedite completion of the proceeding when a replacement Hearing Officer is appointed after the hearing has commenced, the replacement Hearing Officer has discretion to exercise the following powers:

(1) Allow the Hearing Panelists to resolve the issues in the proceeding and issue a decision without the participation of the replacement Hearing Officer in the decision. The replacement Hearing Officer may advise the Hearing Panelists regarding legal issues, and shall exercise the powers of the Hearing Officer under Rule 9235(a), including preparing and signing the decision on behalf of the Hearing Panel, in accordance with Rule 9268; or

(2) Certify familiarity with the record and participate in the resolution of the issues in the case and in the issuance of the decision. In exercising this power, the replacement Hearing Officer may recall any witness before the Hearing Panel.

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Nasdaq PHLX Rules, Regulation, Rule 9232. Criteria for Selection of Panelists and Replacement Panelists

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The Chief Hearing Officer shall select Panelists from the categories of persons eligible to serve as Panelists as set forth in Rule 9231(b)(1) based upon the following criteria:

(1) expertise;
(2) the absence of any conflict of interest or bias, and any appearance thereof;
(3) availability; and,
(4) the frequency with which a person has served as a Panelist on a Hearing Panel or an Extended Hearing Panel during the past two years, favoring the selection of a person as a Panelist who has never served or served infrequently as a Panelist during the period.

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Nasdaq PHLX Rules, Regulation, Rule 9233. Hearing Panel or Extended Hearing Panel: Recusal and Disqualification of Hearing Officers

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(a) Recusal, Withdrawal of Hearing Officer

If at any time a Hearing Officer determines that he or she has a conflict of interest or bias or circumstances otherwise exist where his or her fairness might reasonably be questioned, the Hearing Officer shall notify the Chief Hearing Officer and the Chief Hearing Officer shall issue and serve on the Parties a notice stating that the Hearing Officer has withdrawn from the matter. In the event that a Hearing Officer withdraws, is incapacitated, or otherwise is unable to continue service after being appointed, the Chief Hearing Officer shall appoint a replacement Hearing Officer. In such a case, the replacement Hearing Officer shall proceed according to Rule 9231(e).

(b) Motion for Disqualification

A Party may move for the disqualification of a Hearing Officer. A motion shall be based upon a reasonable, good faith belief that a conflict of interest or bias exists or circumstances otherwise exist where the Hearing Officer's fairness might reasonably be questioned, and shall be accompanied by an affidavit setting forth in detail the facts alleged to constitute grounds for disqualification, and the dates on which the Party learned of those facts. Such motions shall be filed not later than 15 days after the later of:

(1) when the Party learned of the facts believed to constitute the disqualification; or
(2) when the Party was notified of the assignment of the Hearing Officer.

(c) Disposition of Disqualification Motion

A motion for disqualification of a Hearing Officer shall be decided by the Chief Hearing Officer who shall promptly investigate whether disqualification is required and issue a written ruling on the motion. In the event of a disqualification of the Hearing Officer, the Chief Hearing Officer shall appoint a replacement Hearing Officer.

Adopted.
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 9234. Hearing Panel or Extended Hearing Panel: Recusal and Disqualification of Panelists

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(a) Recusal, Withdrawal of Panelist

If at any time a Panelist of a Hearing Panel or an Extended Hearing Panel determines that he or she has a conflict of interest or bias or circumstances otherwise exist where his or her fairness might reasonably be questioned, the Panelist shall notify the Hearing Officer and the Hearing Officer shall issue and serve on the Parties a notice stating that the Panelist has withdrawn from the matter. In the event that a Panelist withdraws, is incapacitated, or otherwise is unable to continue service after being appointed, the Chief Hearing Officer may, in the exercise of discretion, determine whether to appoint a replacement Panelist. In the event that both Panelists withdraw, are incapacitated, or otherwise are unable to continue service after being appointed, the Chief Hearing Officer shall appoint two replacement Panelists.

(b) Disqualification: Motion of Party; Order of Chief Hearing Officer

(1) A Party may file a motion to disqualify a Panelist of a Hearing Panel or an Extended Hearing Panel. A motion shall be based upon a reasonable, good faith belief that a conflict of interest or bias exists or circumstances otherwise exist where the Panelist's fairness might reasonably be questioned, and shall be accompanied by an affidavit setting forth in detail the facts alleged to constitute grounds for disqualification, and the dates on which the Party learned of those facts.

(2) Such motions shall be filed not later than 15 days after the later of:

(A) when the Party learned of the facts believed to constitute the disqualification; or

(B) when the Party was notified of the appointment of the Panelist.

(3) The Chief Hearing Officer may order the disqualification of a Panelist of a Hearing Panel or an Extended Hearing Panel if the Chief Hearing Officer determines that a conflict of interest or bias exists or circumstances otherwise exist where the Panelist's fairness might reasonably be questioned, and shall state the facts constituting the grounds for disqualification.

(c) Disposition of Disqualification Motion: Challenge to Single Member of Hearing Panel

If a Party files a motion to disqualify a Panelist of a Hearing Panel or an Extended Hearing Panel, the Hearing Officer shall promptly investigate whether disqualification is required and shall issue a written ruling on the motion. In the event a Panelist is disqualified, the Chief Hearing Officer may, in the exercise of discretion, appoint a replacement Panelist.

(d) Disposition of Disqualification Motion: Challenge to Both Panelists of Hearing Panel or Extended Hearing Panel

If a Party files a motion to disqualify both Panelists of a Hearing Panel or an Extended Hearing Panel, the Hearing Officer shall promptly investigate whether disqualification is required and shall issue a written ruling on the motion. In the event one Panelist is disqualified, the Chief Hearing Officer may, in the exercise of discretion, appoint a replacement Panelist. In the event both Panelists are disqualified, the Chief Hearing Officer shall promptly appoint two persons as replacement Panelists.

(e) Disposition of Disqualification Motion: Challenge to Both Panelists of Hearing Panel or Extended Hearing Panel and Hearing Officer

If a Party files a motion to disqualify both Panelists of a Hearing Panel or an Extended Hearing Panel, and the Hearing Officer, the Chief Hearing Officer shall promptly investigate whether disqualification is required and shall issue a written ruling on the motion. In the event a Panelist is disqualified, the Chief Hearing Officer may, in the exercise of discretion, appoint a replacement Panelist. In the event both Panelists are disqualified, the Chief Hearing Officer shall promptly appoint two persons as replacement Panelists. In the event a Hearing Officer and

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a Panelist are disqualified, the Chief Hearing Officer shall promptly appoint a replacement Hearing Officer. In the event both Panelists and the Hearing Officer are disqualified, the Chief Hearing Officer shall promptly appoint a replacement Hearing Officer and two persons as replacement Panelists.

(f) Criteria for Replacement Panelist

If the Chief Hearing Officer appoints a replacement Panelist by operation of this Rule, the Chief Hearing Officer shall do so using the criteria set forth in Rule 9232.

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Nasdaq PHLX Rules, Regulation, Rule 9235. Hearing Officer Authority

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(a) Hearing Officer Authority

The Hearing Officer shall be selected by the Chief Hearing Officer and shall have authority to do all things necessary and appropriate to discharge his or her duties. In addition to the powers exercised by all members of the Hearing Panel or, if applicable, the Extended Hearing Panel, the powers of the Hearing Officer include, but are not limited to:

(1) holding pre-hearing and other conferences and requiring the attendance at any such conference of at least one representative of each Party who has authority to negotiate the resolution of issues in controversy;
(2) regulating the course of the hearing;
(3) ordering the Parties to present oral arguments at any stage of the disciplinary proceeding;
(4) resolving any and all procedural and evidentiary matters, discovery requests, and other non-dispositive motions, subject to any limitations set forth elsewhere in the Code;
(5) reopening any hearing, upon notice to all Parties, prior to the issuance of the decision of the Hearing Panel or, if applicable, the Extended Hearing Panel;
(6) creating and maintaining the official record of the disciplinary proceeding; and
(7) drafting a decision that represents the views of the majority of the Hearing Panel or, if applicable, the Extended Hearing Panel.

(b) Authority in the Absence of Hearing Officer

If the Hearing Officer appointed to a case is temporarily unavailable or unable for any reason to discharge his or her duties in a particular proceeding under conditions not requiring the appointment of a replacement Hearing Officer, the Chief Hearing Officer or the Deputy Chief Hearing Officer in his or her discretion may exercise the necessary authority in the same manner as if he or she had been appointed Hearing Officer in the particular proceeding.

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Nasdaq PHLX Rules, Regulation, Rule 9240. Pre-Hearing Conference and Submission

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Nasdaq PHLX Rules, Regulation, Rule 9241. Pre-Hearing Conference

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(a) Purposes

The purposes of a pre-hearing conference include, but are not limited to:

(1) expediting the disposition of the proceeding;
(2) establishing procedures to manage the proceeding efficiently; and
(3) improving the quality of the hearing through more thorough preparation.

(b) Procedure

On his or her own motion or at the request of a Party, the Hearing Officer may, in his or her discretion, order counsel or any Party to meet for a pre-hearing conference. Such conferences also may be held with one or more persons participating by telephone or other remote means.

(c) Subjects to be Discussed

At a pre-hearing conference, the Hearing Officer shall schedule an expedited proceeding as required by Rule 9290, and may consider and take action with respect to any or all of the following:

(1) simplification and clarification of the issues;
(2) exchange of witness and exhibit lists and copies of exhibits;
(3) stipulations, admissions of fact, and stipulations concerning the contents, authenticity, or admissibility into evidence of documents;
(4) matters of which official notice may be taken;
(5) the schedule for exchanging pre-hearing motions or briefs, if any;
(6) the method of service and filing of papers by the Parties;
(7) determination of hearing dates;
(8) amendments to the complaint or answers thereto;
(9) production of documents as set forth in Rule 9251; and
(10) such other matters as may aid in the orderly and expeditious disposition of the proceeding.

(d) Scheduling

An initial pre-hearing conference, unless determined by the Hearing Officer to be unnecessary or premature, shall be held within 21 days after filing of an answer, or after the expiration of the second period provided for filing an answer as set forth in Rule 9215(f). When a complaint names multiple Respondents, the 21-day period shall commence from the later of (i) the date on which the last timely answer was filed, or (ii) if one or more Respondents have failed to answer, from the expiration of the second period provided for filing an answer under Rule 9215(f).

(e) Pre-hearing Order

At or following the conclusion of any conference held pursuant to this Rule, the Hearing Officer shall enter a written ruling or order that recites any agreements reached and any procedural determinations made by the Hearing Officer.

(f) Failure to Appear: Default

The Hearing Officer may issue a default decision, pursuant to Rule 9269, against a Party that fails to appear, in person or through counsel or a representative, at a pre-hearing conference of which the Party has been due notice.

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Nasdaq PHLX Rules, Regulation, Rule 9242. Pre-Hearing Submission

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(a) Requirement to Furnish Information

Prior to a hearing before a Hearing Panel or, if applicable, an Extended Hearing Panel, the Hearing Officer, in the exercise of his or her discretion, may order a Party to furnish to all other Parties and the Hearing Panel or, if applicable, the Extended Hearing Panel, such information as deemed appropriate, including any or all of the following:

(1) an outline or narrative summary of a Party's case or defense;
(2) the legal theories upon which a Party shall rely;
(3) a list and copies of documents that a Party intends to introduce at the hearing;
(4) a list of witnesses who shall testify on a Party's behalf, including the witnesses' names, occupations, addresses, and a brief summary of their expected testimony; and,
(5) if a witness shall be called to testify as an expert, a statement of the expert's qualifications, a listing of other proceedings in which the expert has given expert testimony, a list of the expert's publications, and copies of those publications that are not readily available to the other Parties and the Hearing Panel or, if applicable, the Extended Hearing Panel.

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Nasdaq PHLX Rules, Regulation, Rule 9250. Discovery

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Nasdaq PHLX Rules, Regulation, Rule 9251. Inspection and Copying of Documents in Possession of Staff

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(a) Documents to be Available for Inspection and Copying

(1) Unless otherwise provided by this Rule, or by order of the Hearing Officer, the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation shall make available for inspection and copying by any Respondent, Documents prepared or obtained by Interested Staff in connection with the investigation that led to the institution of proceedings. Such Documents include but are not limited to:

(A) requests for information issued pursuant to Rule 8210;
(B) every other written request directed to persons not employed by the Exchange to provide Documents or to be interviewed;
(C) the Documents provided in response to any such requests described in (A) and (B) above;
(D) all transcripts and transcript exhibits; and
(E) all other Documents obtained from persons not employed by the Exchange.

(2) The Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation shall promptly inform the Hearing Officer and each other Party if, after the issuance of a complaint, requests for information under Rule 8210 are issued under the same investigative file number under which the investigation leading to the institution of disciplinary proceedings was conducted. If Interested Staff receives Documents pursuant to a request for information under Rule 8210 after Documents have been made available to a Respondent for inspection and copying as set forth in paragraph (a), and if such Documents are material and relevant to the disciplinary proceeding in which such Respondent is a Party, the additional Documents shall be made available to the Respondent not later than 14 days after the Interested Staff receives such Documents. If a hearing on the merits is scheduled to begin, Interested Staff shall make the additional Documents available to the Respondent not less than ten days before the hearing. If Interested Staff receives such Documents ten or fewer days before a hearing on the merits is scheduled to begin or after such hearing begins, Interested Staff shall make the additional Documents available immediately to the Respondent.

(3) Nothing in subparagraph (a)(1) shall limit the discretion of the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation to make available any other Document or the authority of the Hearing Officer to order the production of any other Document.

(b) Documents That May Be Withheld

(1) The Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation may withhold a Document if:

(A) the Document is privileged or constitutes attorney work product;
(B) the Document is an examination or inspection report, an internal memorandum, or other note or writing prepared by an Exchange employee that shall not be offered in evidence;
(C) the Document would disclose (i) an examination, investigatory or enforcement technique or guideline of the Exchange, a federal, state, or foreign regulatory authority, or any self-regulatory organization; (ii) the identity of a source, including a federal, state, or foreign regulatory authority or a self-regulatory organization that furnished information or was furnished information on a confidential basis regarding an investigation, an examination, an enforcement proceeding, or any other type of civil or criminal enforcement action; or (iii) an examination, an investigation, an enforcement proceeding, or any other type of civil or

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criminal enforcement action under consideration by, or initiated by the Exchange, a federal, state, or foreign regulatory authority, or a self-regulatory organization; or

(D) the Hearing Officer grants leave to withhold a Document or category of Documents as not relevant to the subject matter of the proceeding, or for other good cause shown.

(2) Nothing in subparagraph (b)(1) authorizes the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation to withhold a Document, or a part thereof, that contains material exculpatory evidence.

(c) Withheld Document List

The Hearing Officer may require the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation to submit to the Hearing Officer a list of Documents withheld pursuant to subparagraphs (b)(1)(A) through (D) or to submit to the Hearing Officer any Document withheld. Upon review, the Hearing Officer may order the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation to make the list or any Document withheld available to the other Parties for inspection and copying. A motion to require the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation to produce a list of Documents withheld pursuant to paragraph (b) shall be based upon some reason to believe that a Document is being withheld in violation of the Code.

(d) Timing of Inspection and Copying

The Hearing Officer shall determine the schedule of production of documents pursuant to this Rule. Unless otherwise ordered by the Hearing Officer, the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation shall commence making Documents available to a Respondent for inspection and copying pursuant to this Rule not later than 21 days after service of the Respondent's answer or, if there are multiple Respondents, not later than 21 days after the last timely answer is filed. If a Respondent in a multi-Respondent case fails to answer, the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation shall make Documents available to all other Respondents not later than the later of:

(1) 21 days after the filing date of the last timely answer, or

(2) the expiration of the second period provided for filing an answer as set forth in Rule 9215(f).

(e) Place and Time of Inspection and Copying

Documents subject to inspection and copying pursuant to this Rule shall be made available to the Respondent for inspection and copying at the Exchange office where they are ordinarily maintained, or at such other location as the Hearing Officer, in his or her discretion, shall designate, or as the Parties otherwise agree. A Respondent shall be given access to the Documents during normal business hours. A Respondent shall not be given custody of or be permitted to remove the Documents.

(f) Copying Costs

A Respondent may obtain a photocopy of all Documents made available for inspection. A Respondent shall be responsible for the cost of photocopying. Unless otherwise ordered, charges for copies made at the request of a Respondent shall be at a rate to be established by the Exchange.

(g) Failure to Make Documents Available — Harmless Error

In the event that a Document required to be made available to a Respondent pursuant to this Rule is not made available by the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation, no rehearing or amended decision of a proceeding already heard or decided shall be required unless the Respondent establishes that the failure to make the Document available was not harmless error. The Hearing Officer, or, upon appeal or review, a Subcommittee, an Extended Proceeding Committee, or the Exchange Review Council, shall determine whether the failure to make the document available was not harmless error.

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Nasdaq PHLX Rules, Regulation, Rule 9252. Requests for Information

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(a) Content and Timing of Requests

A Respondent who requests that the Exchange invoke Rule 8210 to compel the production of Documents or testimony at the hearing shall do so in writing and serve copies on all Parties. Such request shall: be submitted to the Hearing Officer no later than 21 days before the scheduled hearing date; describe with specificity the Documents, the category or type of Documents, or the testimony sought; state why the Documents, the category or type of Documents, or the testimony are material; describe the requesting Party's previous efforts to obtain the Documents, the category or type of Documents, or the testimony through other means; and state whether the custodian of each Document, or the custodian of the category or type of Documents, or each proposed witness is subject to the Exchange's jurisdiction.

(b) Standards for Issuance

A request that the Phlx Regulation Department compel the production of Documents or testimony shall be granted only upon a showing that: the information sought is relevant, material, and non-cumulative; the requesting Party has previously attempted in good faith to obtain the desired Documents and testimony through other means but has been unsuccessful in such efforts; and each of the persons from whom the Documents and testimony are sought is subject to the Exchange's jurisdiction. In addition, the Hearing Officer shall consider whether the request is unreasonable, oppressive, excessive in scope, or unduly burdensome, and whether the request should be denied, limited, or modified.

(c) Limitations on Requests

If, after consideration of all the circumstances, the Hearing Officer determines that a request submitted pursuant to this Rule is unreasonable, oppressive, excessive in scope, or unduly burdensome, he or she shall deny the request, or grant it only upon such conditions as fairness requires. In making the foregoing determination, the Hearing Officer may inquire of the other Parties whether they shall stipulate to the facts sought to be proved by the Documents or testimony sought. If the Hearing Officer grants the request, the Hearing Officer shall order that requested Documents be produced to all Parties not less than ten days before the hearing, and order that witnesses whose testimony was requested appear and testify at the hearing. If the Hearing Officer grants the request ten or fewer days before a hearing on the merits is scheduled to begin or after such hearing begins, the Documents or testimony shall be produced immediately to all Parties.

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Nasdaq PHLX Rules, Regulation, Rule 9253. Production of Witness Statements

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(a) Availability

Notwithstanding the provisions of Rule 9251(b),

(1) A Respondent in a disciplinary proceeding may file a motion requesting that the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation produce for inspection and copying any statement of any person called or to be called as a witness by the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation that pertains, or is expected to pertain, to his or her direct testimony and which is "a stenographic, mechanical, electrical, or other recording, or a transcription thereof, which is a substantially verbatim recital of an oral statement made by said witness and recorded contemporaneously with the making of such oral statement," as that phrase is used in 18 U.S.C. §3500(e)(2).

(2) A Respondent in a disciplinary proceeding may also file a motion requesting that the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation produce for inspection and copying any contemporaneously written statement made by an Interested Staff member during a routine examination or inspection about the substance of oral statements made by a non-Exchange person when (a) either the Interested Staff member or non-Exchange person is called as a witness by the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation, and (b) that portion of the statement for which production is sought directly relates to the Interested Staff member's testimony or the testimony of the non-Exchange witness.

(b) Failure to Produce — Harmless Error

In the event that a statement required to be made available for inspection and copying by a Respondent is not provided by the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation, there shall be no rehearing of a proceeding already heard, or issuance of an amended decision in a proceeding already decided, unless the Respondent establishes that the failure to provide the statement was not harmless error. The Hearing Officer, or upon appeal or review, a Subcommittee, an Extended Proceeding Committee, or the Exchange Review Council, shall determine whether the failure to provide any statement was not harmless error.

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Nasdaq PHLX Rules, Regulation, Rule 9260. Hearing and Decision

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Nasdaq PHLX Rules, Regulation, Rule 9261. Evidence and Procedure in Hearing

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(a) Submission of Documentary Evidence and List of Witnesses Before Hearing

No later than ten days before the hearing, or at such earlier date as may be specified by the Hearing Officer, each Party shall submit to all other Parties and to the Hearing Officer copies of documentary evidence and the names of the witnesses each Party intends to present at the hearing.

(b) Party's Right to Be Heard

If a hearing is held, a Party shall be entitled to be heard in person, by counsel, or by the Party's representative.

(c) Request to Submit Additional Evidence

Notwithstanding paragraph (a), a Party, for good cause shown, may seek to submit any additional evidence at the hearing as the Hearing Officer, in his or her discretion, determines may be relevant and necessary for a complete record.

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Nasdaq PHLX Rules, Regulation, Rule 9262. Testimony

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A person who is subject to the jurisdiction of the Exchange shall testify under oath or affirmation. The oath or affirmation shall be administered by a court reporter or a notary public.

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Nasdaq PHLX Rules, Regulation, Rule 9263. Evidence: Admissibility

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(a) Criteria for Receiving and Excluding Evidence

The Hearing Officer shall receive relevant evidence, and may exclude all evidence that is irrelevant, immaterial, unduly repetitious, or unduly prejudicial.

(b) Objections

Objections to the admission or exclusion of evidence shall be made on the record and shall succinctly state the grounds relied upon. Excluded material shall be deemed a supplemental document, which shall be attached to the record and retained under Rule 9267.

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Nasdaq PHLX Rules, Regulation, Rule 9264. Motion for Summary Disposition

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(a) Pre-hearing

After a Respondent's answer has been filed and Documents have been made available to that Respondent for inspection and copying pursuant to Rule 9251, the Respondent or the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation, without leave of the Hearing Officer, may make a motion for summary disposition of any or all the causes of action in the complaint with respect to that Respondent, as well as any defense raised in a Respondent's answer. All pre-hearing motions for summary disposition and supporting papers shall be filed at least 21 days before the time set for the hearing, or at such earlier time as ordered by the Hearing Officer. Notwithstanding the provisions of Rule 9146(d), any opposition or response to a pre-hearing motion for summary disposition shall be filed at least seven days before the time set for the hearing.

(b) After Commencement of Hearing on Merits

After a hearing on the merits has commenced, a Respondent or the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation may make a motion for summary disposition of any or all of the causes of action in the complaint with respect to that Respondent or defenses raised in that Respondent's answer only with leave of the Hearing Officer.

(c) Case Not Fully Adjudicated on Motion

If on motion under this rule a decision is not rendered upon the whole case or for all the relief asked and a hearing is necessary, the Hearing Panel or, if applicable, the Extended Hearing Panel, at the hearing of the motion, by examining the pleadings and the evidence before it and by questioning counsel, shall, if practicable, ascertain what material facts exist without substantial controversy and what material facts are actually and in good faith controverted. It shall thereupon make an order specifying the facts that appear without substantial controversy, and directing such further proceedings in the action as are just. Upon the hearing of the action the facts so specified shall be deemed established, and the hearing shall be conducted accordingly.

(d) Form of Papers

A motion for summary disposition pursuant to paragraph (a) shall be accompanied by the following: a statement of undisputed facts; a supporting memorandum of points and authorities; and affidavits or declarations that set forth such facts as would be admissible at the hearing and show affirmatively that the affiant is competent to testify to the matters stated therein. A memorandum of points and authorities in support or opposition shall not exceed 35 pages.

(e) Rulings on Motion

The Hearing Officer may promptly deny or defer decisions on any motion for summary disposition, however, only the Hearing Panel or, if applicable, the Extended Hearing Panel, may grant a motion for summary disposition, except the Hearing Officer may grant motions for summary disposition with respect to questions of jurisdiction. The Hearing Panel or, if applicable, the Extended Hearing Panel, may grant the motion for summary disposition if there is no genuine issue with regard to any material fact and the Party that files the motion is entitled to summary disposition as a matter of law. If a Party files a motion under paragraph (a), the facts alleged in the pleadings of the Party against whom the motion is made shall be taken as true, except as modified by stipulations or admissions made by the non-moving Party, by uncontested affidavits or declarations, or by facts officially noticed pursuant to Rule 9145. If a Party opposing a motion for summary disposition made under paragraph (a) cannot present, by affidavit prior to the hearing, facts essential to justify the Party's opposition to the motion, the Hearing Panel or, if applicable, the Extended Hearing Panel, may deny the motion for summary disposition or defer the decision on the motion.

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Nasdaq PHLX Rules, Regulation, Rule 9265. Record of Hearing

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(a) Recordation

A hearing shall be recorded by a court reporter and a transcript shall be prepared. Unless otherwise ordered by a Hearing Officer, a pre-hearing conference shall be recorded by a court reporter and a transcript shall be prepared.

(b) Availability of a Transcript

A transcript of a pre-hearing conference and a transcript of a hearing shall be available to a Party for purchase from the court reporter at prescribed rates. A witness may purchase from the court reporter a transcript of his or her own testimony.

(c) Transcript Correction

Prior to the filing of post-hearing briefs or proposed findings and conclusions, or within such earlier time as ordered by the Hearing Officer, a Party or witness may seek to correct his or her transcript. A proposed correction of the transcript shall be submitted to the Hearing Officer by affidavit. Upon notice to all Parties to the disciplinary proceeding, the Hearing Officer may order the correction to the transcript as requested or sua sponte.

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Nasdaq PHLX Rules, Regulation, Rule 9266. Proposed Findings of Fact, Conclusions of Law, and Post-Hearing Briefs

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(a) Discretion of Hearing Officer to Require Proposed Findings of Fact, Conclusions of Law, and Post-Hearing Briefs

At the discretion of the Hearing Officer, the Parties may be ordered to file proposed findings of facts and conclusions of law, or post-hearing briefs, or both. The Hearing Officer may order that such proposed findings and conclusions be filed together with, or as part of, post-hearing briefs.

(b) Reference to Record Required

Proposed findings of fact or other statements of fact in briefs shall be supported by specific references to the record.

(c) Period for Filing

In any case in which the Hearing Officer ordered the filing of proposed findings or conclusions of law, or post-hearing briefs, the Hearing Officer shall, after consultation with the Parties, prescribe the period within which proposed findings and conclusions of law and post-hearing briefs are to be filed. Such period shall be reasonable under all the circumstances but the total period allowed for the filing of post-hearing submissions shall not exceed 60 days after the conclusion of the hearing unless the Hearing Officer, for good cause shown, permits a different period and sets forth in an order the reasons why a longer period is necessary.

(d) Form, Length of Papers

Unless the Hearing Officer orders otherwise, each post-hearing submission shall not exceed 25 pages, exclusive of cover sheets, tables of contents, and tables of authorities.

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Nasdaq PHLX Rules, Regulation, Rule 9267. Record; Supplemental Documents Attached to Record; Retention

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(a) Contents of the Record, Retention

The record shall consist of:

(1) the complaint, answers, each notice of hearing, pre-hearing order, and any amendments thereto;
(2) each application, motion, submission, and other paper, and any amendments, motions, objections, and exceptions to or regarding them;
(3) each transcript of a pre-hearing conference and of a hearing, and each stipulation, transcript of testimony, Document, and other item admitted into evidence;
(4) each written communication accepted at the discretion of the Hearing Officer;
(5) with respect to a motion to disqualify a Hearing Officer under Rule 9233 or a Panelist under Rule 9234, each affidavit or transcript of testimony taken and the ruling made in connection with the request;
(6) all proposed findings and conclusions;
(7) each written ruling, order, and decision issued by the Chief Hearing Officer, Hearing Officer, Hearing Panel or, if applicable, Extended Hearing Panel; and,
(8) any other Document or item accepted into the record by the Hearing Officer, the Hearing Panel or, if applicable, the Extended Hearing Panel.

(b) Supplemental Documents Attached To Record; Retention

(1) A supplemental Document attached to the record is any Document submitted to the Hearing Officer that did not become part of the record, including:

  (A) a Document not admitted by the Hearing Officer, Hearing Panel or, if applicable, the Extended Hearing Panel;
  (B) any matter stricken from any filing or stricken during an oral presentation, including any matter stricken from any filing or stricken during any oral presentation because the Adjudicator determined it was scandalous or impertinent as provided in Rule 9136(e); and
  (C) a list of Documents, if any, that a Respondent unsuccessfully sought by motion to inspect and copy under Rule 9251(c).

(2) A supplemental Document attached to the record shall not constitute part of the record, but shall be retained until the date upon which the Exchange's decision becomes final disciplinary action or, if applicable, upon the conclusion of any review by the Commission or the federal courts.

(c) Substitution of Copies

Parties may submit to the Hearing Officer for substitution a true copy of a Document in the record.

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Nasdaq PHLX Rules, Regulation, Rule 9268. Decision of Hearing Panel or Extended Hearing Panel

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(a) Majority Decision

Within 60 days after the final date allowed for filing proposed findings of fact, conclusions of law, and post-hearing briefs, or by a date established at the discretion of the Chief Hearing Officer, the Hearing Officer shall prepare a written decision that reflects the views of the Hearing Panel or, if applicable, the Extended Hearing Panel, as determined by majority vote.

(b) Contents of Decision

The decision shall include:

(1) a statement describing the investigative or other origin of the disciplinary proceeding;
(2) the specific statutory or rule provisions that were alleged to have been violated;
(3) a statement setting forth the findings of fact with respect to any act or practice the Respondent was alleged to have committed or omitted;
(4) the conclusions of the Hearing Panel, or Extended Hearing Panel, as to whether the Respondent violated any provision alleged in the complaint;
(5) a statement of the Hearing Panel, or the Extended Hearing Panel, in support of the disposition of the principal issues raised in the proceeding;
(6) a statement describing any sanction imposed, the reasons therefor, and the date upon which such sanction shall become effective. Unless otherwise provided in the decision, the sanction(s) shall become effective on a date to be determined by the Phlx Regulation Department staff; and
(7) a statement, when the sanctions include a permanent cease and desist order, that is consistent with the requirements of Rule 9291(a) concerning the content, scope, and form of a permanent cease and desist order.

(c) Dissenting Opinion

Within 65 days after the final date allowed for filing proposed findings of fact and conclusions of law, and post-hearings briefs, or by a date established at the discretion of the Chief Hearing Officer, the Hearing Officer or any Panelist may prepare a written dissenting opinion.

(d) Service, Notice, And Dissemination Requirements

The Office of Hearing Officers shall promptly serve the decision of the Hearing Panel, or the Extended Hearing Panel, and any dissenting opinion on the Parties; publish notice of the decision and any dissenting opinion in the Central Registration Depository; and provide a copy of the decision and any dissenting opinion to each member organization of the Exchange with which a Respondent is associated.

(e) Appeal or Review

(1) If not timely appealed pursuant to Rule 9311 or timely called for review pursuant to Rule 9312, the majority decision shall constitute final disciplinary action of the Exchange for purposes of SEC Rule 19d-1(c)(1).
(2) The majority decision with respect to an Exchange member or member organization that is an affiliate of the Exchange within the meaning of Rule 985(b) shall constitute final disciplinary action of the Exchange for purposes of SEC Rule 19d-1(c)(1) and may not be appealed pursuant to Rule 9311 or called for review pursuant to Rule 9312.

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Nasdaq PHLX Rules, Regulation, Rule 9269. Default Decisions

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(a) Issuance of Default Decisions

(1) The Hearing Officer may issue a default decision against a Respondent that fails to answer the complaint within the time afforded under Rule 9215, or a Party that fails to appear at any hearing that a Party is required to attend under the Rule 9200 Series of which the Party has due notice.

(2) If the defaulting Party is the Respondent, the Hearing Officer may deem the allegations against that Respondent admitted. If the Defaulting Party is the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation, the Hearing Officer may issue a default decision ordering that the complaint be dismissed with prejudice.

(3) The Hearing Officer may order a Party that fails to appear at the pre-hearing conference or the hearing to pay the costs incurred by other Parties in connection with their appearance.

(4) The Office of Hearing Officers shall provide a copy of the default decision to each Exchange member organization with which a Respondent is associated.

(b) Contents of Decision

The contents of a default decision shall conform to the requirements of Rule 9268(b).

(c) Review of Default Decision

A Party may, for good cause shown, file a motion to set aside a default, dismissal, and the imposition of costs. Upon a showing of good cause, the Hearing Officer that entered the original order shall decide the motion. If the Hearing Officer that issued the original order is not available, the Chief Hearing Officer shall appoint another Hearing Officer to decide the motion.

(d) Final Disciplinary Action of the Exchange; Effectiveness of Sanctions

(1) If a default decision is not appealed pursuant to Rule 9311 or called for review pursuant to Rule 9312 within 25 days after the date the Office of Hearing Officers serves it on the Parties, the default decision shall become the final disciplinary action of the Exchange for purposes of SEC Rule 19d-1(c)(1). Unless otherwise provided in the default decision, the sanctions shall become effective on a date to be determined by the Phlx Regulation Department staff, except that a bar or expulsion shall become effective immediately upon the default decision becoming the final disciplinary action of the Exchange. The decision shall be served on a Respondent by courier, facsimile or other means reasonably likely to obtain prompt service when the sanction is a bar or an expulsion.

(2) A default decision with respect to an Exchange member or member organization that is an affiliate of the Exchange within the meaning of Rule 985(b) shall constitute final disciplinary action of the Exchange for purposes of SEC Rule 19d-1(c)(1) and may not be appealed pursuant to Rule 9311 or called for review pursuant to Rule 9312.

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Nasdaq PHLX Rules, Regulation, Rule 9270. Settlement Procedure

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(a) When Offer Allowed; No Stay of Proceeding

A Respondent who is notified that a proceeding has been instituted against him or her may propose in writing an offer of settlement at any time. If a Respondent proposes an offer of settlement before the hearing on the merits has begun, the making of an offer of settlement shall not stay the proceeding, unless otherwise decided by the Hearing Officer. If a Respondent proposes an offer of settlement after the hearing on the merits has begun, the making of an offer of settlement shall not stay the proceeding, unless otherwise decided by the Hearing Panel or, if applicable, the Extended Hearing Panel.

(b) Settlement Offer Shall Conform to Rule

A Respondent who makes an offer of settlement shall do so in conformity with the provisions of this Rule and shall not make such an offer of settlement frivolously or propose a sanction inconsistent with the seriousness of the violations to be found.

(c) Content and Signature Requirements

An offer of settlement shall be in writing and signed by the person making the offer, and, if the person is represented by counsel or a representative, signed also by the counsel or representative. The offer of settlement shall contain in reasonable detail:

(1) a statement describing the investigative or other origin of the disciplinary action;
(2) the specific statutory or rule provisions that the member, member organization or associated person is alleged to have violated;
(3) a statement containing the acts or practices which the member, member organization or associated person is alleged to have engaged in or omitted;
(4) a statement consenting to findings of fact and violations consistent with the statements contained in the offer of settlement required by subparagraphs (c)(2) and (c)(3);
(5) a proposed sanction to be imposed that is consistent with the current Exchange Enforcement Sanctions User's Guide, or, if inconsistent with the Enforcement Sanctions User's Guide, a detailed statement supporting the proposed sanction must be provided;
(6) if applicable, a proposed permanent cease and desist order to be imposed that is consistent with the requirements of Rule 9291(a) concerning the content, scope, and form of a permanent cease and desist order; and
(7) the effective date of any sanction(s) imposed, or a statement that the effective date of the sanction(s) will be a date to be determined by the Phlx Regulation Department staff.

(d) Waiver

(1) If a Respondent submits an offer of settlement, by the submission such Respondent waives:

(A) any right of such Respondent to a hearing before a Hearing Panel or, if applicable, an Extended Hearing Panel, and any right of appeal to the Exchange Review Council, the Commission, and the courts, or any right otherwise to challenge or contest the validity of the order issued, if the offer of settlement and order of acceptance are accepted;
(B) any right of such Respondent to claim bias or prejudgment of the Chief Hearing Officer, Hearing Officer, a Hearing Panel or, if applicable, an Extended Hearing Panel, a Panelist on a Hearing Panel, or, if applicable, an Extended Hearing Panel, the Chief Regulatory Officer, the Exchange Review Council, or any member of the Exchange Review Council, in connection with such person's or body's participation in discussions regarding the terms and conditions of the offer of settlement and the order of acceptance, or other consideration of the offer

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of settlement and order of acceptance, including acceptance, or rejection of such offer of settlement and order of acceptance; and

(C) any right of such Respondent to claim that a person or body violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the offer of settlement and the order of acceptance, or other consideration of the offer of settlement and order of settlement, including acceptance or rejection of such offer of settlement and order of acceptance.

(2) If an offer of settlement and an order of acceptance are rejected, the Respondent shall be bound by the waivers made in this paragraph (d) for conduct by persons or bodies occurring during the period beginning from the date the offer of settlement was submitted and ending upon the rejection of the offer of settlement and order of acceptance.

(e) Uncontested Offers of Settlement

If a Respondent makes an offer of settlement and the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation does not oppose it, the offer of settlement is uncontested. If an offer of settlement is determined to be uncontested by the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation before a hearing on the merits has begun, the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation shall transmit the uncontested offer of settlement and a proposed order of acceptance to the Exchange Review Council (or to the Office of Disciplinary Affairs, in the case of a Respondent that is an affiliate of the Exchange within the meaning of Rule 985) with its recommendation. If an offer of settlement is determined to be uncontested by the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation after a hearing on the merits has begun, the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation shall transmit the offer of settlement and a proposed order of acceptance to the Hearing Panel or, if applicable, the Extended Hearing Panel for acceptance or rejection. If accepted by the Hearing Panel or, if applicable, Extended Hearing Panel, the offer of settlement and the order of acceptance shall be forwarded to the Exchange Review Council (or to the Office of Disciplinary Affairs, in the case of a Respondent that is an affiliate of the Exchange within the meaning of Rule 985) to accept or reject.

(1) A proposed order of acceptance shall make findings of fact, including a statement of the rule, regulation, or statutory provision violated, and impose sanctions (including, if applicable, a permanent cease and desist order) consistent with the terms of the offer of settlement.

(2) Before an offer of settlement and an order of acceptance shall become effective, they shall be submitted to and accepted by the Exchange Review Council or the Office of Disciplinary Affairs. The Office of Disciplinary Affairs may accept such offer of settlement and order of acceptance or refer them to the Exchange Review Council. The Review Subcommittee may accept or reject such offer of settlement and order of acceptance or refer them to the Exchange Review Council for acceptance or rejection by the Exchange Review Council. In the case of a Respondent that is an affiliate of the Exchange within the meaning of Rule 985, the offer of settlement and order of acceptance shall be accepted or rejected by the Office of Disciplinary Affairs and shall not be referred to the Exchange Review Council.

(3) If the offer of settlement and order of acceptance are accepted by the Exchange Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs, they shall become final and the Director of the Office of Disciplinary Affairs shall issue the order and notify the Office of Hearing Officers. The Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation shall provide a copy of an issued order of acceptance to each Exchange member organization with which a Respondent is associated.

(f) Contested Offers of Settlement

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If a Respondent makes an offer of settlement and the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation opposes it, the offer of settlement is contested. When the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation opposes an offer of settlement, the Respondent's written offer and the Phlx Regulation Department, the Department of Enforcement's or the Department of Market Regulation's written opposition shall be submitted to a Hearing Panel or, if applicable, an Extended Hearing Panel. The Hearing Panel or, if applicable, the Extended Hearing Panel, may order the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation and the Respondent to attend a settlement conference.

(1) If a contested offer of settlement is approved by the Hearing Panel or, if applicable, Extended Hearing Panel, the Hearing Officer shall draft an order of acceptance of the offer of settlement. The order of acceptance shall make findings of fact, including a statement of the rule, regulation, or statutory provision violated, and impose sanctions (including, if applicable, a permanent cease and desist order) consistent with the terms of the offer of settlement. The offer of settlement, any written opposition thereto, and the order of acceptance shall be forwarded to the Exchange Review Council (or to the Office of Disciplinary Affairs, in the case of a Respondent that is an affiliate of the Exchange within the meaning of Rule 985) to accept or reject.

(2) Before an offer of settlement and order of acceptance shall become effective, they shall be submitted to, and accepted by, the Exchange Review Council or the Office of Disciplinary Affairs. The Review Subcommittee may accept or reject such offer of settlement and order of acceptance or refer them to the Exchange Review Council for acceptance or rejection by the Exchange Review Council. In the case of a Respondent that is an affiliate of the Exchange within the meaning of Rule 985, the offer of settlement and order of acceptance shall be accepted or rejected by the Office of Disciplinary Affairs and shall not be referred to the Exchange Review Council.

(3) If the offer of settlement and order of acceptance are accepted by the Office of Disciplinary Affairs, the Exchange Review Council or the Review Subcommittee, the Chief Regulatory Officer shall issue the order and notify the Office of Hearing Officers, and provide a copy of an issued order of acceptance to each Exchange member organization with which a Respondent is associated.

(g) Final Disciplinary Action

The proceeding shall conclude as of the date the order of acceptance is issued. The order of acceptance shall constitute final disciplinary action of the Exchange. The sanction shall take effect as set forth in the order.

(h) Rejection of Offer of Settlement

If an uncontested offer of settlement or an order of acceptance is rejected by the Hearing Panel or, if applicable, the Extended Hearing Panel, the Review Subcommittee, the Office of Disciplinary Affairs, or the Exchange Review Council, the Respondent shall be notified in writing and the offer of settlement and proposed order of acceptance shall be deemed withdrawn. If a contested offer of settlement or an order of acceptance is rejected by the Hearing Panel or, if applicable, the Extended Hearing Panel, the Review Subcommittee, the Office of Disciplinary Affairs, or the Exchange Review Council, the Respondent shall be notified in writing and the offer of settlement and proposed order of acceptance shall be deemed withdrawn. The rejected offer and proposed order of acceptance shall not constitute a part of the record in any proceeding against the Respondent making the offer.

(i) Disciplinary Proceeding With Multiple Respondents

When a disciplinary proceeding names multiple Respondents, settlement offers may be accepted or rejected as to any one or all of the Respondents submitting offers. The proceedings shall thereafter be terminated as to those Respondents whose offers of settlement are accepted, but such Respondents may be required to participate in any hearing conducted as to those Respondents that did not submit offers of settlement or whose offers of settlement were rejected.

(j) No Prejudice from Rejected Offer of Settlement

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If an offer of settlement is rejected by a Hearing Panel or, if applicable, an Extended Hearing Panel, the Review Subcommittee, the Office of Disciplinary Affairs, or the Exchange Review Council, the Respondent shall not be prejudiced by the offer, which may not be introduced into evidence in connection with the determination of the issues involved in the pending complaint or in any other proceeding.

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Nasdaq PHLX Rules, Regulation, Rule 9280. Contemptuous Conduct

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(a) Persons Subject to Sanctions

If a Party, attorney for a Party, or other person authorized to represent others by Rule 9141, engages in conduct in violation of an order of a Hearing Officer, a Hearing Panel or, if applicable, an Extended Hearing Panel, or other contemptuous conduct during a proceeding, a Hearing Officer, Hearing Panel or, if applicable, an Extended Hearing Panel, may:

(1) subject the Party, attorney for a Party, or other person authorized to represent others by Rule 9141, to the sanctions set forth in paragraph (b); and

(2) exclude an attorney for a Party, or other person authorized to represent others by Rule 9141, under Rule 9150.

(b) Sanctions Other Than Exclusion

A Hearing Officer, Hearing Panel or, if applicable, an Extended Hearing Panel, may make such orders as are just in regard to a Party, an attorney for a Party, or other person authorized to represent others by Rule 9141.

(1) Such orders may include:

(A) an order providing that the matters on which the order is made or any other designated facts shall be taken to be established for the purposes of the disciplinary proceeding in accordance with the claim of the Party obtaining the order;

(B) an order providing that the disobedient Party may not support or oppose designated claims or defenses, or may not introduce designated matters in evidence;

(C) an order providing that pleadings or a specified part of the pleading shall be stricken, or an order providing that the proceeding shall be stayed until the Party subject to the order obeys it;

(D) in lieu of any of the foregoing orders or in addition thereto, an order providing that contemptuous conduct includes the failure to obey any order; and

(E) an order as provided in subparagraphs (A), (B), and (C) where a Party has failed to comply with an order to produce a person for examination, unless the Party failing to comply shows that such Party is unable to produce such person for examination.

(2) A Party that without substantial justification fails to disclose information required by the Rule 9240 Series and the Rule 9250 Series or otherwise required by order of the Hearing Officer, Hearing Panel or, if applicable, the Extended Hearing Panel, shall not, unless such failure is harmless, be permitted to use as evidence at a hearing, in a motion or in any other filing of papers, or in oral argument, any witness or information not so disclosed. In addition to, or in lieu of this sanction, the Hearing Officer, Hearing Panel or, if applicable, the Extended Hearing Panel, on motion and after affording an opportunity to be heard, may impose other appropriate sanctions. These sanctions may include any of the sanctions provided for in subparagraphs (b)(1)(A) through (C).

(c) Exchange Review Council Review of Exclusions

If an attorney for a Party, or other person authorized to represent others by Rule 9141, is excluded from a disciplinary hearing or conference, or any portion thereof, such attorney or other person may seek review of the exclusion by filing a motion to vacate with the Exchange Review Council. Such motion to vacate shall be filed and served on all Parties within five days after service of the exclusion order. Any response shall be filed with the Exchange Review Council and served on all Parties within five days after the service of the motion to vacate. The Exchange Review Council or the Review Subcommittee shall consider such motion on an expedited basis and promptly issue a written order. The filing of a motion to vacate shall stay all aspects of the disciplinary proceeding until at least seven days after service of the order of the Exchange Review Council or the Review

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Subcommittee. The review proceedings shall be conducted on the basis of the written record without oral argument.

(d) Adjournment

The hearing, conferences, or other activities relating to the disciplinary proceeding shall be stayed pending the review by the Exchange Review Council or the Review Subcommittee of an exclusion order in paragraph (c). In the event that the Exchange Review Council or the Review Subcommittee upholds an exclusion of an attorney or other person authorized to represent others by Rule 9141, the Hearing Officer may, upon motion by a Party represented by an attorney or other person subject to an order of exclusion, grant an adjournment to allow the retention of new counsel or selection of a new representative. In determining whether to grant an adjournment or the length of an adjournment, the Hearing Officer shall consider whether there are other counsel or representatives of record on behalf of the Party, the availability of other counsel or other members of an excluded attorney's firm, or the availability of other representatives for the Party, and any other relevant factors.

Adopted.
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 9290. Expedited Disciplinary Proceedings

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For any disciplinary proceeding, the subject matter of which also is subject to a temporary cease and desist proceeding initiated pursuant to Rule 9810 or a temporary cease and desist order, hearings shall be held and decisions shall be rendered at the earliest possible time. An expedited hearing schedule shall be determined at a pre-hearing conference held in accordance with Rule 9241.

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Nasdaq PHLX Rules, Regulation, Rule 9291. Permanent Cease and Desist Orders

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(a) Content, Scope and Form Requirements

When a decision issued under Rule 9268 or Rule 9269 or an order of acceptance issued under Rule 9270 imposes a permanent cease and desist order, it shall:

(1) order a Respondent (and any successor of a Respondent, where the Respondent is a member organization) to cease and desist permanently from violating a specific rule or statutory provision;
(2) set forth the violation; and
(3) describe in reasonable detail the act or acts the Respondent (and any successor of a Respondent, where the Respondent is a member organization) shall take or refrain from taking.

(b) Delivery Requirement

Where a Respondent is a member organization, Respondent shall deliver a copy of a permanent cease and desist order, within one business day of receiving it, to its associated persons.

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Nasdaq PHLX Rules, Regulation, Rule 9300. Review of Disciplinary Proceeding by the Exchange Review Council and the Exchange Board; Application for Commission Review

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Nasdaq PHLX Rules, Regulation, Rule 9310. Appeal to or Review by the Exchange Review Council

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Nasdaq PHLX Rules, Regulation, Rule 9311. Appeal by Any Party; Cross-Appeal

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(a) Time to File Notice of Appeal

A Respondent or Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation may file a written notice of appeal within 25 days after service of a decision issued pursuant to Rule 9268 or Rule 9269; provided, however, that a decision with respect to a Respondent that is an affiliate of the Exchange within the meaning of Rule 985 may not be appealed to the Exchange Review Council.

(b) Effect

An appeal to the Exchange Review Council from a decision issued pursuant to Rule 9268 or Rule 9269 shall operate as a stay of that decision until the Exchange Review Council issues a decision pursuant to Rule 9349 or, in cases called for discretionary review by the Exchange Board, until a decision is issued pursuant to Rule 9351. Any such appeal, however, will not stay a decision, or that part of a decision, that imposes a permanent cease and desist order.

(c) Notice of Appeal Content and Signature Requirements

A Party appealing pursuant to this Rule shall file a written notice of appeal with the Office of Hearing Officers and serve the notice on the Parties. The notice of appeal shall be signed by the appealing Party, or his or her counsel or representative, and shall contain:

(1) the name of the disciplinary proceeding;
(2) the disciplinary proceeding docket number;
(3) the name of the Party on whose behalf the appeal is made;
(4) a statement on whether oral argument before the Exchange Review Council is requested; and
(5) a brief statement of the findings, conclusions, or sanctions as to which exceptions are taken.

(d) Notice of Cross-Appeal

A Party who is served with a notice of appeal may file a written notice of cross-appeal and serve the notice of cross-appeal on the Parties. The notice of cross-appeal shall be filed within five days after service of the notice of appeal. The notice of cross-appeal shall be signed by the Party cross-appealing, or his or her counsel, and shall contain the information set forth in subparagraphs (c)(1), (c)(2), (c)(4), and (c)(5), and the name of the Party on whose behalf the cross-appeal is made.

(e) Waiver of Issues Not Raised

The Exchange Review Council may, in its discretion, deem waived any issue not raised in the notice of appeal or cross-appeal. The Exchange Review Council, the Review Subcommittee, a Subcommittee, the Chief Regulatory Officer or, if applicable, an Extended Proceeding Committee, shall provide the Parties with notice of, and an opportunity to submit briefs on, any issue that shall be considered by the Exchange Review Council if such issue was not previously set forth in the notice of appeal. Parties may submit motions to either the Review Subcommittee or the Exchange Review Council challenging requests for briefing made by the Chief Regulatory Officer under this Rule of issues that were not previously set forth in the notice of appeal.

(f) Withdrawal of Notice of Appeal or Cross-Appeal

A Party may withdraw a notice of appeal or a notice of cross-appeal filed by him or her at any time by filing a written notice of withdrawal of appeal or cross-appeal with the Office of Hearing Officers and serving notice thereof on the Parties. The notice of withdrawal of appeal or cross-appeal shall contain: the name of the disciplinary proceeding; the disciplinary proceeding docket number; and the name of the Party on whose behalf the notice of appeal or cross-appeal was filed previously. The notice of withdrawal of appeal or cross-appeal

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shall be signed by the Party, or his or her counsel or representative. Upon the withdrawal of a notice of appeal, any outstanding cross-appeal shall be treated as an appeal unless it is withdrawn.

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Nasdaq PHLX Rules, Regulation, Rule 9312. Review Proceeding Initiated By the Exchange Review Council

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(a) Call for Review

(1) **Rule 9268 Decision**

A decision issued pursuant to Rule 9268 may be subject to a call for review by any member of the Exchange Review Council or, pursuant to authority delegated from the Exchange Review Council, by any member of the Review Subcommittee. A decision issued pursuant to Rule 9268 shall be subject to a call for review within 45 days after the date of service of the decision. If called for review, such decision shall be reviewed by the Exchange Review Council.

(2) **Rule 9269 Decision**

A default decision issued pursuant to Rule 9269 shall be subject to a call for review by the Chief Regulatory Officer, on his or her own motion within 25 days after the date of service of the decision. If called for review, such decision shall be reviewed by the Exchange Review Council.

(3) **Decision Regarding Affiliate of the Exchange**

Notwithstanding anything herein to the contrary, a decision with respect to a member or member organization that is an affiliate of the Exchange within the meaning of Rule 985 may not be called for review by the Exchange Review Council.

(b) Effect

Institution of review by a member of the Exchange Review Council on his or her own motion, a member of the Review Subcommittee on his or her own motion, or the Chief Regulatory Officer, on his or her own motion, shall operate as a stay of a final decision issued pursuant to Rule 9268 or Rule 9269 as to all Parties subject to the notice of review, until the Exchange Review Council issues a decision pursuant to Rule 9349, or, in cases called for discretionary review by the Exchange Board, until a decision is issued pursuant to Rule 9351. Institution of any such review, however, will not stay a decision, or that part of a decision, that imposes a permanent cease and desist order.

(c) Requirements

(1) If a member of the Exchange Review Council, a member of the Review Subcommittee, or, for a disciplinary proceeding decided under Rule 9269, the Chief Regulatory Officer determines to call a case for review, a written notice of review shall be served promptly on each Party to the proceeding and filed with the Office of Hearing Officers. Such notice of review shall contain:

(A) the name of the disciplinary proceeding;
(B) the disciplinary proceeding docket number; and
(C) a brief statement of the findings, conclusions, or sanctions with respect to which the Exchange Review Council, the Review Subcommittee, or the Chief Regulatory Officer determined that a call for review was necessary.

(2) The statement contained in the notice of review shall not limit the scope of the Exchange Review Council's authority under Rule 9346 to review any issues raised in the record. The Exchange Review Council, the Review Subcommittee, a Subcommittee, the Chief Regulatory Officer or, if applicable, an Extended Proceeding Committee, shall provide the Parties with notice of, and an opportunity to submit briefs on, any issue that shall be considered by the Exchange Review Council if such issue was not previously set forth in the notice of review. Parties may submit motions to either the Review Subcommittee or the Exchange Review Council challenging requests for briefing made by the Chief Regulatory Officer under this Rule of issues that were not previously set forth in the notice of appeal.

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(d) Effect of Withdrawal of Notice of Appeal, Cross-Appeal

If the review of a disciplinary proceeding by the Exchange Review Council is terminated before the Exchange Review Council issues a decision on the merits because all appealing Parties file a notice of withdrawal of appeal and no Party previously filed a notice of cross-appeal, or all Parties who previously filed a notice of cross-appeal file a notice of withdrawal of cross-appeal:

(1) a member of the Exchange Review Council or the Review Subcommittee shall have the right to call for review a decision issued pursuant to Rule 9268 in accordance with Rule 9312(a)(1), except that the 45 day period during which a call for review may be made shall begin on the day the Exchange receives the last filed notice of withdrawal of appeal or, if applicable, the last filed notice of withdrawal of cross-appeal; and,

(2) the Chief Regulatory Officer shall have the right to call for review a decision issued pursuant to Rule 9269 in accordance with Rule 9312(a)(2), except that the 25 day period during which a call for review may be made shall begin on the day the Exchange receives the last filed notice of withdrawal of appeal or, if applicable, the last filed notice of withdrawal of cross-appeal.

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Nasdaq PHLX Rules, Regulation, Rule 9313. Counsel to the Exchange Review Council

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(a) Authority

A Counsel to the Exchange Review Council shall have authority to take ministerial and administrative actions to further the efficient administration of a proceeding, including the authority to:

(1) direct the Office of Hearing Officers to complete and transmit a record of a disciplinary proceeding to the Exchange Review Council in accordance with Rule 9267;
(2) establish or amend a briefing schedule under Rule 9347(b) but not shorten a briefing schedule except with the consent of the Parties;
(3) permit a brief or any other document required to be filed to vary from the requirements of the Rule 9130 Series as provided in Rule 9347(a);
(4) establish the date, time, and location of an oral argument and provide for notice of the hearing under Rule 9341;
(5) for other than a Party and counsel or a person acting in a representative capacity, determine who may attend a hearing;
(6) rule on a motion by a Party to request to lengthen or shorten a period of time prescribed by the Code for the filing of any papers, or request that a hearing be postponed or adjourned under Rule 9322, except that a period may not be shortened and a hearing may not be postponed or adjourned without the consent of the Parties; and
(7) create and maintain the official record of the disciplinary proceeding on appeal or review.

(b) Review

A Party seeking the review of a decision of a Counsel to the Exchange Review Council may make a motion to the Exchange Review Council, the Review Subcommittee, a Subcommittee or, if applicable, an Extended Proceeding Committee.

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Nasdaq PHLX Rules, Regulation, Rule 9320. Transmission of Record; Extensions of Time, Postponements, Adjournments

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Nasdaq PHLX Rules, Regulation, Rule 9321. Transmission of Record

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Within 21 days after the filing of a notice of appeal or notice of review, or at such later time as the Exchange Review Council may designate, the Office of Hearing Officers shall assemble and prepare an index to the record, transmit the record and the index to the Exchange Review Council, and serve copies of the index upon all Parties. The Hearing Officer who participated in the disciplinary proceeding, or the Chief Hearing Officer, shall certify that the record transmitted to the Exchange Review Council is complete.

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Nasdaq PHLX Rules, Regulation, Rule 9322. Extensions of Time, Postponements, Adjournments

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(a) Availability

At any time prior to the issuance of a decision pursuant to Rule 9349, the Exchange Review Council, the Review Subcommittee, a Subcommittee or, if applicable, an Extended Proceeding Committee, or Counsel to the Exchange Review Council, for good cause shown, may extend or shorten a period prescribed by the Code for the filing of any papers, except that Counsel to the Exchange Review Council may shorten a period so prescribed only with the consent of the Parties. The Exchange Review Council, the Review Subcommittee, a Subcommittee or, if applicable, an Extended Proceeding Committee, or Counsel to the Exchange Review Council, for good cause shown, may postpone or adjourn a hearing consistent with paragraph (b), except that Counsel to the Exchange Review Council may postpone or adjourn a hearing only with the consent of the Parties.

(b) Limitations on Postponements, Adjournments, and Changes in Location

Oral argument shall begin at the time and place ordered, unless the Exchange Review Council, the Review Subcommittee, a Subcommittee or, if applicable, an Extended Proceeding Committee, or Counsel to the Exchange Review Council, for good cause shown, postpones, adjourns, or changes the location of the oral argument, except that Counsel to the Exchange Review Council may postpone or adjourn the oral argument only with the consent of the Parties. In considering a motion for the postponement or adjournment of an oral argument, the Exchange Review Council, the Review Subcommittee, a Subcommittee or, if applicable, an Extended Proceeding Committee, or Counsel to the Exchange Review Council shall consider, in addition to any other relevant factors:

(1) the length of time the disciplinary proceeding has been pending to date, and the timeliness of the request for a postponement, an adjournment, or an extension;
(2) the number of postponements, adjournments, or extensions already granted;
(3) the stage of the proceedings at the time of the request;
(4) the prejudice to the other Parties;
(5) the potential harm to the investing public if an extension of time, an adjournment, or a postponement is granted; and
(6) any other matter that justice may require.

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Nasdaq PHLX Rules, Regulation, Rule 9330. Appointment of Subcommittee or Extended Proceeding Committee; Disqualification and Recusal

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Nasdaq PHLX Rules, Regulation, Rule 9331. Appointment of Subcommittee or Extended Proceeding Committee

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(a) Appointment by the Exchange Review Council

Following the filing of a notice of appeal pursuant to Rule 9311 or a notice of review pursuant to Rule 9312, the Exchange Review Council or the Review Subcommittee shall appoint a Subcommittee or an Extended Proceeding Committee to participate, subject to Rule 9345, in a disciplinary proceeding appealed or called for review.

(1) **Subcommittee**

Except as provided in subparagraph (2), for each disciplinary proceeding appealed or called for review, the Exchange Review Council or the Review Subcommittee shall appoint a Subcommittee to participate, subject to Rule 9345, in the appeal or review. A Subcommittee shall be composed of two or more persons who shall be current or former members of the Exchange Review Council or former Directors.

(2) **Extended Proceeding Committee**

Upon consideration of the volume and complexity of the certified record, or other factors the Exchange Review Council or the Review Subcommittee deems material, the Exchange Review Council or the Review Subcommittee may determine that a disciplinary proceeding appealed or called for review shall be designated an Extended Proceeding and shall appoint an Extended Proceeding Committee to participate, subject to Rule 9345, in the appeal or review. The Extended Proceeding Committee shall be composed of two or more persons who shall be current or former members of the Exchange Review Council or former Directors. The Review Subcommittee shall have discretion to compensate any or all Panelists of an Extended Proceeding Committee at the rate then in effect for arbitrators appointed under the FINRA Rule 12000 and 13000 Series.

(b) Function

If a hearing is held, the Subcommittee or, if applicable, the Extended Proceeding Committee, shall hear oral arguments and consider, if allowed under Rule 9346(b), any new evidence. Based on the hearing and the record on appeal or review, the Subcommittee or, if applicable, the Extended Hearing Committee, shall make a recommendation to the Exchange Review Council regarding the disposition of all matters on appeal, cross-appeal, or review. The recommendation shall be in the form of a written recommended decision.

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Nasdaq PHLX Rules, Regulation, Rule 9332. Disqualification and Recusal

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(a) Recusal, Withdrawal of Member or Panelist

If at any time a member of the Exchange Review Council, including a member of the Review Subcommittee, a Panelist of a Subcommittee or an Extended Proceeding Committee, or a Counsel to the Exchange Review Council determines that the member, the Panelist, or the Counsel to the Exchange Review Council has a conflict of interest or bias or circumstances otherwise exist where the fairness of the member, the Panelist, or the Counsel to the Exchange Review Council might reasonably be questioned, the member, the Panelist, or the Counsel to the Exchange Review Council shall notify the Chair of the Exchange Review Council, and the Chair of the Exchange Review Council shall issue and serve on the Parties a notice stating that the member, the Panelist, or the Counsel to the Exchange Review Council has withdrawn from the matter. In the event that a Panelist withdraws, is incapacitated, or is otherwise unable to continue service after a hearing has been convened, the Chair of the Exchange Review Council shall appoint a replacement Panelist. In the event that a member of the Review Subcommittee withdraws, is incapacitated, or is otherwise unable to continue service after assignment, the Chair of the Exchange Review Council shall appoint another member of the Exchange Review Council to serve on the Review Subcommittee for the limited purpose of considering the issues raised in the disciplinary proceeding in which the withdrawal action was taken. The replacement member of the Review Subcommittee must have the same classification (Industry or Non-Industry) as the member who withdrew. In the event that a Counsel to the Exchange Review Council withdraws, is incapacitated, or is otherwise unable to continue service after assignment, the Chief Regulatory Officer shall assign a replacement Counsel to the Exchange Review Council.

(b) Motion for Disqualification

A Party may move for the disqualification of a member of the Exchange Review Council, the Review Subcommittee, a Panelist of a Subcommittee or an Extended Proceeding Committee, or a Counsel to the Exchange Review Council. All such motions shall be based upon a reasonable, good faith belief that a conflict of interest or bias exists or circumstances otherwise exist where the fairness of the member, the Panelist, or the Counsel to the Exchange Review Council might reasonably be questioned, and shall be accompanied by an affidavit setting forth in detail the facts alleged to constitute grounds for disqualification, and the dates on which the Party learned of those facts. Such motions shall be filed not later than 15 days after the later of:

(1) when the Party learned of the facts believed to constitute the disqualification; or
(2) when the Party was notified of the composition of the Subcommittee or, if applicable, the Extended Proceeding Committee or the assignment to the disciplinary proceeding of the Counsel to the Exchange Review Council.

(c) Disposition of Disqualification Motions: Challenges to Single Member of the Exchange Review Council or Review Subcommittee, Single Panelist of Subcommittee or Extended Hearing Committee, or Counsel to the Exchange Review Council

Motions for disqualification of a member of the Exchange Review Council, including a member of the Review Subcommittee, a Panelist of a Subcommittee or an Extended Proceeding Committee, or a Counsel to the Exchange Review Council shall be decided by the Chair of the Exchange Review Council, who shall promptly determine whether disqualification is required and issue a written ruling on the motion. If a member of the Review Subcommittee is disqualified, the Chair of the Exchange Review Council shall appoint another member of the Exchange Review Council to serve on the Review Subcommittee for the limited purpose of considering the issues raised in the disciplinary proceeding in which the motion was made. The replacement member of the Review Subcommittee must have the same classification (Member, Industry or Non-Industry) as the member being replaced. If a Panelist is disqualified, the Chair of the Exchange Review Council shall appoint a replacement Panelist. If a Counsel is disqualified, the Chief Regulatory Officer shall assign a replacement Counsel to the Exchange Review Council.

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(d) Disposition of Disqualification Motions: Challenges to Multiple Members or Panelists

(1) **Exchange Review Council**

If a Party files a motion to disqualify more than one member of the Exchange Review Council, the Chair of the Exchange Review Council shall promptly determine whether disqualification is required, and shall issue a written ruling on the matter. In the event of such disqualification, the remaining members of the Exchange Review Council shall consider the review or appeal of the disciplinary matter.

(2) **Review Subcommittee**

If a Party files a motion to disqualify more than one member of the Review Subcommittee, the Chair of the Exchange Review Council shall promptly determine whether disqualification is required, and shall issue a written ruling on the matter. If members of the Review Subcommittee are disqualified, the Chair of the Exchange Review Council shall appoint other members of the Exchange Review Council to serve on the Review Subcommittee for the limited purpose of considering the issues raised in the disciplinary proceeding in which the motion was made. The replacement members of the Review Subcommittee must have the same classification (Member, Industry or Non-Industry) as the members being replaced.

(3) **Subcommittee; Extended Proceeding Committee**

If a Party files a motion to disqualify more than one Panelist of a Subcommittee or an Extended Proceeding Committee, the Chair of the Exchange Review Council shall promptly determine whether disqualification is required, and shall issue a written ruling on the motion. If multiple Panelists are disqualified, the Chair of the Exchange Review Council shall appoint replacement Panelists.

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Nasdaq PHLX Rules, Regulation, Rule 9340. Proceedings

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Nasdaq PHLX Rules, Regulation, Rule 9341. Oral Argument

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(a) Request for Oral Argument

A Party may request oral argument before the Subcommittee or, if applicable, the Extended Proceeding Committee. Oral argument shall be requested in writing either in the Party's notice of appeal or cross-appeal or within 15 days after service of the Exchange Review Council's notice of review. Subject to the limitations of Rules 9342 and 9344, oral argument shall be granted if timely requested. The right to oral argument set forth in this Rule is unaffected by a Party's waiver of, or failure to request, a hearing pursuant to the Rule 9200 Series.

(b) Discretion to Proceed With or Without Oral Argument

In the absence of a request for oral argument, the Subcommittee or, if applicable, the Extended Proceeding Committee, in its discretion, may order that a matter be set down for oral argument or may consider the matter on the basis of the record.

(c) Notice Regarding Oral Argument

If oral argument is held, a notice stating the date, time, and location of the oral argument shall be served on the Parties at least 21 days before the hearing. The Parties may agree in writing to waive the notice period or, in extraordinary circumstances, the Subcommittee or, if applicable, the Extended Proceeding Committee, or Counsel to the Exchange Review Council may provide for a shorter notice period, except that Counsel to the Exchange Review Council may provide for a shorter notice period only with the consent of the Parties.

(d) Attendance Required

The Parties shall make oral arguments before the Subcommittee or, if applicable, the Extended Proceeding Committee. Unless otherwise agreed to by all of the Parties, all Panelists comprising the Subcommittee or, if applicable, the Extended Proceeding Committee shall be present for the oral argument.

(e) Time Limits

Unless the Subcommittee or, if applicable, the Extended Proceeding Committee, orders otherwise for good cause shown, each Party's oral argument before the Subcommittee or, if applicable, the Extended Proceeding Committee, shall be limited to a total of 30 minutes.

(f) Recordation; Transcript Correction

(1) Oral arguments shall be recorded by a court reporter and a transcript shall be prepared.
(2) A transcript of a hearing shall be available to a Party for purchase from the court reporter at prescribed rates. A witness may purchase a transcript of his or her own testimony from the court reporter.
(3) Prior to the filing of post-hearing briefs or within such earlier time as reasonably ordered by the Subcommittee or, if applicable, the Extended Proceeding Committee, a Party or witness may seek to correct his or her transcript. A proposed correction of the transcript shall be submitted by affidavit to the Subcommittee or, if applicable, the Extended Proceeding Committee. Upon notice to all Parties to the disciplinary proceeding, the Subcommittee or, if applicable, the Extended Proceeding Committee may order the correction to the transcript as requested or sua sponte.

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Nasdaq PHLX Rules, Regulation, Rule 9342. Failure to Appear at Oral Argument

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A Party who requests oral argument but fails to appear after being duly notified shall be deemed to have waived any opportunity for oral argument provided under the Rule 9300 Series. The Subcommittee or, if applicable, the Extended Proceeding Committee, shall permit argument to go forward as to those Parties who appear. The Subcommittee or, if applicable, the Extended Proceeding Committee, in the exercise of its discretion, may consider the matter on the basis of the record without oral argument as to those Parties who failed to appear.

Adopted.
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 9343. Disposition Without Oral Argument

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If an oral argument is not held, the matter shall be considered by a Subcommittee or, if applicable, an Extended Proceeding Committee, on the basis of the record, as defined in Rule 9267, and supplemented by any written materials submitted to or issued by the Subcommittee or, if applicable, the Extended Proceeding Committee, or the Exchange Review Council in connection with the appeal, cross-appeal, or call for review.

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Nasdaq PHLX Rules, Regulation, Rule 9344. Failure to Participate Below; Abandonment of Appeal

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(a) Failure to Participate Below

When an appealing Party did not participate in the disciplinary proceeding before a Hearing Officer, a Hearing Panel or, if applicable, an Extended Hearing Panel, but shows good cause for the failure to participate, the Exchange Review Council or the Review Subcommittee may dismiss the appeal and remand the matter for further proceedings, or may order that the appeal proceed. If the appealing Party did not participate in the disciplinary proceeding before a Hearing Officer, a Hearing Panel or, if applicable, an Extended Hearing Panel, and fails to show good cause for the failure to participate, the matter shall be considered by the Subcommittee or, if applicable, the Extended Proceeding Committee, and the Exchange Review Council on the basis of the record and other documents, as provided in Rules 9346 and 9347. Alternatively, the Exchange Review Council or Review Subcommittee may remand the disciplinary proceeding with instructions. For purposes of this paragraph, failure to participate shall include failure to file an answer or otherwise respond to a complaint, or failure to appear at a scheduled hearing, but shall not include failure to request a hearing pursuant to Rule 9221.

(b) Abandonment of Appeal

If an appealing Party fails to advise the Exchange Review Council or the Review Subcommittee of the basis for seeking review or otherwise fails to provide information or submit a written brief in response to a request pursuant to Rules 9346 and 9347, the Exchange Review Council or the Review Subcommittee may dismiss the appeal as abandoned, and the decision of the Hearing Officer, the Hearing Panel or, if applicable, the Extended Hearing Panel, shall become the final disciplinary action of the Exchange. If a cross-appealing Party fails to advise the Exchange Review Council or the Review Subcommittee of the basis for seeking review or otherwise fails to provide information or submit a written brief in response to a request pursuant to Rules 9346 and 9347, the Exchange Review Council or the Review Subcommittee may dismiss the cross-appeal as abandoned. Upon a showing of good cause, the Exchange Review Council may withdraw any dismissal entered pursuant to this Rule.

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Nasdaq PHLX Rules, Regulation, Rule 9345. Subcommittee or Extended Proceeding Committee Recommended Decision to the Exchange Review Council

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A Subcommittee or, if applicable, an Extended Proceeding Committee, shall present a recommended decision in writing to the Exchange Review Council before the meeting of the Exchange Review Council at which the disciplinary proceeding shall be considered.

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Nasdaq PHLX Rules, Regulation, Rule 9346. Evidence in the Exchange Review Council Proceedings

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(a) Scope of Review

Except as otherwise set forth in this paragraph, the Exchange Review Council's review shall be limited to consideration of:

(1) the record, as defined in Rule 9267, supplemented by briefs and other papers submitted to the Subcommittee or, if applicable, the Extended Proceeding Committee, and the Exchange Review Council; and
(2) any oral argument permitted under this Code.

A Party may introduce additional evidence only with prior approval of the Subcommittee or, if applicable, the Extended Proceeding Committee, or the Exchange Review Council, upon a showing that extraordinary circumstances exist under paragraph (b). If an appealing Party shows good cause for failure to participate in the disciplinary proceeding below, the Exchange Review Council may hear evidence and consider the disciplinary proceeding pursuant to Rule 9344(a).

(b) Leave to Introduce Additional Evidence

A Party may apply to the Subcommittee or, if applicable, the Extended Proceeding Committee, or the Exchange Review Council for leave to introduce additional evidence by motion filed not later than 30 days after the Office of Hearing Officers transmits to the Exchange Review Council and serves upon all Parties the index to the record, pursuant to Rule 9321. The motion shall describe each item of proposed new evidence, demonstrate that there was good cause for failing to introduce it below, demonstrate why the evidence is material to the proceeding, and be filed and served. The Party may attach the documentary evidence as an exhibit to the motion. By a motion filed in accordance with Rule 9146, a Party may request an extension of the period during which a Party may file a motion for leave to introduce additional evidence. A Party shall demonstrate that there was good cause for failing to file the motion for leave to introduce additional evidence during the period prescribed.

(c) Motion In Opposition; Motion to Introduce Rebuttal Evidence

A Party may file an opposition to a motion, as provided in Rule 9146(d), for leave to introduce new evidence, and may move for leave to introduce rebuttal evidence in response to the proposed new evidence. A Party who moves to introduce rebuttal evidence in response to the proposed new evidence of another Party shall describe each item of proposed rebuttal evidence and explain why the evidence is material to the proceeding, and shall file and serve such motion.

(d) Discretion Regarding Review of Additional Evidence

Upon consideration of any motion to introduce additional evidence and any opposition thereto, the Subcommittee or, if applicable, the Extended Proceeding Committee, or the Exchange Review Council may permit the evidence to be introduced into the record on review, or the Exchange Review Council may remand the disciplinary proceeding for further proceedings consistent with its ruling or for further fact finding.

(e) Requirements for Submitting Additional Documentary Evidence

A Party that is permitted to introduce additional documentary evidence before the Subcommittee or, if applicable, the Extended Proceeding Committee, or the Exchange Review Council pursuant to paragraph (d) shall make copies of the evidence available to the Subcommittee or, if applicable, the Extended Proceeding Committee, or the Exchange Review Council, and to all Parties at such time as the Subcommittee or, if applicable, the Extended Proceeding Committee, the Exchange Review Council, or Counsel to the Exchange Review Council may specify.

(f) Subcommittee or Extended Proceeding Committee Order Requiring Additional Evidence

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On its own motion, the Subcommittee or, if applicable, the Extended Proceeding Committee, or the Exchange Review Council may order that the record be supplemented with such additional evidence as it may deem relevant. Among other things, the Subcommittee, or if applicable, the Extended Proceeding Committee, or the Exchange Review Council may order a Respondent who asserts his or her inability to pay a monetary sanction to file a sworn financial statement and to keep such statement current as ordered by the Subcommittee or, if applicable, the Extended Proceeding Committee, or the Exchange Review Council.

(g) Rules of Evidence Not Applicable

The formal rules of evidence shall not apply.

(h) Testimony

A person who is subject to the jurisdiction of the Exchange shall testify under oath or affirmation. The oath or affirmation shall be administered by a court reporter or a notary public.

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Nasdaq PHLX Rules, Regulation, Rule 9347. Filing of Papers in the Exchange Review Council Proceedings

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(a) Briefs; Reply Briefs; Requirements

Parties may file briefs in connection with proceedings governed by the Rule 9300 Series. Briefs shall be confined to the particular matters at issue. An exception to findings, conclusions, or sanctions shall be supported by citation to the relevant portions of the record, including references to specific pages relied upon, and by concise argument, including citation of such statutes, decisions, and other authorities as may be relevant. If an exception relates to the admission or exclusion of evidence, the substance of the evidence admitted or excluded shall be set forth in the brief, an appendix thereto, or by citation to the record. Parties may file reply briefs. If a Party files a reply brief, such brief shall be limited to matters in reply. All briefs shall conform to the requirements of the Rule 9130 Series, and, except with advance leave of the Subcommittee or, if applicable, the Extended Proceeding Committee, the Exchange Review Council, the Review Subcommittee, or Counsel to the Exchange Review Council, exclusive of pages containing tables of contents or tables of authorities, a brief other than a reply brief shall not exceed 25 double-spaced pages, and a reply brief shall not exceed 12 double-spaced pages.

(b) Timely Filing of Briefs

Briefs shall be due upon dates established by the Subcommittee or, if applicable, the Extended Proceeding Committee, the Exchange Review Council, the Review Subcommittee, or Counsel to the Exchange Review Council in a scheduling order. Unless the Subcommittee or, if applicable, the Extended Proceeding Committee, the Exchange Review Council, the Review Subcommittee, or Counsel to the Exchange Review Council specifies otherwise, opening briefs shall be submitted not less than 21 days from the date of the scheduling order, and answering briefs shall be submitted 21 days thereafter. When reply briefs are submitted, such briefs shall be filed not later than ten days after service of the answering brief. Counsel to the Exchange Review Council may not shorten a period previously established for the filing of briefs except with the consent of the Parties. The time periods listed in this provision are only applicable to the filing of opening briefs, answering briefs, and reply briefs.

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Nasdaq PHLX Rules, Regulation, Rule 9348. Powers of the Exchange Review Council on Review

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In any appeal or review proceeding pursuant to the Rule 9300 Series, the Exchange Review Council may affirm, dismiss, modify, or reverse with respect to each finding, or remand the disciplinary proceeding with instructions. The Exchange Review Council may affirm, modify, reverse, increase, or reduce any sanction (including the terms of any permanent cease and desist order), or impose any other fitting sanction.

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Nasdaq PHLX Rules, Regulation, Rule 9349. Exchange Review Council Formal Consideration; Decision

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(a) Decision of the Exchange Review Council, Including Remand

In an appeal or review of a disciplinary proceeding governed by the Rule 9300 Series that is not withdrawn or dismissed prior to a decision on the merits, the Exchange Review Council, after considering all matters presented in the appeal or review and the written recommended decision of the Subcommittee or, if applicable, the Extended Proceeding Committee, may affirm, dismiss, modify or reverse the decision of the Hearing Panel or, if applicable, Extended Hearing Panel, with respect to each Respondent who has appealed or cross-appealed or is subject to a call for review. The Exchange Review Council may affirm, modify, reverse, increase, or reduce any sanction, or impose any other fitting sanction. Alternatively, the Exchange Review Council or the Review Subcommittee may remand the disciplinary proceeding with instructions. The Exchange Review Council shall prepare a proposed written decision pursuant to paragraph (b).

(b) Contents of Decision

The decision shall include:

(1) a statement describing the investigative or other origin of the disciplinary proceeding;
(2) the specific statutory or rule provisions that were alleged to have been violated;
(3) a statement setting forth the findings of fact with respect to any act or practice the Respondent was alleged to have committed or omitted;
(4) the conclusions as to whether the Respondent violated any provision alleged in the complaint;
(5) a statement in support of the disposition of the principal issues raised in the proceeding; and
(6) a statement describing any sanction imposed, the reasons therefor, and, pursuant to Rule 9360, the date upon which such sanction shall become effective.

(c) Issuance of Decision After Expiration of Call for Review Period

The Exchange Review Council shall provide its proposed written decision to the Exchange Board. The Exchange Board may call the disciplinary proceeding for review pursuant to Rule 9351. If the Exchange Board does not call the disciplinary proceeding for review, the proposed written decision of the Exchange Review Council shall become final, and the Exchange Review Council shall serve its written decision on the Parties and provide a copy to each member organization of the Exchange with which a Respondent is associated. The decision shall constitute the final disciplinary action of the Exchange for purposes of SEC Rule 19d-1(c)(1), unless the Exchange Review Council remands the proceeding.

Adopted.
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Nasdaq PHLX Rules, Regulation, Rule 9350. Discretionary Review by Board

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Nasdaq PHLX Rules, Regulation, Rule 9351. Discretionary Review by the Exchange Board

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(a) Call for Review by Director

A Director may call a disciplinary proceeding for review by the Exchange Board if the call for review is made within the period prescribed in paragraph (b); provided, however, that a decision with respect to a member or member organization that is an affiliate of the Exchange within the meaning of Rule 985 may not be called for review.

(b) 15 Day Period; Waiver

(1) A Director shall make his or her call for review not later than the next meeting of the Exchange Board that is at least 15 days after the date on which the Exchange Board receives the proposed written decision of the Exchange Review Council.

(2) Waiver

By a unanimous vote of the Exchange Board, the Exchange Board may shorten the period in subparagraph (1) to less than 15 days. By an affirmative vote of the majority of the Exchange Board then in office, the Exchange Board may, during the 15 day period in subparagraph (1), vote to extend the period in subparagraph (1) to more than 15 days.

(c) Review at Next Meeting

If a Director calls a disciplinary proceeding for review within the period prescribed in paragraph (b), the Exchange Board shall review the disciplinary proceeding not later than the next meeting of the Exchange Board. The Exchange Board may order the Parties (excluding any Respondent who did not appeal or cross-appeal, or as to whom the issues appealed or called for review do not apply) to file briefs in connection with the review proceedings pursuant to this Rule.

(d) Decision of the Exchange Board, Including Remand

After review, the Exchange Board may affirm, modify, or reverse the proposed written decision of the Exchange Review Council. The Exchange Board may affirm, modify, reverse, increase, or reduce any sanction (including the terms of any permanent cease and desist order), or impose any other fitting sanction. Alternatively, the Exchange Board may remand the disciplinary proceeding with instructions. The Exchange Board shall prepare a written decision that includes all of the elements described in Rule 9349(b)(1) through (6).

(e) Issuance of Decision After Expiration of Call for Review Period

The Exchange Board shall issue and serve its written decision on the Parties and provide a copy to each member organization of the Exchange with which a Respondent is associated. The decision shall constitute the final disciplinary action of the Exchange for purposes of SEC Rule 19d-1(c)(1), unless the Exchange Board remands the proceeding.

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Nasdaq PHLX Rules, Regulation, Rule 9360. Effectiveness of Sanctions

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Unless otherwise provided in the decision issued under Rule 9349 or Rule 9351, a sanction (other than a bar, an expulsion, or a permanent cease and desist order) specified in a decision constituting final disciplinary action of the Exchange for purposes of SEC Rule 19d-1(c)(1) shall become effective on a date to be determined by the Exchange staff (or the Hearing Panel, Extended Hearing Panel, or Office of Disciplinary Affairs in the case of a decision with respect to an affiliate of the Exchange within the meaning of Rule 985). A bar, an expulsion, or a permanent cease and desist order shall become effective upon service of the decision constituting final disciplinary action of the Exchange, unless otherwise specified therein. The Exchange shall serve the decision on a Respondent by courier, facsimile or other means reasonably likely to obtain prompt service when the sanction is a bar, an expulsion, or a permanent cease and desist order.

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Nasdaq PHLX Rules, Regulation, Rule 9370. Application to Commission for Review

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(a) Appeal to Commission; Effect

A Respondent aggrieved by final disciplinary action pursuant to the Rule 9200 Series or the Rule 9300 Series may apply for review by the Commission pursuant to Section 19(d)(2) of the Act. The filing with the Commission of an application for review by the Commission shall stay the effectiveness of any sanction, other than a bar or an expulsion, imposed in a decision constituting final disciplinary action of the Exchange for purposes of SEC Rule 19d-1(c)(1).

(b) Notification to Member Organization

The Exchange shall promptly notify any member organization with which a Respondent is associated if the Respondent files an application for review to the Commission.

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Nasdaq PHLX Rules, Regulation, Rule 9400. Expedited Client Suspension Proceeding

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(a) Initiation of Proceeding

(1) *Scope of Authority*. With the prior written authorization of the Chief Regulatory Officer ("CRO") or such other senior officers as the CRO may designate, the Phlx Regulation Department, Department of Enforcement, or the Department of Market Regulation may initiate an expedited suspension proceeding with respect to alleged violations of Rule 774 (Disruptive Quoting and Trading Activity Prohibited).

(2) *Service of Notice*. The Exchange or FINRA shall initiate the proceeding by serving a notice on a member, member organization or associated person (hereinafter "Respondent"). The Exchange or FINRA shall serve the notice by personal service or overnight commercial courier. The notice shall be effective upon service.

(3) *Content of Notice*. The notice shall state whether the Exchange is requesting the Respondent to be required to take action or to refrain from taking action. The notice shall be accompanied by:

(A) a declaration of facts, signed by a person with knowledge of the facts contained therein, that specifies the acts that constitute the alleged violation; and

(B) a proposed order that contains the required elements of a suspension order (except the date and hour of the order's issuance), which are set forth in sub-paragraph (d)(2) of this Rule).

(b) Appointment of Hearing Officers and Hearing Panel

(1) As soon as practicable after the Exchange or FINRA initiates a suspension proceeding, a Hearing Panel shall be assigned in accordance with paragraph (a) of Rule 9231(b).

(2) If at any time a Hearing Officer determines that he or she has a conflict of interest or bias or circumstances otherwise exist where his or her fairness might reasonably be questioned, or if a Party files a motion to disqualify a Hearing Officer, the recusal and disqualification proceeding shall be conducted in accordance with Rules 9233(a), except that:

(A) a motion seeking disqualification of a Hearing Officer must be filed no later than 5 days after the announcement of the Hearing Panel; and

(B) the Exchange may file a brief in opposition to the Respondent's motion no later than 5 days after service thereof.

(c) Hearing

(1) *When Held*. The hearing shall be held not later than 15 days after service of the notice initiating the suspension proceeding, unless otherwise extended by the Chairman of the Hearing Panel with the consent of the Parties for good cause shown. If a Hearing Officer is recused or disqualified, the hearing shall be held not later than five days after a replacement Hearing Officer is appointed.

(2) *Service of Notice of Hearing*. A notice of date, time, and place of the hearing shall be served on the Parties not later than seven days before the hearing, unless otherwise ordered by the Chairman of the Hearing Panel. Service shall be made by personal service or overnight commercial courier. The notice shall be effective upon service.

(3) *Authority of Hearing Officers*. A Hearing Officer shall have authority to do all things necessary and appropriate to discharge his or her duties as set forth in Rule 9235.

(4) *Witnesses*. A person who is subject to the jurisdiction of the Exchange shall testify under oath or affirmation. The oath or affirmation shall be administered by a court reporter or a notary public.

(5) *Additional Information*. At any time during its consideration, the Hearing Panel may direct a Party to submit additional information. Any additional information submitted shall be provided to all Parties at least one day before the Hearing Panel renders its decision.

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(6) *Transcript*. The hearing shall be recorded by a court reporter and a written transcript thereof shall be prepared. A transcript of the hearing shall be available to the Parties for purchase from the court reporter at prescribed rates. A witness may purchase a copy of the transcript of his or her own testimony from the court reporter at prescribed rates. Proposed corrections to the transcript may be submitted by affidavit to the Hearing Panel within a reasonable time determined by the Hearing Panel. Upon notice to all the Parties to the proceeding, the Hearing Panel may order corrections to the transcript as requested or sua sponte.

(7) *Record and Evidence Not Admitted*. The record shall consist of the notice initiating the proceeding, the declaration, and the proposed order described in sub-paragraph (a)(3) above; the transcript of the hearing; all evidence considered by the Hearing Panel; and any other document or item accepted into the record by the Hearing Panel. The Phlx Regulation Department shall be the custodian of the record. Proffered evidence that is not accepted into the record by the Hearing Panel shall be retained by the custodian of the record until the date when the Exchange's decision becomes final or, if applicable, upon the conclusion of any review by the SEC or the federal courts.

(8) *Failure to Appear at a Hearing*. If a Respondent fails to appear at a hearing for which it has notice, the allegations in the notice and accompanying declaration may be deemed admitted, and the Hearing Panel may issue a suspension order without further proceedings. If the Exchange or FINRA fails to appear at a hearing for which it has notice, the Hearing Panel may order that the suspension proceeding be dismissed.

(d) Issuance of Suspension Order by Hearing Panel

(1) *Basis for Issuance*. The Hearing Panel shall issue a written decision stating whether a suspension order shall be imposed. The Hearing Panel shall issue the decision not later than ten days after receipt of the hearing transcript, unless otherwise extended by the Chairman of the Hearing Panel with the consent of the Parties for good cause shown. A suspension order shall be imposed if the Hearing Panel finds:

(A) by a preponderance of the evidence that the alleged violation specified in the notice has occurred; and

(B) that the violative conduct or continuation thereof is likely to result in significant market disruption or other significant harm to investors.

(2) *Content, Scope, and Form of Order*. A suspension order shall:

(A) be limited to: (i) ordering a Respondent to cease and desist from violating Rule 774, and/or (ii) ordering a Respondent to cease and desist from providing access to the Exchange to a client of Respondent that is causing violations of Rule 774;

(B) set forth the alleged violation and the significant market disruption or other significant harm to investors that is likely to result without the issuance of an order;

(C) describe in reasonable detail the act or acts the Respondent is to take or refrain from taking and to suspend the Respondent unless and until such action is taken or refrained from; and

(D) include the date and hour of its issuance.

(3) *Duration of Order*. A suspension order shall remain effective and enforceable unless modified, set aside, limited, or revoked pursuant to paragraph (e), below.

(4) *Service*. The Hearing Panel's decision and any suspension order shall be served by personal service or overnight commercial courier. The suspension order shall be effective upon service.

(e) Review by Hearing Panel. At any time after the Respondent is served with a suspension order, a Party may apply to the Hearing Panel to have the order modified, set aside, limited, or revoked. The application shall set forth with specificity the facts that support the request. The Hearing Panel shall respond to the request in writing within ten days after receipt of the request, unless otherwise extended by the Chairman of the Hearing Panel with the consent of the Parties for good cause shown. The Hearing Panel's response shall be served on the

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Respondent via personal service or overnight commercial courier. The filing of an application under this Rule shall not stay the effectiveness of the suspension order.

(f) Application to SEC for Review. Sanctions imposed pursuant to this Rule constitute final and immediately effective disciplinary sanctions imposed by the Exchange. The right to have any action under this Rule reviewed by the SEC is governed by Section 19 of the Exchange Act. The filing of an application for review shall not stay the effectiveness of a suspension order unless the SEC otherwise orders.

Adopted.
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Nasdaq PHLX Rules, Regulation, Rule 9500. Other Proceedings

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Nasdaq PHLX Rules, Regulation, Rule 9520. Eligibility Proceedings

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Nasdaq PHLX Rules, Regulation, Rule 9521. Purpose and Definitions

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(a) Purpose

The Rule 9520 Series sets forth procedures for a person to become or remain associated with a member organization, notwithstanding the existence of a statutory disqualification as defined in the Exchange By-Laws and for a current member, member organization or person associated with a member organization to obtain relief from the eligibility or qualification requirements of the Exchange By-Laws and the Rules of the Exchange. Such actions hereinafter are referred to as "eligibility proceedings."

(b) Definitions

(1) The term "Application" means FINRA's Form MC-400 for individuals or Form MC-400A for member organizations, filed with the Central Registration Depository/Public Disclosure.

(2) The term "disqualified member organization" means a broker, dealer, municipal securities broker or dealer, government securities broker or dealer, or member organization that is or becomes subject to a disqualification or is otherwise ineligible for membership under the Rules of the Exchange.

(3) The term "disqualified person" means an associated person, including a member, associated person or person seeking to become an associated person who is or becomes subject to a disqualification or is otherwise ineligible for association under the Rules of the Exchange.

(4) The term "sponsoring member organization" means the member organization or applicant for membership pursuant to Rule 900.2 that is sponsoring the association or continued association of a disqualified person to be admitted, readmitted, or permitted to continue in association.

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Nasdaq PHLX Rules, Regulation, Rule 9522. Initiation of Eligibility Proceeding; Member Regulation Consideration

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(a) Initiation

(1) **Issuance of Notice of Disqualification or Ineligibility**

If staff of the Department of Member Regulation has reason to believe that a disqualification exists or that a member, member organization or person associated with a member organization otherwise fails to meet the eligibility requirements of the Exchange, staff of the Department of Member Regulation shall issue a written notice to the member, member organization or applicant for membership under Rule 901. The notice shall specify the grounds for such disqualification or ineligibility. Staff of the Department of Member Regulation shall not issue such written notice to members, member organizations or applicants for membership under Rule 901 with respect to disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act, unless the member organization or applicant for membership under Rule 901 is required to file an application pursuant to a Regulatory Alert entitled "Eligibility Proceedings: Amendments to Rule 9520 Series to Establish Procedures Applicable to Firms and Associated Persons Subject to Certain Statutory Disqualifications" (the "SD Regulatory Alert").

(2) **Notice Regarding a Member Organization**

A notice issued to a disqualified member organization shall state that the disqualified member organization may apply for relief by filing an application or, in the case of a matter set forth in Rule 9522(e)(1), a written request for relief, within ten business days after service of the notice. If the member organization fails to file the application or, where appropriate, the written request for relief, within the 10-day period, the membership of the member organization shall be canceled, unless the Department of Member Regulation grants an extension for good cause shown.

(3) **Notice Regarding an Associated Person**

A notice issued regarding a disqualified person to a member organization or applicant for membership under Rule 901 shall state that such member organization or applicant for membership may file an application on behalf of itself and such person or, in the case of a matter set forth in Rule 9522(e)(1), a written request for relief, within ten business days after service of the notice. If the member organization fails to file the application or, where appropriate, the written request for relief, within the 10-day period, the registration of the disqualified person shall be revoked, unless the Department of Member Regulation grants an extension for good cause shown.

(4) **Service**

A notice issued under this section shall be served by facsimile or pursuant to Rules 9131 and 9134.

(b) Obligation of Member Organization to Initiate Proceeding

(1) A member organization shall file an application or, in the case of a matter set forth in Rule 9522(e)(1), a written request for relief, with the Central Registration Depository/Public Disclosure, if the member organization determines prior to receiving a notice under paragraph (a) that:

(A) it has become a disqualified member organization;
(B) a person associated with such member organization, including a member, or whose association is proposed by an applicant for membership under Rule 901 has become a disqualified person; or
(C) the member organization or applicant for membership under Rule 901 wishes to sponsor the association of a person who is a disqualified person.

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(2) For any disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act, a member organization shall not file an application unless instructed to do so by the SD Regulatory Alert.

(c) Withdrawal of Application

A member organization may withdraw its application or written request for relief prior to a hearing by filing a written notice with the Central Registration Depository/Public Disclosure pursuant to Rules 9135, 9136, and 9137. A member organization may withdraw its application after the start of a hearing but prior to the issuance of a decision by the Exchange Review Council by filing a written notice with the Exchange Review Council and the Office of General Counsel pursuant to Rules 9135, 9136, and 9137.

(d) Ex Parte Communications

The prohibitions against ex parte communications set forth in Rule 9143 shall become effective under the Rule 9520 Series when the Phlx Regulation Department staff has initiated the eligibility proceeding and the Phlx Regulation Department staff has knowledge that a member organization intends to file an application or written request for relief pursuant to the Rule 9520 Series.

(e) Member Regulation Consideration

(1) Matters that may be Approved by the Department of Member Regulation without the Filing of an Application

The Department of Member Regulation, as it deems consistent with the public interest and the protection of investors, is authorized to approve a written request for relief from the eligibility requirements by a disqualified member organization or a sponsoring member organization without the filing of an application by such disqualified member organization or sponsoring member organization if a disqualified member organization or disqualified person is subject to one or more of the following conditions but is not otherwise subject to disqualification:

(A) a disqualified member organization or disqualified person is subject to a disqualification based on an injunction that was entered ten or more years prior to the proposed admission or continuance by order, judgment, or decree of any court of competent jurisdiction from acting as an investment adviser, underwriter, broker, dealer, municipal securities dealer, government securities broker, government securities dealer, transfer agent, foreign person performing a function substantially equivalent to any of the above, entity or person required to be registered under the Commodity Exchange Act, or any substantially equivalent foreign statute or regulation, or as an affiliated person or employee of any investment company, bank, insurance company, foreign entity substantially equivalent to any of the above, or entity or person required to be registered under the Commodity Exchange Act or any substantially equivalent foreign statute or regulation, or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase or sale of any security.

(B) a sponsoring member organization makes a request to change the supervisor of a disqualified person; or

(C) a disqualified member organization or sponsoring member organization is a member organization of both the Exchange and another self-regulatory organization; and:

(i) the other self-regulatory organization intends to file a Notice under SEC Rule 19h-1 approving the membership continuance of the disqualified member organization or, in the case of a sponsoring member organization, the proposed association or continued association of the disqualified person; and

(ii) the Department of Member Regulation concurs with that determination.

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(2) Matters that may be Approved by the Department of Member Regulation after the Filing of an Application

The Department of Member Regulation, as it deems consistent with the public interest and the protection of investors, is authorized to approve an application filed by a disqualified member organization or sponsoring member organization if the disqualified member organization or disqualified person is subject to one or more of the following conditions but is not otherwise subject to disqualification (other than a matter set forth in subparagraph(e)(1)):

(A) The disqualified person is already a participant in, a member organization (or equivalent) of, or a person associated with a member organization (or equivalent) of, a self-regulatory organization (other than the Exchange), and the terms and conditions of the proposed admission to the Exchange are the same in all material respects as those imposed or not disapproved in connection with such person's prior admission or continuance pursuant to an order of the Commission under SEC Rule 19h-1 or other substantially equivalent written communication;

(B) The Department of Member Regulation finds, after reasonable inquiry, that except for the identity of the employer concerned, the terms and conditions of the proposed admission or continuance are the same in all material respects as those imposed or not disapproved in connection with a prior admission or continuance of the disqualified person pursuant to an order of the Commission under SEC Rule 19h-1 or other substantially equivalent written communication, and that there is no intervening conduct or other circumstance that would cause the employment to be inconsistent with the public interest or the protection of investors;

(C) The disqualification previously was a basis for the institution of an administrative proceeding pursuant to a provision of the federal securities laws, and was considered by the Commission in determining a sanction against such disqualified person in the proceeding; and the Commission concluded in such proceeding that it would not restrict or limit the future securities activities of such disqualified person in the capacity now proposed, or, if it imposed any such restrictions or limitations for a specified time period, such time period has elapsed; or

(D) The disqualification consists of a court order or judgment of injunction or conviction, and such order or judgment:

(i) expressly includes a provision that, on the basis of such order or judgment, the Commission will not institute a proceeding against such person pursuant to Section 15(b) or 15B of the Act or that the future securities activities of such persons in the capacity now proposed will not be restricted or limited; or

(ii) includes such restrictions or limitations for a specified time period and such time period has elapsed;

(E) The disqualified person's functions are purely clerical and/or ministerial in nature; or

(F) The disqualification arises from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Exchange Act or arises under Section 3(a)(39)(E) of the Exchange Act.

(3) Rights of Disqualified Member Organization, Sponsoring Member Organization, Disqualified Person, and Department of Member Regulation

(A) In the event the Department of Member Regulation does not approve a written request for relief from the eligibility requirements pursuant to subparagraph (e)(1), the disqualified member organization or sponsoring member organization may file an application, and such member organization shall have the right to proceed under Rule 9523 or 9524, as applicable. The Department of Member Regulation may require a disqualified member organization

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or sponsoring member organization to file an application with the Central Registration Depository/Public Disclosure, notwithstanding the provisions of subparagraph (e)(1).

(B) In the event the Department of Member Regulation does not approve an application pursuant to subparagraph (e)(2), the disqualified member organization or sponsoring member organization shall have the right to proceed under Rule 9523 or 9524, as applicable.

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Nasdaq PHLX Rules, Regulation, Rule 9523. Acceptance of Member Regulation Recommendations and Supervisory Plans by Consent Pursuant to SEC Rule 19h-1

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(a) With respect to all disqualifications, except those arising solely from findings or orders specified in Section 15(b)(4)(D), (E) or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act, after an application is filed, the Department of Member Regulation may recommend the membership or continued membership of a disqualified member organization or sponsoring member organization or the association or continuing association of a disqualified person pursuant to a supervisory plan where the disqualified member organization, sponsoring member organization, and/or disqualified person, as the case may be, consent to the recommendation and the imposition of the supervisory plan. The disqualified member organization, sponsoring member organization, and/or disqualified person, as the case may be, shall execute a letter consenting to the imposition of the supervisory plan.

(1) If a disqualified member organization, sponsoring member organization, and/or disqualified person submitted an executed letter consenting to a supervisory plan, by the submission of such letter, the disqualified member organization, sponsoring member organization and/or disqualified person waive:

  (A) the right to a hearing before a Hearing Panel and any right of appeal to the Exchange Review Council, the Commission, and the courts, or otherwise challenge the validity of the supervisory plan, if the supervisory plan is accepted.

  (B) any right of the disqualified member organization, sponsoring member organization, and/or disqualified person to claim bias or prejudgment by the Department of Member Regulation, the Chief Regulatory Officer, the Exchange Review Council, or any member of the Exchange Review Council, in connection with such person's or body's participation in discussions regarding the terms and conditions of the Department of Member Regulation's recommendation or the supervisory plan, or other consideration of the recommendation or supervisory plan, including acceptance or rejection of such recommendation or supervisory plan; and

  (C) any right of the disqualified member organization, sponsoring member organization, and/or disqualified person to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the recommendation or supervisory plan, or other consideration of the recommendation or supervisory plan, including acceptance or rejection of such recommendation or supervisory plan.

(2) If a recommendation or supervisory plan is rejected, the disqualified member organization, sponsoring member organization, and/or disqualified person shall be bound by the waivers made under subparagraph (a)(1) for conduct by persons or bodies occurring during the period beginning on the date the supervisory plan was submitted and ending upon the rejection of the supervisory plan and shall have the right to proceed under this rule and Rule 9524, as applicable.

(3) If the disqualified member organization, sponsoring member organization, and/or disqualified person execute the letter consenting to the supervisory plan, it shall be submitted to the Phlx Regulation Department by the Department of Member Regulation with a proposed Notice under SEC Rule 19h-1, where required. The Phlx Regulation Department shall forward the supervisory plan and proposed Notice under SEC Rule 19h-1, if any, to the Chairman of the Statutory Disqualification Committee, acting on behalf of the Exchange Review Council. The Chairman of the Statutory Disqualification Committee may accept or reject the recommendation of the Department of Member Regulation and the supervisory plan or refer them to the Exchange Review Council for acceptance or rejection by the Exchange Review Council.

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(4) If the recommendation and supervisory plan is accepted by the Exchange Review Council, the Chairman of the Statutory Disqualification Committee it shall be deemed final and, where required, the proposed Notice under SEC Rule 19h-1 will be filed by the Exchange. If the recommendation and supervisory plan are rejected by the Chairman of the Statutory Disqualification Committee, the Exchange Review Council the Phlx Regulation Department may take any other appropriate action with respect to the disqualified member organization, sponsoring member organization, and/or disqualified person. If the recommendation and supervisory plan are rejected, the disqualified member organization, sponsoring member organization, and/or disqualified person shall not be prejudiced by the execution of the letter consenting to the supervisory plan under subparagraph (a) and the letter may not be introduced into evidence in any proceeding.

(b) With respect to disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E) or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act, after an application is filed, in approving an application under Rule 9522(e)(2)(F), the Department of Member Regulation is authorized to accept the membership or continued membership of a disqualified member organization or sponsoring member organization or the association or continuing association of a disqualified person pursuant to a supervisory plan where the disqualified member organization, sponsoring member organization, and/or disqualified persons, as the case may be, consent to the imposition of the supervisory plan. The disqualified member organization, sponsoring member organization, and/or disqualified person, as the case may be, shall execute a letter consenting to the imposition of the supervisory plan. The Department of Member Regulation shall prepare a proposed Notice under SEC Rule 19h-1, where required, and the Exchange shall file such Notice.

(1) If a disqualified member organization, sponsoring member organization, and/or disqualified person submitted an executed letter consenting to a supervisory plan, by the submission of such letter, the disqualified member organization, sponsoring member organization and/or disqualified person waives:

(A) the right to a hearing before a Hearing Panel and any right of appeal to the Exchange Review Council, the SEC, and the courts, or otherwise challenge the validity of the supervisory plan, if the supervisory plan is accepted;

(B) any right of the disqualified member organization, sponsoring member organization, and/or disqualified person to claim bias or prejudgment by the Department of Member Regulation or the General Counsel in connection with such person's or body's participation in discussions regarding the terms and conditions of the Department of Member Regulation's recommended supervisory plan, or other consideration of the supervisory plan, including acceptance or rejection of such recommendation or supervisory plan; and

(C) any right of the disqualified member organization, sponsoring member organization, and/or disqualified person to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the supervisory plan, or other consideration of the supervisory plan, including acceptance or rejection of such supervisory plan.

(2) If the supervisory plan is rejected, the disqualified member organization, sponsoring member organization, and/or disqualified person shall be bound by the waivers made under paragraph (b)(1) for conduct by persons or bodies occurring during the period beginning on the date the supervisory plan was submitted and ending upon the rejection of the supervisory plan and shall have the right to proceed under Rule 9524.

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Nasdaq PHLX Rules, Regulation, Rule 9524. Exchange Review Council Consideration

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(a) Hearing Panel Consideration

(1) **Appointment of Hearing Panel**

When the disqualified member organization, sponsoring member organization, or applicant requests a hearing, the Exchange Review Council or the Review Subcommittee shall appoint a Hearing Panel composed of two or more members, who shall be current or former members of the Exchange Review Council or the Statutory Disqualification Committee or former Directors (provided, however, that current members of the Exchange Review Council shall not serve on a Hearing Panel with respect to an affiliate of the Exchange within the meaning of Rule 985). The Hearing Panel shall conduct a hearing and recommend a decision on the request for relief.

(2) **Notice of Hearing**

The disqualified member organization or sponsoring member organization, as the case may be, and the Department of Member Regulation shall be notified via mail, facsimile, or overnight courier of the location, time, and date of the hearing not less than fourteen business days before the hearing, unless the parties agree to shorten the time period.

(3) **Transmission of Documents**

(A) Upon receipt of an application, the Central Registration Depository shall gather all of the information necessary to process the application, including (i) the Central Registration Depository records for the disqualified member organization, sponsoring member organization, and/or disqualified person, as the case may be, and the proposed supervisor; and (ii) all of the information submitted by the disqualified member organization or sponsoring member organization in support of the application. The Central Registration Depository will prepare an index of these documents, and simultaneously provide this index and copies of the documents to the disqualified member organization or sponsoring member organization, as the case may be, the Phlx Regulation Department, and the Department of Member Regulation. Such documents shall be served on the disqualified member organization or sponsoring member organization, as the case may be, by mail, facsimile, or overnight courier as soon as practicable. The Department of Member Regulation shall serve its recommendation and its supporting documents on the Phlx Regulation Department and the disqualified member organization or sponsoring member organization, as the case may be, within ten business days of the hearing, unless the Parties agree otherwise. The disqualified member organization or sponsoring member organization, as the case may be, shall serve its documents on the Phlx Regulation Department and the Department of Member Regulation within ten business days of the hearing, unless the Parties agree otherwise. The Phlx Regulation Department shall forward all documents transmitted to it pursuant to this subparagraph (a)(3) to the Hearing Panel.

(B) Not less than ten business days before the hearing, the Department of Member Regulation, which shall act as a Party in the eligibility proceeding, and the disqualified member organization or sponsoring member organization, as the case may be, shall serve proposed exhibit and witness lists on each other and the Phlx Regulation Department. The exhibit and witness lists shall be served by facsimile or overnight courier.

(C) At any time prior to the issuance of its recommendation, the Hearing Panel may order the Parties to supplement the record with any additional information that the Hearing Panel deems necessary.

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(4) Rights of Disqualified Member Organization, Sponsoring Member Organization, Disqualified Person, and Department of Member Regulation

The disqualified member organization, sponsoring member organization, and/or disqualified person, as the case may be, and, the Department of Member Regulation, shall be entitled to be heard in person, to be represented by an attorney, and to submit any relevant evidence.

(5) **Extensions of Time, Postponements, and Adjournments**

At any time prior to the issuance of the decision of the Hearing Panel, after obtaining consent of all the Parties, the Hearing Panel may extend or shorten any time limits prescribed by the Code for the filing of any papers and may postpone or adjourn any hearing.

(6) **Recordation of Hearing**

The hearing shall be recorded and a transcript prepared by a court reporter. The disqualified member organization, sponsoring member organization, and/or disqualified person, as the case may be, may purchase a copy of the transcript from the court reporter at prescribed rates. A witness may purchase a copy of the transcript of his or her own testimony from the court reporter at prescribed rates. Proposed corrections to the transcript may be submitted by affidavit to the Hearing Panel within a reasonable time determined by the Hearing Panel. Upon notice to the participants in the hearing, the Hearing Panel may order corrections to the transcript as requested or sua sponte.

(7) **Record**

The record shall consist of:

(A) the notice issued pursuant to Rule 9522(a), if applicable;
(B) all documents relied upon in issuing the notice under Rule 9522(a), if applicable;
(C) the application for relief filed pursuant to Rule 9522(b);
(D) any other submissions by the disqualified member organization, sponsoring member organization, and/or disqualified person, as the case may be, and the Department of Member Regulation;
(E) any evidence considered at the hearing; and
(F) the transcript of the hearing and any corrections thereto.

(8) **Custodian of the Record**

The custodian of the record shall be the Phlx Regulation Department.

(9) **Evidence Not Admitted**

Evidence that is proffered but not admitted during the hearing shall not be part of the record, but shall be retained by the custodian of the record until the date when the Exchange's decision becomes final or, if applicable, upon the conclusion of any review by the Commission or the federal courts.

(10) **Recommendation**

On the basis of the record, the Hearing Panel shall present a recommended decision in writing on the request for relief to the Statutory Disqualification Committee. After considering the record and recommendation of the Hearing Panel, the Statutory Disqualification Committee shall present its recommended decision in writing to the Exchange Review Council. Notwithstanding the foregoing, with respect to an Exchange member or member organization that is an affiliate of the Exchange within the meaning of Rule 985, the Hearing Panel shall prepare a final decision meeting the requirements of Rule 9524(b)(2), which shall not be reviewed by the Statutory Disqualification Committee or the Exchange Review Council, and may not be called for review by the Exchange Board pursuant to Rule 9525.

(b) Decision

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(1) **Decision of the Exchange Review Council**

After considering all matters presented in the request for relief, the Statutory Disqualification Committee's recommended decision, the public interest, and the protection of investors, the Exchange Review Council may grant or deny the request for relief, and, if relief is granted, impose conditions on the disqualified member organization, sponsoring member organization, and/or disqualified person, as the case may be. At any time prior to the issuance of its recommendation, the Exchange Review Council may order the Parties to supplement the record with any additional information that the Exchange Review Council deems necessary. Alternatively, the Exchange Review Council may remand the eligibility proceeding. The Exchange Review Council shall prepare a proposed written decision pursuant to subparagraph (b)(2).

(2) **Contents of Decision**

The decision shall include:

(A) a description of the origin of the eligibility proceeding and the nature of the disqualification;
(B) a description of the prospective business or employment requested to be engaged in; and
(C) a statement in support of the disposition of the request for relief, which, if granted, includes any of the applicable elements under SEC Rule 19h-1(e) and a description of any conditions that are imposed on the disqualified member organization, sponsoring member organization, or disqualified person, as the case may be.

(3) **Issuance of Decision After Expiration of Call for Review Period**

The Exchange Review Council shall provide its proposed written decision to the Exchange Board. The Exchange Board may call the eligibility proceeding for review pursuant to Rule 9525. If the Exchange Board does not call the eligibility proceeding for review, the proposed written decision of the Exchange Review Council shall become final, and the Exchange Review Council shall serve its written decision on the disqualified member organization, sponsoring member organization, and/or disqualified person, as the case may be, and the Department of Member Regulation pursuant to Rules 9132 and 9134. In the case of a decision with respect to an Exchange member or member organization that is an affiliate of the Exchange within the meaning of Rule 985, the decision of the Hearing Panel shall become final without being provided to the Exchange Board, and the Hearing Panel shall serve its written decision.

The decision shall constitute final action of the Exchange, unless the Exchange Review Council remands the eligibility proceeding. A decision to deny re-entry or continued association shall be effective immediately. A decision to approve shall be effective after the Commission issues an acknowledgment letter or, in cases involving Commission ordered sanctions, an order.

Adopted.
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Nasdaq PHLX Rules, Regulation, Rule 9525. Discretionary Review by the Exchange Board

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(a) Call for Review by Director

A Director may call an eligibility proceeding for review by the Exchange Board if the call for review is made within the period prescribed in paragraph (b).

(b) 15 Day Period; Waiver

A Director shall make his or her call for review not later than the next meeting of the Exchange Board that is at least 15 days after the date on which the Exchange Board receives the proposed written decision of the Exchange Review Council. By a unanimous vote of the Exchange Board, the Exchange Board may shorten the period to less than 15 days. By an affirmative vote of the majority of the Exchange Board then in office, the Exchange Board may, during the 15 day period, vote to extend the period to more than 15 days.

(c) Review at Next Meeting

If a Director calls an eligibility proceeding for review within the period prescribed in paragraph (b), the Exchange Board shall review the eligibility proceeding not later than the next meeting of the Exchange Board. The Exchange Board may order the filing of briefs in connection with its review proceedings pursuant to this Rule.

(d) Decision of the Exchange Board, Including Remand

After review, the Exchange Board may affirm, modify, or reverse the proposed written decision of the Exchange Review Council. Alternatively, the Exchange Board may remand the eligibility proceeding with instructions. The Exchange Board shall prepare a written decision that includes all of the elements described in Rule 9524(b)(2).

(e) Issuance of Decision

The Exchange Board shall issue and serve its written decision on the disqualified member organization, sponsoring member organization, and/or disqualified person, as the case may be, and the Department of Member Regulation pursuant to Rules 9132 and 9134. The decision shall constitute the final action of the Exchange, unless the Exchange Board remands the proceeding. A decision to deny re-entry or continued association shall be effective immediately. A decision to approve shall be effective after the Commission issues an acknowledgment letter or, in cases involving Commission-ordered sanctions, an order.

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Nasdaq PHLX Rules, Regulation, Rule 9526. Expedited Review

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(a) Direction by Executive Committee

Notwithstanding Rules 9524 and 9525, the Exchange Board Executive Committee, upon request of the Statutory Disqualification Committee, may direct an expedited review of a recommended written decision of the Statutory Disqualification Committee if the Exchange Board Executive Committee determines that expedited review is necessary for the protection of investors.

(b) Call for Review Period

If a recommended decision is subject to expedited review, a Director may call the eligibility proceeding for review within seven days after receipt of the recommended written decision.

(c) No Call for Review

If no Director calls the proceeding for review within the time prescribed, the decision shall become final, and the Statutory Disqualification Committee shall serve the decision on the disqualified member organization, sponsoring member organization, and/or disqualified person, as the case may be, and the Department of Member Regulation pursuant to Rules 9132 and 9134. The decision shall constitute final action of the Exchange. The decision shall be effective upon approval by the Commission.

(d) Call for Review

If a Director calls the eligibility proceeding for review within the prescribed time, a review panel shall meet and conduct a review not later than 14 days after the call for review. The review panel shall be composed of the Exchange Board Executive Committee, except that the Director who calls the proceeding for review shall serve on the review panel in lieu of a member of the Executive Committee who has the same classification (Member, Industry, Non-Industry, or Public) as such Director. The review panel may affirm, modify, or reverse the recommended written decision of the Statutory Disqualification Committee or remand the eligibility proceeding with instructions. The review panel shall prepare, issue, and serve its decision pursuant to Rule 9525(d) and (e).

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Nasdaq PHLX Rules, Regulation, Rule 9527. Application to Commission for Review

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The right to have any action taken pursuant to this Rule Series reviewed by the Commission is governed by Section 19 of the Act. The filing of an application for review shall not stay the effectiveness of final action by the Exchange, unless the Commission otherwise orders.

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Nasdaq PHLX Rules, Regulation, Rule 9533. Reserved

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Nasdaq PHLX Rules, Regulation, Rule 9550. Expedited Proceedings

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Nasdaq PHLX Rules, Regulation, Rule 9551. Reserved

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Nasdaq PHLX Rules, Regulation, Rule 9552. Failure to Provide Information or Keep Information Current

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(a) Notice of Suspension of Member, Member Organization, Person Associated with a Member Organization or Person Subject to the Exchange's Jurisdiction if Corrective Action is Not Taken

If a member, member organization, person associated with a member organization or person subject to the Exchange's jurisdiction fails to provide any information, report, material, data, or testimony requested or required to be filed pursuant to the Exchange's By-Laws or the Rules of the Exchange, or fails to keep its membership application or supporting documents current, the Phlx Regulation Department staff may provide written notice to such member, member organization or person specifying the nature of the failure and stating that the failure to take corrective action within 21 days after service of the notice will result in suspension of membership or of association of the person with any member organization.

(b) Service of Notice of Suspension

Except as provided below, the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) shall serve the member, member organization or person with such notice (or upon counsel representing the member, member organization or person, or other person authorized to represent others under Rule 9141, when counsel or other person authorized to represent others under Rule 9141 agrees to accept service for the member, member organization or person) in accordance with Rule 9134 or by facsimile or email. A copy of a notice under this Rule that is served on a member or person associated with a member organization also shall be served on such member organization. Papers served on a member organization by facsimile shall be sent to the member organization's facsimile number listed in the FINRA Contact System submitted to the Exchange pursuant to Rule 600(d), except that, if the Phlx Regulation Department staff has actual knowledge that a member organization's FINRA Contact System facsimile number is out of date, duplicate copies shall be sent to the member organization by overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(2) of Rule 9134. Papers served on a member organization by email shall be sent to the member organization's email address listed in the FINRA Contact System submitted to the Exchange pursuant to Rule 600(d) and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(2) of Rule 9134. Papers served on a member or person by facsimile or email shall be sent to the member's or person's last known facsimile number or email address and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) of Rule 9134. Papers served on counsel for a member, member organization or person, or other person authorized to represent others under Rule 9141, by facsimile or email shall be sent to the facsimile number or email address that counsel or other person authorized to represent others under Rule 9141 provides and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) of Rule 9134. Service is complete upon sending the notice by facsimile or email, mailing the notice by U.S. Postal Service first class mail, first class certified mail, first class registered mail, or Express Mail, sending the notice through a courier service, or delivering it in person, except that, where duplicate service is required, service is complete when the duplicate service is complete.

(c) Contents of Notice

A notice issued under this Rule shall state the specific grounds and include the factual basis for the Exchange action. The notice shall state when the Exchange action will take effect and explain what the respondent must do to avoid such action. The notice shall state that the respondent may file a written request for a hearing with the Office of Hearing Officers pursuant to Rule 9559. The notice also shall inform the respondent of the applicable deadline for filing a request for a hearing and shall state that a request for a hearing must set forth with specificity any and all defenses to the Exchange action. In addition, the notice shall explain that, pursuant to Rules 8310(a) and 9559(n), a Hearing Officer or, if applicable, Hearing Panel, may approve, modify or withdraw any and all sanctions or limitations imposed by the notice, and may impose any other fitting sanction.

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(d) Effective Date of Suspension

The suspension referenced in a notice issued and served under this Rule shall become effective 21 days after service of the notice, unless stayed by a request for a hearing pursuant to Rule 9559.

(e) Request for Hearing

A member, member organization or person served with a notice under this Rule may file with the Office of Hearing Officers a written request for a hearing pursuant to Rule 9559. A request for a hearing shall be made before the effective date of the notice, as indicated in paragraph (d) of this Rule. A request for a hearing must set forth with specificity any and all defenses to the Exchange action.

(f) Request for Termination of the Suspension

A member, member organization, or person subject to a suspension pursuant to this Rule may file a written request for termination of the suspension on the ground of full compliance with the notice or decision. Such request shall be filed with the head of the Exchange or FINRA department or office that issued the notice or, if another Exchange or FINRA department or office is named as the party handling the matter on behalf of the issuing department or office, with the head of the Exchange or FINRA department or office that is so designated. The head of the appropriate department or office may grant relief for good cause shown.

(g) Settlement Procedure

Uncontested offers of settlement shall be permitted under this Rule and shall conform to the requirements of Rule 9270, except that, if an uncontested offer of settlement, made under Rule 9270(e) after a hearing on the merits has begun, is accepted by the Hearing Officer, the Hearing Officer shall issue the order of acceptance, which shall constitute final Exchange action. Contested offers of settlement shall not be considered in proceedings initiated under this Rule.

(h) Defaults

A member, member organization or person who is suspended under this Rule and fails to request termination of the suspension within three months of issuance of the original notice of suspension will automatically be expelled or barred.

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Nasdaq PHLX Rules, Regulation, Rule 9553. Failure to Pay the Exchange Dues, Fees, and Other Charges

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(a) Notice of Suspension, Cancellation, or Bar

If a member, member organization, person associated with a member organization or person subject to the Exchange's jurisdiction fails to pay any fees, dues, assessment or other charge required to be paid under the Exchange By-Laws or Rules, or to submit a required report or information related to such payment, the Phlx Regulation Department staff may issue a written notice to such member, member organization or person stating that the failure to comply within 21 days of service of the notice will result in a suspension or cancellation of membership or a suspension or bar from associating with any member organization.

(b) Service of Notice of Suspension, Cancellation or Bar

Except as provided below, the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) shall serve the member, member organization or person with such notice (or upon counsel representing the member, member organization or person, or other person authorized to represent others under Rule 9141, when counsel or other person authorized to represent others under Rule 9141 agrees to accept service for the member, member organization or person) in accordance with Rule 9134 or by facsimile or email. A copy of a notice under this Rule that is served on a member or person associated with a member organization also shall be served on such member organization. Papers served on a member organization by facsimile shall be sent to the member organization's facsimile number listed in the FINRA Contact System submitted to the Exchange pursuant to Rule 600(d), except that, if the Phlx Regulation Department staff has actual knowledge that a member organization's FINRA Contact System facsimile number is out of date, duplicate copies shall be sent to the member organization by overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(2) of Rule 9134. Papers served on a member organization by email shall be sent to the member organization's email address listed in the FINRA Contact System submitted to the Exchange pursuant to Rule 600(d) and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(2) of Rule 9134. Papers served on a member or person by facsimile or email shall be sent to the member's or person's last known facsimile number or email address and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) of Rule 9134. Papers served on counsel for a member, member organization or person, or other person authorized to represent others under Rule 9141, by facsimile or email shall be sent to the facsimile number or email address that counsel or other person authorized to represent others under Rule 9141 provides and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) of Rule 9134. Service is complete upon sending the notice by facsimile or email, mailing the notice by U.S. Postal Service first class mail, first class certified mail, first class registered mail, or Express Mail, sending the notice through a courier service, or delivering it in person, except that, where duplicate service is required, service is complete when the duplicate service is complete.

(c) Contents of Notice

A notice issued under this Rule shall state the specific grounds and include the factual basis for the Exchange action. The notice shall state when the Exchange action will take effect and explain what the respondent must do to avoid such action. The notice shall state that the respondent may file a written request for a hearing with the Office of Hearing Officers pursuant to Rule 9559. The notice also shall inform the respondent of the applicable deadline for filing a request for a hearing and shall state that a request for a hearing must set forth with specificity any and all defenses to the Exchange action. In addition, the notice shall explain that, pursuant to Rules 8310(a) and 9559(n), a Hearing Officer or, if applicable, Hearing Panel, may approve, modify or withdraw any and all sanctions or limitations imposed by the notice, and may impose any other fitting sanction.

(d) Effective Date of Suspension, Cancellation or Bar

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The suspension, cancellation or bar referenced in a notice issued and served under this Rule shall become effective 21 days after service of the notice, unless stayed by a request for a hearing pursuant to Rule 9559.

(e) Request for Hearing

A member, member organization or person served with a notice under this Rule may file with the Office of Hearing Officers a written request for a hearing pursuant to Rule 9559. A request for a hearing shall be made before the effective date of the notice, as indicated in paragraph (d) of this Rule. A request for a hearing must set forth with specificity any and all defenses to the Exchange action.

(f) Failure to Request Hearing

If a member, member organization or person does not timely request a hearing, the suspension, cancellation or bar specified in the notice shall become effective 21 days after service of the notice and the notice shall constitute final Exchange action.

(g) Request for Termination of the Suspension

A member, member organization or person subject to a suspension under this Rule may file a written request for termination of the suspension on the ground of full compliance with the notice or decision. Such request shall be filed with the head of the Exchange or FINRA department or office that issued the notice or, if another Exchange or FINRA department or office is named as the party handling the matter on behalf of the issuing department or office, with the head of the Exchange or FINRA department or office that is so designated. The appropriate head of the department or office may grant relief for good cause shown.

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Nasdaq PHLX Rules, Regulation, Rule 9554. Failure to Comply with an Arbitration Award or Related Settlement or an Order of Restitution or Settlement Providing for Restitution

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(a) Notice of Suspension or Cancellation

If a member, member organization, person associated with a member organization or person subject to Exchange's jurisdiction fails to comply with an arbitration award or a settlement agreement related to an arbitration or mediation under the Exchange By-Laws or a FINRA order of restitution or FINRA settlement agreement providing for restitution, Phlx Regulation Department staff may provide written notice to such member, member organization or person stating that the failure to comply within 21 days of service of the notice will result in a suspension or cancellation of membership or a suspension from associating with any member organization.

(b) Service of Notice of Suspension or Cancellation

Except as provided below, the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) shall serve the member, member organization or person with such notice (or upon counsel representing the member, member organization or person, or other person authorized to represent others under Rule 9141, when counsel or other person authorized to represent others under Rule 9141 agrees to accept service for the member, member organization or person) in accordance with Rule 9134 or by facsimile or email. A copy of a notice under this Rule that is served on a member or person associated with a member organization also shall be served on such member organization. Papers served on a member organization by facsimile shall be sent to the member organization's facsimile number listed in the FINRA Contact System submitted to the Exchange pursuant to Rule 600(d), except that, if the Phlx Regulation Department staff has actual knowledge that a member organization's FINRA Contact System facsimile number is out of date, duplicate copies shall be sent to the member organization by overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(2) of Rule 9134. Papers served on a member organization by email shall be sent to the member organization's email address listed in the FINRA Contact System submitted to the Exchange pursuant to Rule 600(d) and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(2) of Rule 9134. Papers served on a member or person by facsimile or email shall be sent to the member's or person's last known facsimile number or email address and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) of Rule 9134. Papers served on counsel for a member, member organization or person, or other person authorized to represent others under Rule 9141, by facsimile or email shall be sent to the facsimile number or email address that counsel or other person authorized to represent others under Rule 9141 provides and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) of Rule 9134. Service is complete upon sending the notice by facsimile or email, mailing the notice by U.S. Postal Service first class mail, first class certified mail, first class registered mail, or Express Mail, sending the notice through a courier service, or delivering it in person, except that, where duplicate service is required, service is complete when the duplicate service is complete.

(c) Contents of Notice

A notice issued under this Rule shall state the specific grounds and include the factual basis for the Exchange action. The notice shall state when the Exchange action will take effect and explain what the respondent must do to avoid such action. The notice shall state that the respondent may file a written request for a hearing with the Office of Hearing Officers pursuant to Rule 9559. The notice also shall inform the respondent of the applicable deadline for filing a request for a hearing and shall state that a request for a hearing must set forth with specificity any and all defenses to the Exchange action. In addition, the notice shall explain that, pursuant to Rules 8310(a)

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and 9559(n), a Hearing Officer or, if applicable, Hearing Panel, may approve, modify or withdraw any and all sanctions or limitations imposed by the notice, and may impose any other fitting sanction.

(d) Effective Date of Suspension or Cancellation

The suspension or cancellation referenced in a notice issued and served under this Rule shall become effective 21 days after service of the notice, unless stayed by a request for a hearing pursuant to Rule 9559.

(e) Request for Hearing

A member, member organization or person served with a notice under this Rule may file with the Office of Hearing Officers a written request for a hearing pursuant to Rule 9559. A request for a hearing shall be made before the effective date of the notice, as indicated in paragraph (d) of this Rule. A request for a hearing must set forth with specificity any and all defenses to the Exchange action.

(f) Failure to Request Hearing

If a member, member organization or person does not timely request a hearing, the suspension or cancellation specified in the notice shall become effective 21 days after the service of the notice and the notice shall constitute final Exchange action.

(g) Request for Termination of the Suspension

A member, member organization or person subject to a suspension under this Rule may file a written request for termination of the suspension on the ground of full compliance with the notice or decision. Such request shall be filed with the head of the Exchange or FINRA department or office that issued the notice or, if another Exchange or FINRA department or office is named as the party handling the matter on behalf of the issuing department or office, with the head of the Exchange or FINRA department or office that is so designated. The appropriate head of the department or office may grant relief for good cause shown.

Adopted.
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 9555. Failure to Meet the Eligibility or Qualification Standards or Prerequisites for Access to Services

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(a) Notice to Member, Member Organization or Person of Suspension, Cancellation, Bar, or Limitation or Prohibition on Access to Services

(1) If a member, member organization or person associated with a member organization does not meet the eligibility or qualification standards set forth in the Exchange By-Laws or Rules, the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) may provide written notice to such member, member organization or person stating that the failure to become eligible or qualified will result in a suspension or cancellation of membership or a suspension or bar from associating with any member organization.

(2) If a member, member organization, person associated with a member organization, or other person does not meet the prerequisites for access to services offered by the Exchange or a member organization thereof or cannot be permitted to continue to have access to services offered by the Exchange or a member organization thereof with safety to investors, creditors, members, or the Exchange, the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) may provide written notice to such member, member organization or person limiting or prohibiting access to services offered by the Exchange or a member organization thereof.

(b) Service of Notice

Except as provided below, the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) shall serve the member, member organization or person with such notice (or upon counsel representing the member, member organization or person, or other person authorized to represent others under Rule 9141, when counsel or other person authorized to represent others under Rule 9141 agrees to accept service for the member, member organization or person) in accordance with Rule 9134 or by facsimile or email. A copy of a notice under this Rule that is served on a member or person associated with a member organization also shall be served on such member organization. Papers served on a member organization by facsimile shall be sent to the member organization's facsimile number listed in the FINRA Contact System submitted to the Exchange pursuant to Rule 600(d), except that, if the Phlx Regulation Department staff has actual knowledge that a member organization's FINRA Contact System facsimile number is out of date, duplicate copies shall be sent to the member organization by overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(2) of Rule 9134. Papers served on a member organization by email shall be sent to the member organization's email address listed in the FINRA Contact System submitted to the Exchange pursuant to Rule 600(d) and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(2) of Rule 9134. Papers served on a member or person by facsimile or email shall be sent to the member's or person's last known facsimile number or email address and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) of Rule 9134. Papers served on counsel for a member, member organization or person, or other person authorized to represent others under Rule 9141, by facsimile or email shall be sent to the facsimile number or email address that counsel or other person authorized to represent others under Rule 9141 provides and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) of Rule 9134. Service is complete upon sending the notice by facsimile or email, mailing the notice by U.S. Postal Service first class mail, first class certified mail, first class registered mail, or Express Mail, sending the notice through a courier service, or delivering it in person, except that, where duplicate service is required, service is complete when the duplicate service is complete.

(c) Contents of Notice

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A notice issued under this Rule shall state the specific grounds and include the factual basis for the Exchange action. The notice shall state when the Exchange action will take effect and explain what the respondent must do to avoid such action. The notice shall state that the respondent may file a written request for a hearing with the Office of Hearing Officers pursuant to Rule 9559. The notice also shall inform the respondent of the applicable deadline for filing a request for a hearing and shall state that a request for a hearing must set forth with specificity any and all defenses to the Exchange action. In addition, the notice shall explain that, pursuant to Rules 8310(a) and 9559(n), a Hearing Officer or, if applicable, Hearing Panel, may approve, modify or withdraw any and all sanctions or limitations imposed by the notice, and may impose any other fitting sanction.

(d) Effective Date of Limitation, Prohibition, Suspension, Cancellation, or Bar

The limitation, prohibition, suspension, cancellation, or bar referenced in a notice issued under this Rule shall become effective 14 days after service of the notice, except that the effective date for a notice of a limitation or prohibition on access to services offered by the Exchange or a member organization thereof with respect to services to which the member, member organization or person does not have access shall be upon service of the notice. A request for a hearing, pursuant to Rule 9559, shall stay the effectiveness of the notice, except that the effectiveness of a notice of a limitation or prohibition on access to services offered by the Exchange or a member organization thereof with respect to services to which the member, member organization or person does not have access shall not be stayed by a request for a hearing.

(e) Request for Hearing

A member, member organization or person served with a notice under this Rule may file with the Office of Hearing Officers a written request for a hearing pursuant to Rule 9559. A request for a hearing shall be made within 14 days after service of the notice. A request for a hearing must set forth with specificity any and all defenses to the Exchange action.

(f) Failure to Request Hearing

If a member, member organization or person does not timely request a hearing, the limitation, prohibition, suspension, cancellation or bar specified in the notice shall become effective 14 days after service of the notice, except that the effective date for a notice of a limitation or prohibition on access to services offered by the Exchange or a member organization thereof with respect to services to which the member, member organization or person does not have access shall be upon service of the notice. The notice shall constitute final Exchange action if the member, member organization or person does not request a hearing within 14 days after service of the notice.

(g) Request for Termination of the Limitation, Prohibition or Suspension

A member, member organization or person subject to a limitation, prohibition or suspension under this Rule may file a written request for termination of the limitation, prohibition or suspension on the ground of full compliance with the notice or decision. Such request shall be filed with the head of the Exchange or FINRA department or office that issued the notice or, if another Exchange or FINRA department or office is named as the party handling the matter on behalf of the issuing department or office, with the head of the Exchange or FINRA department or office that is so designated. The appropriate head of the department or office may grant relief for good cause shown.

Adopted.
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 9556. Failure to Comply with Temporary and Permanent Cease and Desist Orders

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(a) Notice of Suspension, Cancellation or Bar

If a member, member organization, person associated with a member organization or person subject to the Exchange's jurisdiction fails to comply with a temporary or permanent cease and desist order issued under the Rule 9200, 9300 or 9800 Series, the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) — after receiving written authorization from the Chief Regulatory Officer — may issue a notice to such such member, member organization or person stating that the failure to comply with the temporary or permanent cease and desist order within seven days of service of the notice will result in a suspension or cancellation of membership or a suspension or bar from associating with any member organization.

(b) Service of Notice

The Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) shall serve the member, member organization or person subject to a notice issued under this Rule (or upon counsel representing the member, member organization or person, or other person authorized to represent others under Rule 9141, when counsel or other person authorized to represent others under Rule 9141 agrees to accept service for the member, member organization or person) by facsimile, email, overnight courier or personal delivery. Papers served on a member, member organization, person, or counsel for such member, member organization or person, or other person authorized to represent others under Rule 9141 by overnight courier or personal delivery shall conform to paragraphs (a)(1) and (3) and, with respect to a member, member organization or person, (b)(1) and (2) of Rule 9134. Papers served on a member organization by facsimile shall be sent to the member organization's facsimile number listed in the FINRA Contact System submitted to the Exchange pursuant to Rule 600(d), except that, if the Phlx Regulation Department staff has actual knowledge that a member organization's FINRA Contact System facsimile number is out of date, duplicate copies shall be sent to the member organization by overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(2) of Rule 9134. Papers served on a member organization by email shall be sent to the member organization's email address listed in the FINRA Contact System submitted to the Exchange pursuant to Rule 600(d) and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(2) of Rule 9134. Papers served on a member or person by facsimile or email shall be sent to the member's or person's last known facsimile number or email address and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) of Rule 9134. Papers served on counsel for a member, member organization or person, or other person authorized to represent others under Rule 9141 by facsimile or email shall be sent to the facsimile number or email address that counsel or other person authorized to represent others under Rule 9141 provides and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) of Rule 9134. A copy of a notice under this Rule that is served on a member or person associated with a member organization also shall be served on such member organization. Service is complete upon sending the notice by facsimile or email, sending the notice by overnight courier or delivering it in person, except that, where duplicate service is required, service is complete upon sending the duplicate service.

(c) Contents of Notice

The notice shall explicitly identify the provision of the permanent or temporary cease and desist order that is alleged to have been violated and shall contain a statement of facts specifying the alleged violation. The notice shall state when the Exchange action will take effect and explain what the respondent must do to avoid such action. The notice shall state that the respondent may file a written request for a hearing with the Office of Hearing Officers pursuant to Rule 9559. The notice also shall inform the respondent of the applicable deadline for filing a request for a hearing and shall state that a request for a hearing must set forth with specificity any and all defenses to the Exchange action. In addition, the notice shall explain that, pursuant to Rules 8310(a)

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and 9559(n), a Hearing Officer or, if applicable, Hearing Panel, may approve, modify or withdraw any and all sanctions or limitations imposed by the notice, and may impose any other fitting sanction.

(d) Effective Date of Suspension, Cancellation or Bar

The suspension, cancellation or bar referenced in a notice issued and served under this Rule shall become effective seven days after service of the notice, unless stayed by a request for a hearing pursuant to Rule 9559.

(e) Request for a Hearing

A member, member organization or person served with a notice under this Rule may file with the Office of Hearing Officers a written request for a hearing pursuant to Rule 9559. A request for a hearing shall be made before the effective date of the notice, as indicated in paragraph (d) of this Rule. A request for a hearing must set forth with specificity any and all defenses to the Exchange action.

(f) Failure to Request Hearing

If a member, member organization or person does not timely request a hearing, the suspension, cancellation or bar specified in the notice shall become effective seven days after the service of the notice and the notice shall constitute final Exchange action.

(g) Request for Termination of the Suspension

A member, member organization or person subject to a suspension imposed after the process described in paragraphs (a) through (f) of this Rule may file a written request for termination of the suspension on the ground of full compliance with the notice or decision. Such request shall be filed with the head of the Exchange or FINRA department or office that issued the notice or, if another Exchange or FINRA department or office is named as the party handling the matter on behalf of the issuing department or office, with the head of the Exchange or FINRA department or office that is so designated. The appropriate head of the department or office may grant relief for good cause shown.

(h) Subsequent Proceedings

If a member, member organization, person associated with a member organization or person subject to the Exchange's jurisdiction fails to comply with a temporary or permanent cease and desist order issued under the Rule 9200, 9300, or 9800 Series, and has previously been served under paragraph (a) of this Rule with a notice for a failure to comply with any provision of the same temporary or permanent cease and desist order, the Phlx Regulation Department staff, after receiving written authorization from the Chief Regulatory Officer, may file a petition with the Office of Hearing Officers seeking a hearing pursuant to Rule 9559 and the imposition of any fitting sanctions for such member's, member organization's or person's failure to comply with the temporary or permanent cease and desist order.

(1) The petition shall be served in accordance with paragraph (b) of this Rule, and it shall be filed with the Office of Hearing Officers.
(2) The petition shall explicitly identify the provision of the permanent or temporary cease and desist order that is alleged to have been violated, contain a statement of facts specifying the alleged violation, describe with particularity the sanctions that the Phlx Regulation Department staff seeks to have imposed, and note that a hearing under Rule 9559 is requested. The Phlx Regulation Department staff may seek the imposition of any fitting sanction.
(3) Upon the filing of the petition, Rule 9559 shall govern the proceeding. Respondent's full compliance with the temporary or permanent cease and desist order is not a ground for dismissing a proceeding brought pursuant to this paragraph (h).
(4) The Exchange Department that filed the petition can withdraw it without prejudice and shall be permitted to refile a petition based on allegations concerning the same facts and circumstances that are set forth in the withdrawn petition.

Adopted.
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 9557. Procedures for Regulating Activities Under Rule 703 Regarding a Member Organization Experiencing Financial or Operational Difficulties

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(a) Notice of Requirements and/or Restrictions; Exchange Action

The Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) may issue a notice directing a member organization to comply with the provisions of Rule 703 or restrict its business activities, either by limiting or ceasing to conduct those activities consistent with Rule 703, if the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) has reason to believe that a condition specified in Rule 703 exists. A notice served under this Rule shall constitute Exchange action.

(b) Service of Notice

The Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) shall serve the member organization subject to a notice issued under this Rule (or upon counsel representing the member organization, or other person authorized to represent others under Rule 9141, when counsel or other person authorized to represent others under Rule 9141 agrees to accept service for the member organization) by facsimile, email, overnight courier or personal delivery. Papers served on a member organization, counsel for such member organization, or other person authorized to represent others under Rule 9141 by overnight courier or personal delivery shall conform to paragraphs (a)(1) and (3) and, with respect to a member organization, (b)(2) of Rule 9134. Papers served on a member organization by facsimile shall be sent to the member organization's facsimile number listed in the FINRA Contact System submitted to the Exchange pursuant to Rule 600(d), except that, if the Phlx Regulation Department staff has actual knowledge that a member organization's FINRA Contact System facsimile number is out of date, duplicate copies shall be sent to the member organization by overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(2) of Rule 9134. Papers served on a member organization by email shall be sent to the member organization's email address listed in the FINRA Contact System submitted to the Exchange pursuant to Rule 600(d) and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(2) of Rule 9134. Papers served on counsel for a member organization, or other person authorized to represent others under Rule 9141 by facsimile or email shall be sent to the facsimile number or email address that counsel or other person authorized to represent others under Rule 9141 provides and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) of Rule 9134. Service is complete upon sending the notice by facsimile or email, sending the notice by overnight courier or delivering it in person, except that, where duplicate service is required, service is complete upon sending the duplicate service.

(c) Contents of Notice

A notice issued under this Rule shall

(1) state the specific grounds and include the factual basis for the Exchange action;
(2) specify the date of the notice and the requirements and/or restrictions being imposed by the notice;
(3) state that the requirements and/or restrictions imposed by the notice are immediately effective;
(4) specify the conditions for complying with and, where applicable, avoiding or terminating the requirements and/or restrictions imposed by the notice;
(5) inform the member organization that, pursuant to paragraph (f) of this Rule, the failure to comply with the requirements and/or restrictions imposed by an effective notice under this Rule shall be deemed, without further notice from the Phlx Regulation Department staff, to result in automatic and immediate suspension unless the Phlx Regulation Department staff issues a letter of withdrawal of all requirements and/or restrictions imposed by the notice pursuant to paragraph (g)(2) of this Rule;
(6) explain that the member organization may make a request for a letter of withdrawal of the notice pursuant to paragraph (e) of this Rule;

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(7) state that, in addition to making a request for a letter of withdrawal of the notice, the member organization may file a written request for a hearing with the Office of Hearing Officers pursuant to Rule 9559;
(8) inform the member organization of the applicable deadline for filing a request for a hearing and state that a request for a hearing must set forth with specificity any and all defenses to the Exchange action; and
(9) explain that, pursuant to Rule 9559(n), a Hearing Panel may approve or withdraw the requirements and/or restrictions imposed by the notice, and that if the Hearing Panel approves the requirements and/or restrictions imposed by the notice and finds that the member organization has not complied with all of them, the Hearing Panel shall impose an immediate suspension on the member organization.

(d) Effectiveness of the Requirements and/or Restrictions

The requirements and/or restrictions imposed by a notice issued and served under this Rule are immediately effective, except that a timely request for a hearing shall stay the effective date for ten business days after service of the notice or until the Office of Hearing Officers issues a written order under Rule 9559(o)(4)(A) (whichever period is less), unless the Exchange's Chief Executive Officer (or such other senior officer as the Chief Executive Officer may designate) determines that such a stay cannot be permitted with safety to investors, creditors or other member organizations. Such a determination by the Exchange's Chief Executive Officer (or such other senior officer as the Chief Executive Officer may designate) cannot be appealed. An extension of the stay period is not permitted. Where a timely request for a hearing stays the action for ten business days after service of the notice or until the Office of Hearing Officers issues a written order under Rule 9559(o)(4)(A) (whichever period is less), the notice shall not be deemed to have taken effect during that entire period.

Any requirements and/or restrictions imposed by an effective notice shall remain in effect unless the Phlx Regulation Department staff shall remove or reduce the requirements and/or restrictions pursuant to a letter of withdrawal of the notice issued as set forth in paragraph (g)(2) of this Rule.

(e) Request for a Letter of Withdrawal of the Notice; Request for a Hearing

A member organization served with a notice under this Rule may request from the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) a letter of withdrawal of the notice pursuant to paragraph (g)(2) of this Rule and/or file with the Office of Hearing Officers a written request for a hearing pursuant to Rule 9559.

(1) A request for a letter of withdrawal of the notice may be made at any time after service of a notice under this Rule. The member organization making the request must demonstrate to the satisfaction of the Phlx Regulation Department staff that the requirements and/or restrictions imposed by the notice should be removed or reduced. If such a request is denied by the Phlx Regulation Department staff, the member organization shall not be precluded from making a subsequent request or requests.
(2) A request for a hearing shall be made within two business days after service of a notice under this Rule. A request for a hearing must set forth with specificity any and all defenses to the Exchange action. A request for a hearing may seek to contest:

    (A) the validity of the requirements and/or restrictions imposed by the notice (as the same may have been reduced by a letter of withdrawal pursuant to paragraph (g)(2) of this Rule, where applicable); and/or
    (B) the Phlx Regulation Department staff's determination not to issue a letter of withdrawal of all requirements and/or restrictions imposed by the notice, if such was requested by the member organization.

(f) Enforcement of Notice

A member organization that has failed to comply with the requirements and/or restrictions imposed by an effective notice under this Rule shall be deemed, without further notice from the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange), automatically and immediately suspended. Such suspension

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shall remain in effect unless the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) shall issue a letter, pursuant to paragraph (g)(2) of this Rule, stating that the suspension is lifted.

(g) Additional Requirements and/or Restrictions or the Removal or Reduction of Requirements and/or Restrictions; Letter of Withdrawal of the Notice

(1) Additional Requirements and/or Restrictions

If a member organization continues to experience financial or operational difficulty specified in Rule 703, notwithstanding an effective notice, the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) may impose additional requirements and/or restrictions by serving an additional notice under paragraph (b) of this Rule. The additional notice shall inform the member organization that it may apply for relief from the additional requirements and/or restrictions by filing a written request for a letter of withdrawal of the notice and/or a written request for a hearing before the Office of Hearing Officers under Rule 9559. The procedures delineated in this Rule shall be applicable to such additional notice.

(2) Removal or Reduction of Requirements and/or Restrictions and/or Lifting of Suspension; Letter of Withdrawal

(A) Removal or Reduction of Requirements and/or Restrictions

If, upon the member organization's demonstration to the satisfaction of the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange), the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) determines that any requirements and/or restrictions imposed by a notice under this Rule should be removed or reduced, the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) shall serve the member organization, pursuant to paragraph (b) of this Rule, a written letter of withdrawal that shall, in the sole discretion of the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange), withdraw the notice in whole or in part. A notice that is withdrawn in part shall remain in force, unless the Phlx Regulation Department (or FINRA, acting on behalf of the Exchange) staff shall remove the remaining requirements and/or restrictions.

(B) Lifting of Suspension

If, upon the member organization's demonstration to the satisfaction of the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange), the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) determines that a suspension imposed by a notice under this Rule should be lifted, the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) shall serve the member organization, pursuant to paragraph (b) of this Rule, a letter that shall, in the sole discretion of the Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange), lift the suspension. Where all or some of the requirements and/or restrictions imposed by a notice issued under this Rule remain in force, the letter shall state that the member organization's failure to continue to comply with those requirements and/or restrictions that remain effective shall result in the member organization being immediately suspended.

(h) For purposes of this Rule, "Phlx Regulation Department staff" shall mean:

(1) the head of the Exchange department or office (or FINRA, acting on behalf of the Exchange) that issued the notice, or his or her written officer delegate; or

(2) if another Exchange (or FINRA, acting on behalf of the Exchange) department or office is named as the party handling the matter on behalf of the issuing department or office, the head of the Exchange (or FINRA, acting on behalf of the Exchange) department or office that is so designated, or his or her written officer delegate.

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Nasdaq PHLX Rules, Regulation, Rule 9558. Summary Proceedings for Actions Authorized by Section 6(d)(3) of the Act

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(a) Notice of Initiation of Summary Proceedings

The Chief Regulatory Officer of the Exchange may provide written authorization to FINRA staff to issue on a case-by-case basis a written notice that summarily:

(1) suspends a member, member organization, person associated with a member organization or person subject to the Exchange's jurisdiction who has been and is expelled or suspended from any self-regulatory organization or barred or suspended from being associated with a member of any self-regulatory organization;

(2) suspends a member organization, and its associated permit(s), who is in such financial or operating difficulty that FINRA staff determines and so notifies the Commission that the member organization cannot be permitted to continue to do business as a member organization with safety to investors, creditors, other member organizations, or the Exchange; or

(3) limits or prohibits any person with respect to access to services offered by the Exchange if paragraphs (1) or (2) of this Rule or the provisions of Section 6(d)(3) of the Act applies to such person or, in the case of a person who is not a member organization, if the Chief Regulatory Officer of the Exchange determines that such person does not meet the qualification requirements or other prerequisites for such access and such person cannot be permitted to continue to have such access with safety to investors, creditors, member organizations, or the Exchange, and so notifies the Commission.

(b) Service of Notice

The Phlx Regulation Department staff (or FINRA, acting on behalf of the Exchange) shall serve the member, member organization or person subject to a notice issued under this Rule (or upon counsel representing the member, member organization or person, or other person authorized to represent others under Rule 9141, when counsel or other person authorized to represent others under Rule 9141 agrees to accept service for the member, member organization or person) by facsimile, email, overnight courier, or personal delivery. Papers served on a member, member organization, person or counsel for such member, member organization or person, or other person authorized to represent others under Rule 9141 by overnight courier or personal delivery shall conform to paragraphs (a)(1) and (3) and, with respect to a member, member organization or person, (b)(1) and (2) of Rule 9134. Papers served on a member organization by facsimile shall be sent to the member organization's facsimile number listed in FINRA Contact System submitted to the Exchange pursuant to Rule 600(d), except that, if the Phlx Regulation Department staff has actual knowledge that a member organization's FINRA Contact System facsimile number is out of date, duplicate copies shall be sent to the member organization by overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(2) of Rule 9134. Papers served on a member organization by email shall be sent to the member organization's email address listed in the FINRA Contact System submitted to the Exchange pursuant to Rule 600(d) and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(2) of Rule 9134. Papers served on a member or person by facsimile or email shall be sent to the member's or person's last known facsimile number or email address and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) of Rule 9134. A copy of a notice under this Rule that is served on a member or person associated with a member organization also shall be served on such member organization. Papers served on counsel for a member, member organization or person, or other person authorized to represent others under Rule 9141 by facsimile or email shall be sent to the facsimile number or email address that counsel or other person authorized to represent others under Rule 9141 provides and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) of Rule 9134. Service is complete upon sending the notice by facsimile

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or email, sending the notice by overnight courier or delivering it in person, except that, where duplicate service is required, service is complete upon sending the duplicate service.

(c) Contents of Notice

A notice issued under this Rule shall state the specific grounds and include the factual basis for the Exchange action. The notice shall state when the Exchange action will take effect and explain what the respondent must do to avoid such action. The notice shall state that the respondent may file a written request for a hearing with the Office of Hearing Officers pursuant to Rule 9559. The notice also shall inform the respondent of the applicable deadline for filing a request for a hearing and shall state that a request for a hearing must set forth with specificity any and all defenses to the Exchange action. In addition, the notice shall explain that, pursuant to Rules 8310(a) and 9559(n), a Hearing Officer or, if applicable, Hearing Panel, may approve, modify or withdraw any and all sanctions or limitations imposed by the notice, and may impose any other fitting sanction.

(d) Effective Date of Limitation, Prohibition or Suspension

The limitation, prohibition or suspension referenced in a notice issued and served under this Rule is immediately effective. The limitation, prohibition or suspension specified in the notice shall remain in effect unless, after a timely written request for a hearing and written request for a stay, the Chief Hearing Officer or Hearing Officer assigned to the matter finds good cause exists to stay the limitation, prohibition or suspension.

(e) Request for a Hearing and Stay

A member, member organization or person subject to a notice issued under this Rule may file with the Office of Hearing Officers a written request for a hearing pursuant to Rule 9559. A request for a hearing shall be made within seven days after service of the notice issued under this Rule. A request for a hearing must set forth with specificity any and all defenses to the Exchange action.

A member, member organization or person subject to a notice issued under this Rule may, concurrent with or after filing a request for a hearing, file with the Office of Hearing Officers a written request for a stay of the limitation, prohibition or suspension specified in the notice. A request for a stay must set forth with specificity any and all relevant facts and arguments supporting the request for a stay.

(f) Failure to Request Hearing

If a member, member organization or person subject to a notice issued under this Rule does not timely request a hearing within the time period specified in paragraph (e) of this Rule, the notice shall constitute final Exchange action.

(g) Request for Termination of the Limitation, Prohibition or Suspension

A member, member organization or person subject to a limitation, prohibition or suspension under this Rule may file a written request for termination of the limitation, prohibition or suspension on the ground of full compliance with the notice or decision. Such request shall be filed with the head of the Exchange or FINRA department or office that issued the notice or, if another Exchange or FINRA department or office is named as the party handling the matter on behalf of the issuing department or office, with the head of the Exchange or FINRA department or office that is so designated. The appropriate head of the department or office may grant relief for good cause shown.

Adopted.
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 9559. Hearing Procedures for Expedited Proceedings Under the Rule 9550 Series

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(a) Applicability

The hearing procedures under this Rule shall apply to a member, member organization or person associated with a member organization, person subject to the Exchange's jurisdiction or other person who is served with a notice issued under the Rule 9550 Series and who timely requests a hearing or who is served with a petition instituting an expedited proceeding under Rule 9556(h). For purposes of this Rule, such members, member organizations or persons shall be referred to as respondents.

(b) Computation of Time

Rule 9138 shall govern the computation of time in proceedings brought under the Rule 9550 Series, except that intermediate Saturdays, Sundays and Federal holidays shall be included in the computation in proceedings brought under Rules 9556 through 9558, unless otherwise specified.

(c) Stays

(1) Unless the Chief Hearing Officer or the Hearing Officer assigned to the matter orders otherwise for good cause shown, a timely request for a hearing shall stay the effectiveness of a notice issued under Rules 9552 through 9556, except that: (A) the effectiveness of a notice of a limitation or prohibition on access to services offered by the Exchange or a member organization thereof under Rule 9555 with respect to services to which the member organization or person does not have access shall not be stayed by a request for a hearing; and (B) this paragraph has no applicability to a petition instituting an expedited proceeding under Rule 9556(h).

(2) A timely request for a hearing shall stay the effectiveness of a notice issued under Rule 9557 for ten business days after service of the notice or until the Office of Hearing Officers issues a written order under Rule 9559(o)(4)(A) (whichever period is less), unless the Exchange's Chief Executive Officer (or such other senior officer as the Chief Executive Officer may designate) determines that a notice under Rule 9557 shall not be stayed. Where a notice under Rule 9557 is stayed by a request for a hearing, such stay shall remain in effect only for ten business days after service of the notice or until the Office of Hearing Officers issues a written order under Rule 9559(o)(4)(A) (whichever period is less) and shall not be extended.

(3) A timely request for a hearing shall not stay the effectiveness of a notice issued under Rule 9558, unless the Chief Hearing Officer or the Hearing Officer assigned to the matter orders otherwise for good cause shown.

(d) Appointment and Authority of Hearing Officer and/or Hearing Panel

(1) For proceedings initiated under Rules 9553, 9554, and 9556(h), the Chief Hearing Officer shall appoint a Hearing Officer to preside over and act as the sole adjudicator for the matter.

(2) For proceedings initiated under Rules 9552, 9555, 9556 (except Rule 9556(h)), 9557 and 9558, the Chief Hearing Officer shall appoint a Hearing Panel composed of a Hearing Officer and two Panelists. The Hearing Officer shall serve as the chair of the Hearing Panel. For proceedings initiated under Rules 9552, 9555, 9556 (except Rule 9556(h)) and 9558, the Chief Hearing Officer shall select as Panelists persons who meet the qualifications delineated in Rules 9231 and 9232. For proceedings initiated under Rule 9557, the Chief Hearing Officer shall select as Panelists current or former members of the Exchange's Financial Responsibility Committee.

(3) Rules 9231(e), 9233, and 9234 shall govern disqualification, recusal or withdrawal of a Hearing Officer or, if applicable, Hearing Panelist.

(4) A Hearing Officer appointed pursuant to this provision shall have authority to do all things necessary and appropriate to discharge his or her duties as set forth under Rules 9235 and 9280.

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(5) Hearings under the Rule 9550 Series shall be held by telephone conference, unless the Hearing Officer orders otherwise for good cause shown.

(6) For good cause shown, or with the consent of all of the parties to a proceeding, the Hearing Officer or, if applicable, the Hearing Panel may extend or shorten any time limits prescribed by this Rule other than those relating to Rule 9557.

(e) Consolidation or Severance of Proceedings

Rule 9214 shall govern the consolidation or severance of proceedings, except that, where one of the notices that are the subject of consolidation under this Rule requires that a hearing be held before a Hearing Panel, the hearing of the consolidated matters shall be held before a Hearing Panel. Where two consolidated matters contain different timelines under this Rule, the Chief Hearing Officer or Hearing Officer assigned to the matter has discretion to determine which timeline is appropriate under the facts and circumstances of the case. Where one of the consolidated matters includes an action brought under a Rule that does not permit a stay of the effectiveness of the notice or where the Exchange's Chief Executive Officer (or such other senior officer as the Chief Executive Officer may designate), in the case of Rule 9557, or Hearing Officer, in the case of Rule 9558(d), determines that a request for a hearing shall not stay the effectiveness of the notice, the limitation, prohibition, condition, requirement, restriction, or suspension specified in the notice shall not be stayed pending resolution of the case. Where one of the consolidated matters includes an action brought under Rule 9557 that is stayed for up to ten business days, the requirement and/or restriction specified in the notice shall not be further stayed.

(f) Time of Hearing

(1) A hearing shall be held within five business days after a respondent subject to a notice issued under Rule 9557 files a written request for a hearing with the Office of Hearing Officers.

(2) A hearing shall be held within ten days after a respondent is served a petition seeking an expedited proceeding issued under Rule 9556(h).

(3) A hearing shall be held within 14 days after a respondent subject to a notice issued under Rules 9556 (except Rule 9556(h)) and 9558 files a written request for a hearing with the Office of Hearing Officers.

(4) A hearing shall be held within 30 days after a respondent subject to a notice issued under Rules 9552 through 9555 files a written request for a hearing with the Office of Hearing Officers.

(5) The timelines established by paragraphs (f)(1) through (f)(4) confer no substantive rights on the parties.

(g) Notice of Hearing

The Hearing Officer shall issue a notice stating the date, time, and place of the hearing as follows:

(1) At least two business days prior to the hearing in the case of an action brought pursuant to Rule 9557;

(2) At least six days prior to the hearing in the case of an action brought pursuant to Rule 9556(h);

(3) At least seven days prior to the hearing in the case of an action brought pursuant to Rules 9556 (except Rule 9556(h)) and 9558; and

(4) At least 21 days prior to the hearing in the case of an action brought pursuant to Rules 9552 through 9555.

(h) Transmission of Documents

(1) Not less than two business days before the hearing in an action brought under Rule 9557, not less than six days before the hearing in an action brought under Rule 9556(h), not less than seven days before the hearing in an action brought under Rules 9556 (except Rule 9556(h)) and 9558, and not less than 14 days before the hearing in an action brought under Rules 9552 through 9555, the Phlx Regulation Department staff shall provide to the respondent who requested the hearing or the respondent who has received a petition pursuant to Rule 9556(h), by facsimile, email, overnight courier or personal delivery, all documents that were considered in issuing the notice unless a document meets the criteria of Rule 9251(b)(1)(A), (B) or (C). Documents served by facsimile or email shall also be served by either overnight courier or personal delivery. A document that meets the criteria in this paragraph shall not constitute part of the record, but shall be retained until the date upon which the Exchange's final

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decision is served or, if applicable, upon the conclusion of any review by the Securities and Exchange Commission or the federal courts.

(2) Not less than two business days before the hearing in an action brought under Rule 9557, not less than three days before the hearing in an action brought under Rules 9556 and 9558, and not less than seven days before the hearing in an action brought under Rules 9552 through 9555, the parties shall exchange proposed exhibit and witness lists. The exhibit and witness lists shall be served by facsimile, email, by overnight courier or personal delivery. Documents served by facsimile or email shall also be served by either overnight courier or personal delivery.

(i) Evidence

Formal rules of evidence shall not apply to a hearing under this Rule Series. Rules 9262 and 9263 shall govern testimony and the admissibility of evidence.

(j) Additional Information

The Hearing Officer or, if applicable, the Hearing Panel may direct the Parties to submit additional information.

(k) Record of Hearing

Rule 9265 shall govern the requirements for the record of the hearing.

(l) Record of Proceeding

Rule 9267 shall govern the record of the proceeding.

(m) Failure to Appear at a Pre-Hearing Conference or Hearing or to Comply with a Hearing Officer Order Requiring the Production of Information

Failure of any respondent to appear before the Hearing Officer or, if applicable, the Hearing Panel at any status conference, pre-hearing conference or hearing, or to comply with any order of the Hearing Officer or, if applicable, Hearing Panel requiring production of information to support any defense to the notice or petition that respondent has raised, shall be considered an abandonment of the respondent's defense and waiver of any opportunity for a hearing provided by the Rule 9550 Series. In such cases:

(1) The notice issued under the Rule 9550 Series shall be deemed to be final the Exchange action. The Hearing Officer or, if applicable, the Hearing Panel may permit the hearing to go forward as to those parties who appear and otherwise comply with this Rule.

(2) The Hearing Officer may issue a default decision against a respondent who is the subject of a petition filed pursuant to Rule 9556(h) and may deem the allegations against that respondent admitted. The contents of a default decision shall conform to the content requirements of Rule 9559(p). A respondent may, for good cause shown, file a motion to set aside a default. Upon a showing of good cause, the Hearing Officer that entered the original order shall decide the motion. If the Hearing Officer is not available, the Chief Hearing Officer shall appoint another Hearing Officer to decide the motion. If a default decision is not called for review pursuant to Rule 9559(q), the default decision shall become the final Exchange action.

(n) Sanctions, Costs and Remands

(1) In any action brought under the Rule 9550 Series, other than an action brought under Rule 9556(h) or Rule 9557, the Hearing Officer or, if applicable, the Hearing Panel may approve, modify or withdraw any and all sanctions, requirements, restrictions or limitations imposed by the notice and, pursuant to Rule 8310(a), may also impose any other fitting sanction.

(2) In an action brought under Rule 9556(h), the Hearing Officer may impose any fitting sanction.

(3) In an action brought under Rule 9557, the Hearing Panel shall approve or withdraw the requirements and/or restrictions imposed by the notice. If the Hearing Panel approves the requirements and/or restrictions and finds that the respondent has not complied with all of them, the Hearing Panel shall impose an immediate suspension on the respondent that shall remain in effect unless the

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Phlx Regulation Department staff issues a letter of withdrawal of all requirements and/or restrictions pursuant to Rule 9557(g)(2).

(4) The Hearing Officer or, if applicable, the Hearing Panel may impose costs pursuant to Rule 8330 regarding all actions brought under the Rule 9550 Series.

(5) In any action brought under the Rule 9550 Series, other than an action brought under Rule 9556(h) or Rule 9557, the Hearing Officer or, if applicable, the Hearing Panel may remand the matter to the department or office that issued the notice for further consideration of specified matters.

(o) Timing of Decision

(1) Proceedings initiated under Rules 9553 and 9554

Within 60 days of the date of the close of the hearing, the Hearing Officer shall prepare a proposed written decision and provide it to the Exchange Review Council's Review Subcommittee.

(2) Proceedings initiated under Rules 9556 and 9558

Within 21 days of the date of the close of the hearing, the Hearing Officer shall prepare a proposed written decision that reflects the views of the Hearing Panel, as determined by majority vote, and provide it to the Exchange Review Council's Review Subcommittee.

(3) Proceedings initiated under Rules 9552 and 9555

Within 60 days of the date of the close of the hearing, the Hearing Officer shall prepare a proposed written decision that reflects the views of the Hearing Panel, as determined by majority vote, and provide it to the Exchange Review Council's Review Subcommittee.

(4) Proceedings initiated under Rule 9557

(A) Written Order

Within two business days of the date of the close of the hearing, the Office of Hearing Officers shall issue a written order that reflects the Hearing Panel's summary determinations, as decided by majority vote, and shall serve the Hearing Panel's written order on the Parties. The Hearing Panel's written order under Rule 9557 is effective when issued. The Hearing Panel's written order will be followed by a written decision explaining the reasons for the Hearing Panel's summary determinations, as required by paragraphs (o)(4)(B) and (p) of this Rule.

(B) Written Decision

Within seven days of the issuance of the Hearing Panel's written order, the Office of Hearing Officers shall issue a written decision that complies with the requirements of paragraph (p) of this Rule and shall serve the Hearing Panel's written decision on the Parties.

(5) If not timely called for review by the Exchange Review Council's Review Subcommittee pursuant to paragraph (q) of this Rule, the Hearing Officer's or, if applicable, the Hearing Panel's written decision shall constitute final Exchange action. For decisions issued under Rules 9552 through 9556 and 9558, the Office of Hearing Officers shall promptly serve the decision of the Hearing Officer or, if applicable, the Hearing Panel on the Parties and provide a copy to each Exchange member organization with which the respondent is associated.

(6) The timelines established by paragraphs (o)(1) through (5) confer no substantive rights on the parties.

(p) Contents of Decision

The decision, which for purposes of Rule 9557 means the written decision issued under paragraph (o)(4)(B) of this Rule, shall include:

(1) a statement describing the investigative or other origin of the notice issued under the Rule 9550 Series;

(2) the specific statutory or rule provision alleged to have been violated or providing the authority for the Exchange action;

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(3) a statement setting forth the findings of fact with respect to any act or practice the respondent was alleged to have committed or omitted or any condition specified in the notice;
(4) the conclusions of the Hearing Officer or, if applicable, Hearing Panel regarding the alleged violation or condition specified in the notice;
(5) a statement of the Hearing Officer or, if applicable, Hearing Panel in support of the disposition of the principal issues raised in the proceeding; and
(6) a statement describing any sanction, requirement, restriction or limitation imposed, the reasons therefore, and the date upon which such sanction, requirement, restriction or limitation shall become effective.

(q) Call for Review by the Exchange Review Council

(1) For proceedings initiated under the Rule 9550 Series (other than Rule 9557), the Exchange Review Council's Review Subcommittee may call for review a proposed decision prepared by a Hearing Officer or, if applicable, Hearing Panel within 21 days after receipt of the decision from the Office of Hearing Officers; provided, however, that a decision under the Rule 9550 Series with respect to an Exchange member or member organization that is an affiliate of the Exchange within the meaning of Rule 985 shall constitute final disciplinary action of the Exchange for purposes of SEC Rule 19d-1(c)(1) and may not be called for review pursuant to Rule 9559. For proceedings initiated under Rule 9557, the Exchange Review Council's Review Subcommittee may call for review a written decision issued under paragraph (o)(4)(B) of this Rule by a Hearing Panel within 14 days after receipt of the written decision from the Office of Hearing Officers. Rule 9313(a) is incorporated herein by reference.
(2) If the Review Subcommittee calls the proceeding for review within the prescribed time, a Subcommittee of the Exchange Review Council shall meet and conduct a review not later than 40 days after the call for review. The Subcommittee shall be composed pursuant to Rule 9331(a)(1). The Subcommittee may elect to hold a hearing or decide the matter on the basis of the record made before the Hearing Officer or, if applicable, the Hearing Panel. Not later than 60 days after the call for review, the Subcommittee shall make its recommendation to the Exchange Review Council. Not later than 60 days after receipt of the Subcommittee's recommendation, the Exchange Review Council shall serve a final written decision on the parties via overnight courier or facsimile. The Exchange Review Council may affirm, modify or reverse the decision of the Hearing Officer or, if applicable, the Hearing Panel. The Exchange Review Council also may impose any other fitting sanction, pursuant to Rule 8310(a), and may impose costs, pursuant to 8330. In addition, the Exchange Review Council may remand the matter to the Office of Hearing Officers for further consideration of specified matters.
(3) For good cause shown, or with the consent of all of the parties to a proceeding, the Review Subcommittee, the Exchange Review Council Subcommittee or the Exchange Review Council may extend or shorten any time limits prescribed by this Rule other than those relating to Rule 9557.
(4) The Exchange Review Council's written decision shall constitute final the Exchange action
(5) The Exchange Review Council shall promptly serve the decision on the Parties and provide a copy of the decision to each the Exchange member organization with which the respondent is associated.
(6) The timelines established by paragraphs (q)(1)-(5) confer no substantive rights on the parties.

(r) Reserved

(s) Application to Commission for Review

The right to have any action pursuant to this Rule reviewed by the Securities and Exchange Commission is governed by Section 19 of the Securities Exchange Act. The filing of an application for review by the Securities and Exchange Commission shall not stay the effectiveness of final the Exchange action, unless the Securities and Exchange Commission otherwise orders.

Adopted.
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Nasdaq PHLX Rules, Regulation, Rule 9600. Procedures for Exemptions

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Nasdaq PHLX Rules, Regulation, Rule 9610. Application

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(a) Where to File

A member organization seeking exemptive relief as specifically permitted under any Exchange Rule referencing the 9600 Series shall file a written application with the appropriate FINRA department or staff and provide a copy of the application to the Phlx Regulation Department.

(b) Content

An application filed pursuant to this Rule shall contain the member organization's name and address, the name of a person associated with the member organization who will serve as the primary contact for the application, the Rule from which the member or member organization is seeking an exemption, and a detailed statement of the grounds for granting the exemption. If the member organization does not want the application or the decision on the application to be publicly available in whole or in part, the member organization also shall include in its application a detailed statement, including supporting facts, showing good cause for treating the application or decision as confidential in whole or in part.

(c) Applicant

A member organization that files an application under this Rule is referred to as "Applicant" hereinafter in the Rule 9600 Series.

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Nasdaq PHLX Rules, Regulation, Rule 9620. Decision

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After considering an application, the Phlx Regulation Department staff shall issue a written decision setting forth its findings and conclusions. The decision shall be served on the Applicant pursuant to Rules 9132 and 9134. After the decision is served on the Applicant, the application and decision shall be publicly available unless the Phlx Regulation Department staff determines that the Applicant has shown good cause for treating the application or decision as confidential in whole or in part.

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Nasdaq PHLX Rules, Regulation, Rule 9630. Appeal

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(a) Notice

An Applicant may file a written notice of appeal within 15 calendar days after service of a decision issued under Rule 9620. The notice of appeal shall be filed with the Phlx Regulation Department, with a copy of the notice also provided to the appropriate the Phlx Regulation Department staff. The notice of appeal shall contain a brief statement of the findings and conclusions as to which exception is taken. Appeals of decisions issued by the Phlx Regulation Department staff pursuant to Rule 9620 shall be decided by the Exchange Review Council, except with respect to exemptive relief under Rule 1210.03, which shall be decided by the Waiver Subcommittee of the Exchange Review Council. If the Applicant does not want the decision on the appeal to be publicly available in whole or in part, the Applicant also shall include in its notice of appeal a detailed statement, including supporting facts, showing good cause for treating the decision as confidential in whole or in part. The notice of appeal shall be signed by the Applicant.

(b) Expedited Review

Where the failure to promptly review a decision to deny a request for exemption would unduly or unfairly harm the Applicant, the Exchange Review Council or the Waiver Subcommittee of the Exchange Review Council, as the case may be, shall provide expedited review.

(c) Withdrawal of Appeal

An Applicant may withdraw its notice of appeal at any time by filing a written notice of withdrawal of appeal with the Exchange Review Council.

(d) Oral Argument

(1) Subject to paragraph (2) below, following the filing of a notice of appeal, the Exchange Review Council or Review Subcommittee may order oral argument and may designate a Subcommittee to hear such oral argument. The Subcommittee may consider any new evidence if the Applicant can show good cause for not including it in its application, and the Subcommittee will recommend to the Exchange Review Council a disposition of all matters on appeal.

(2) With respect to exemptive relief requested under Rule 1210.03, the Waiver Subcommittee of the Exchange Review Council may order oral argument and consider any new evidence if the Applicant can show good cause for not including it in its application.

(e) Decision

(1) Subject to paragraph (2) below, after considering all matters on appeal, and, as applicable, the Subcommittee's recommendation, the Exchange Review Council shall affirm, modify, or reverse the decision issued under Rule 9620. The Exchange Review Council shall issue a written decision setting forth its findings and conclusions and serve the decision on the Applicant. The decision shall be served pursuant to Rules 9132 and 9134. The decision shall be effective upon service and shall constitute final action of the Exchange.

(2) With respect to exemptive relief requested under Rule 1210.03, after considering all matters on appeal, the Waiver Subcommittee of the Exchange Review Council shall affirm, modify, or reverse the decision issued under Rule 9620. The Waiver Subcommittee shall issue a written decision setting forth its findings and conclusions and serve the decision on the Applicant. The decision shall be served pursuant to Rules 9132 and 9134. The decision shall be effective upon service and shall constitute final action of the Exchange. The Waiver Subcommittee shall retain the discretion to refer the appeal to the Exchange Review Council, in which case the Exchange Review Council shall act on such appeal pursuant to its authority under this 9600 Series.

Adopted.

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Nasdaq PHLX Rules, Regulation, Rule 9800. Temporary Cease and Desist Orders

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Nasdaq PHLX Rules, Regulation, Rule 9810. Initiation of Proceeding

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(a) Department of Enforcement or Department of Market Regulation

With the prior written authorization of FINRA's Chief Executive Officer or such other senior officers as the Chief Executive Officer may designate, and the Exchange Chief Regulatory Officer, the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation may initiate a temporary cease and desist proceeding with respect to alleged violations of Section 10(b) of the Exchange Act and SEC Rule 10b-5 thereunder; SEC Rules 15g-1 through 15g-9; Rule 707 (if the alleged violation is unauthorized trading, or misuse or conversion of customer assets, or based on violations of Section 17(a) of the Securities Act); Rule 782; or Rule 741 (if the alleged violation is misuse or conversion of customer assets). The Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation shall initiate the proceeding by serving a notice on a member, member organization or associated person (hereinafter "Respondent") (or upon counsel representing the Respondent, or other person authorized to represent others under Rule 9141, when counsel or other person authorized to represent others under Rule 9141 agrees to accept service for the Respondent) and filing a copy thereof with the Office of Hearing Officers. The Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation shall serve the notice by personal service, overnight commercial courier, facsimile, or email. If service is made by facsimile or email, the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation shall send an additional copy of the notice by personal service or overnight commercial courier. Service is complete upon sending the notice by facsimile or email, sending the notice by overnight courier or delivering it in person, except that, where duplicate service is required, service is complete when the duplicate service is complete. The notice shall be effective when service is complete.

(b) Contents of Notice

The notice shall set forth the rule or statutory provision that the Respondent is alleged to have violated and that the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation is seeking to have the Respondent ordered to cease violating. The notice also shall state whether the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation is requesting the Respondent to be required to take action, refrain from taking action or both. The notice shall be accompanied by:

(1) a declaration of facts, signed by a person with knowledge of the facts contained therein, that specifies the acts or omissions that constitute the alleged violation;
(2) a memorandum of points and authorities setting forth the legal theories upon which the Department of Enforcement or the Department of Market Regulation relies; and
(3) a proposed order that contains the required elements of a temporary cease and desist order (except the date and hour of the order's issuance), which are set forth in Rule 9840(b).

(c) Authority to Approve Settlements

If the Parties agree to the terms of the proposed temporary cease and desist order, the Hearing Officer shall have the authority to approve and issue the order.

(d) Filing of Underlying Complaint

If the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation has not issued a complaint under Rule 9211 against the Respondent relating to the subject matter of the temporary cease and desist proceeding and alleging violations of the rule or statutory provision specified in the notice described in paragraph (b), the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation shall serve and file such a complaint with the notice initiating the temporary cease and desist proceeding. Service of the complaint can be made in accordance with the service provisions in paragraph (a).

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Nasdaq PHLX Rules, Regulation, Rule 9820. Appointment of Hearing Officer and Hearing Panel

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(a) As soon as practicable after the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation files a copy of the notice initiating a temporary cease and desist proceeding with the Office of Hearing Officers, the Chief Hearing Officer shall assign a Hearing Officer to preside over the temporary cease and desist proceeding. The Chief Hearing Officer shall appoint two Panelists to serve on a Hearing Panel with the Hearing Officer. Each Panelist shall be associated with a member organization of the Exchange or retired therefrom. The Chief Hearing Officer shall select as a Panelist a person who:

(1) previously served on the Exchange Review Council;
(2) previously served on a disciplinary subcommittee of the Exchange Review Council, including a Subcommittee, an Extended Proceeding Committee, or their predecessor subcommittees;
(3) previously served as a Director, but does not currently serve in any of these positions;
(4) served on the FINRA National Adjudicatory Council or on a disciplinary subcommittee of the FINRA National Adjudicatory Council prior to the date that the Exchange commenced operating as a national securities exchange; or
(5) is a FINRA Panelist approved by the Exchange Board at least annually, or is drawn from other sources the Board deems appropriate given the responsibilities of Panelists.

(b) If at any time a Hearing Officer or Hearing Panelist determines that he or she has a conflict of interest or bias or circumstances otherwise exist where his or her fairness might reasonably be questioned, or if a Party files a motion to disqualify a Hearing Officer or Hearing Panelist, the recusal and disqualification proceeding shall be conducted in accordance with Rules 9233 and 9234, except that:

(1) a motion seeking disqualification of a Hearing Officer or Hearing Panelist must be filed no later than 5 days after the later of the events described in paragraph (b) of Rules 9233 and 9234; and
(2) the Chief Hearing Officer shall appoint a replacement Panelist using the criteria set forth in paragraph (a) of this Rule.

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Nasdaq PHLX Rules, Regulation, Rule 9830. Hearing

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(a) When Held

The hearing shall be held not later than 15 days after service of the notice and filing initiating the temporary cease and desist proceeding, unless otherwise extended by the Chief Hearing Officer or Deputy Chief Hearing Officer for good cause shown. If a Hearing Officer or Hearing Panelist is recused or disqualified, the hearing shall be held not later than five days after a replacement Hearing Officer or Hearing Panelist is appointed.

(b) Service of Notice of Hearing

The Office of Hearing Officers shall serve a notice of date, time, and place of the hearing on the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation and the Respondent (or upon counsel representing the Respondent, or other person authorized to represent others under Rule 9141, when counsel or other person authorized to represent others under Rule 9141 agrees to accept service for the Respondent) not later than seven days before the hearing, unless otherwise ordered by the Hearing Officer. Service shall be made by personal service, overnight commercial courier, facsimile or email. If service is made by facsimile or email, the Office of Hearing Officers shall send an additional copy of the notice by personal service or overnight commercial courier. Service is complete upon sending the notice by facsimile or email, sending the notice by overnight courier or delivering it in person, except that, where duplicate service is required, service is complete when the duplicate service is complete. The notice shall be effective when service is complete.

(c) Authority of Hearing Officer

The Hearing Officer shall have authority to do all things necessary and appropriate to discharge his or her duties as set forth under Rule 9235.

(d) Witnesses

A person who is subject to the jurisdiction of the Exchange shall testify under oath or affirmation. The oath or affirmation shall be administered by a court reporter or a notary public.

(e) Additional Information

Prior to the hearing, the Hearing Officer may order a Party to furnish to all other Parties and the Hearing Panel such information as deemed appropriate, including any or all of the pre-hearing submissions described in Rule 9242(a). The documentary evidence submitted by the Parties pursuant to this paragraph shall not become part of the record, unless the Hearing Officer or Hearing Panel orders some or all of such evidence included pursuant to Rule 9830(g). At any time during the Hearing Panel's consideration, the Hearing Panel may direct a Party to submit additional information. Any additional information submitted shall be provided to all Parties at least one day before the Hearing Panel renders its decision.

(f) Transcript

The hearing shall be recorded by a court reporter and a written transcript thereof shall be prepared. A transcript of the hearing shall be available to the Parties for purchase from the court reporter at prescribed rates. A witness may purchase a copy of the transcript of his or her own testimony from the court reporter at prescribed rates. Proposed corrections to the transcript may be submitted by affidavit to the Hearing Panel within a reasonable time determined by the Hearing Panel. Upon notice to all the Parties to the proceeding, the Hearing Panel may order corrections to the transcript as requested or sua sponte.

(g) Record and Evidence Not Admitted

The record shall consist of the notice initiating the proceeding, the declaration, and the proposed order described in Rule 9810(b); the transcript of the hearing; all evidence considered by the Hearing Panel; and any other document or item accepted into the record by the Hearing Officer or the Hearing Panel. The Office of Hearing

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Officers shall be the custodian of the record. Proffered evidence that is not accepted into the record by the Hearing Panel shall be retained by the custodian of the record until the date when the Exchange's decision becomes final or, if applicable, upon the conclusion of any review by the SEC or the federal courts.

(h) Failure to Appear at Hearing

If a Respondent fails to appear at a hearing for which it has notice, the allegations in the notice and accompanying declaration may be deemed admitted, and the Hearing Panel may issue a temporary cease and desist order without further proceedings. If the Phlx Regulation Department, the Department of Enforcement or Department of Market Regulation fails to appear at a hearing for which it has notice, the Hearing Panel may order that the temporary cease and desist proceeding be dismissed.

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Nasdaq PHLX Rules, Regulation, Rule 9840. Issuance of Temporary Cease and Desist Order by Hearing Panel

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(a) Basis for Issuance

The Hearing Panel shall issue a written decision stating whether a temporary cease and desist order shall be imposed. The Hearing Panel shall issue the decision not later than ten days after receipt of the hearing transcript, unless otherwise extended by the Chief Hearing Officer or Deputy Chief Hearing Officer for good cause shown. A temporary cease and desist order shall be imposed if the Hearing Panel finds:

(1) that the Phlx Regulation Department, the Department of Enforcement or Department of Market Regulation has made a showing of a likelihood of success on the merits; and
(2) that the alleged violative conduct or continuation thereof is likely to result in significant dissipation or conversion of assets or other significant harm to investors prior to the completion of the underlying disciplinary proceeding under the Rule 9200 and 9300 Series.

(b) Content, Scope, and Form of Order

A temporary cease and desist order shall:

(1) be limited to ordering a Respondent (and any successor of a Respondent, where the Respondent is a member organization) to cease and desist from violating a specific rule or statutory provision, and, where applicable, to ordering a Respondent (and any successor of a Respondent, where the Respondent is a member organization) to cease and desist from dissipating or converting assets or causing other harm to investors;
(2) set forth the alleged violation and the significant dissipation or conversion of assets or other significant harm to investors that is likely to result without the issuance of an order;
(3) describe in reasonable detail the act or acts the Respondent (and any successor of a Respondent, where the Respondent is a member organization) shall take, refrain from taking, or both; and
(4) include the date and hour of its issuance.

(c) Duration of Order

A temporary cease and desist order shall remain effective and enforceable until the issuance of a decision under Rule 9268 or Rule 9269, or until a settlement offer is accepted pursuant to Rule 9270.

(d) Service and Dissemination Requirements

The Office of Hearing Officers shall serve the Hearing Panel's decision and any temporary cease and desist order on the Phlx Regulation Department, the Department of Enforcement or the Department of Market Regulation and the Respondent (or upon counsel representing the Respondent or person, or other person authorized to represent others under Rule 9141, when counsel or other person authorized to represent others under Rule 9141 agrees to accept service for the Respondent) by personal service, overnight commercial courier, facsimile, or email. If service is made by facsimile or email, the Office of Hearing Officers shall send an additional copy of the Hearing Panel's decision and any temporary cease and desist order by personal service or overnight commercial courier. Service is complete upon sending the notice by facsimile or email, sending the notice by overnight courier, or delivering it in person, except that, where duplicate service is required, service is complete when the duplicate service is complete. The temporary cease and desist order shall be effective when service is complete. The Office of Hearing Officers shall provide a copy of the temporary cease and desist order to each Exchange member organization with which a Respondent is associated.

(e) Delivery Requirement

Where a Respondent is a member organization, Respondent shall deliver a copy of a temporary cease and desist order, within one business day of receiving it, to its associated persons.

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Nasdaq PHLX Rules, Regulation, Rule 9850. Review by Hearing Panel

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At any time after the Office of Hearing Officers serves the Respondent (or counsel representing the Respondent, or other person authorized to represent others under Rule 9141, when counsel or other person authorized to represent others under Rule 9141 agrees to accept service for the Respondent) with a temporary cease and desist order, a Party may apply to the Hearing Panel to have the order modified, set aside, limited, or suspended. The application shall set forth with specificity the facts that support the request. The Hearing Panel that presided over the temporary cease and desist order proceeding shall retain jurisdiction to modify, set aside, limit, or suspend the temporary cease and desist order, unless at the time the application is filed a Hearing Panel has already been appointed in the underlying disciplinary proceeding commenced under Rule 9211 in which case the Hearing Panel appointed in the disciplinary proceeding has jurisdiction. The Hearing Panel shall respond to the request in writing within ten days after receipt of the request, unless otherwise extended by the Chief Hearing Officer or Deputy Chief Hearing Officer for good cause shown. The Hearing Panel's response shall be served on the Respondent (or upon counsel representing the Respondent, or other person authorized to represent others under Rule 9141, when counsel or other person authorized to represent others under Rule 9141 agrees to accept service for the Respondent) via personal service, overnight commercial courier, facsimile, or email. If service is made by facsimile or email, the Office of Hearing Officers shall send an additional copy of the temporary cease and desist order by personal service or overnight commercial courier. The filing of an application under this Rule shall not stay the effectiveness of the temporary cease and desist order.

Adopted.
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, Rule 9860. Violation of Temporary Cease and Desist Orders

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A Respondent who violates a temporary cease and desist order imposed under this Rule Series may have its association or membership suspended or canceled or be subject to any fitting sanction under Rule 9556. The Chief Regulatory Officer of the Exchange must authorize the initiation of any such proceeding in writing.

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Nasdaq PHLX Rules, Regulation, Rule 9870. Application to Commission for Review

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Temporary cease and desist orders issued pursuant to this Rule Series constitute final and immediately effective disciplinary sanctions imposed by the Exchange. The right to have any action under this Rule Series reviewed by the Commission is governed by Section 19 of the Exchange Act. The filing of an application for review shall not stay the effectiveness of the temporary cease and desist order, unless the Commission otherwise orders.

Adopted.
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Nasdaq PHLX Rules, Regulation, A-1 Record of Orders on PSX

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Member organizations which act as brokers on PSX shall make and maintain the memorandum described in rule 17a-3(a)(6) and Rule 17a-4(b)(1) for all orders and partial orders that they enter on PSX in which they act as brokers.

FINE SCHEDULE (Implemented on a one year running calendar basis)

1st Occurrence	$100.00
2nd Occurrence	$250.00
3rd Occurrence	$500.00
4th and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement

Amended.
December 21, 1999 (99-38).
September 28, 2006 (06-43).
April 25, 2011 (11-13).
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, A-2
Failure to Comply with an Exchange Inquiry

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Each member, member organization, or associated person is required to promptly comply with any request of information made by the Exchange in connection with any regulatory inquiry, investigation or examination relating to the Exchange's disciplinary jurisdiction or regulatory obligations.

For the purposes of this Advice, information received within ten business days from the date of the original request shall be deemed to meet the requirement of prompt compliance, except, for purposes of Exchange requests, information received within two business days from the date of the original request shall be deemed to meet the requirement of prompt compliance.

The Exchange may under extenuating circumstances grant extensions to allow for responses beyond the allotted requirement. Requests for extensions must be submitted in writing to the appropriate department prior to the due date of the outstanding request. Each additional request for information not furnished within the allotted time periods may be considered a separate occurrence for purposes of the fine schedule below.

FINE SCHEDULE (Implemented on a three year running calendar basis)

1st Occurrence	$200.00
2nd Occurrence	$1,000.00
3rd Occurrence	$2,500.00
4th and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement

Amended.
May 4, 1995 (94-61).
April 25, 2011 (11-13).
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, A-3
Supervisory Procedures Relating to ITSFEA

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(a) Member organizations must maintain written supervisory procedures as required by the Insider Trading and Securities Fraud Enforcement Act of 1988 (ITSFEA). Such procedures must be reasonably designed to prevent the misuse of material, non-public information by employees.

(b) In addition to the requirements under ITSFEA, the Exchange herein institutes basic minimum standards for incorporation into ITSFEA-related written supervisory procedures for all member organizations. The requirements enumerated below must be included and, together with all related additional written supervisory procedures maintained in accordance with paragraph (a) above, must receive approval by the Exchange. These requirements are not intended to supersede, or be presumed to fulfill, the requirements of ITSFEA. These requirements are instead set forth as separate requirements of the Exchange.

In the instance where written a member organization is subject to written supervisory procedures relating to ITSFEA imposed by another self regulatory organization which is it designated examining authority ("DEA"), the Exchange requirements set forth in paragraph (b) of this Advice will not apply.

1.) Each new employee of the organization shall be furnished with a copy of the most current version of the Exchange's "Notice of Insider Trading" (Notice), or a document substantially similar to the Notice approved by the DEA for use in this connection. Within ten business days from the first date of employment with the Unit, each new employee must sign and return the Notice to the employer. By his signature on the Notice, the employee attests to having carefully read the Notice and agrees to appropriately supply the employer firm with all trading accounts for which such person maintains a beneficial interest, including all personal and household accounts of the employee. Also, by his signature on the Notice, each new employee ensures that delivery of all related account statements will be made directly from the firm(s) maintaining the account to the employer.

2.) Each organization must complete the Exchange's "ITSFEA Accounts List," comprising all accounts submitted in connection with paragraph (1) above and all proprietary accounts of the Unit. Updates to the list must be made within one month of any change and each completed version of the list must be maintained for no less than three years by the organization.

3.) Each month a supervisory person of the organization is required to make a reasonable review of all activities from the account statements of those accounts reflected on the ITSFEA Accounts List with a view toward identifying the possible misuse of material non-public information. A report must be made promptly to the Exchange's Regulatory staff in the event that any such unusual profits are so identified.

For purposes of paragraph (b) of this Advice, an employee shall include every person who is compensated directly or indirectly by the member organization for the solicitation or handling of business in securities, including trading securities for the account of the member organization, whether such securities are those dealt in on the Exchange or those dealt over-the-counter.

Failure to properly maintain the ITSFEA Accounts List, or to conduct related reviews required by this Advice, may result in the issuance of fines in accordance with the schedule below.

FINE SCHEDULE (Implemented on a three year running calendar basis)

1st Occurrence	$250.00
2nd Occurrence	$500.00
3rd and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement

Amended.
December 18, 1997 (97-39).
April 25, 2011 (11-13).
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, A-4 Fingerprinting Personnel

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Member organizations are required to comply with Section 17(f) of the Securities Exchange Act of 1934 respecting the fingerprinting of required employees. Applicants for a permit must also be fingerprinted. Such fingerprints must be submitted to FINRA for identification and appropriate processing prior to any employee performing the functions listed in SEC rule 17f-2.

FINE SCHEDULE	
1st Occurrence	$50.00
2nd Occurrence	$100.00
3rd Occurrence	$250.00
4th and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement

Amended.
October 6, 1995 (95-49).
April 6, 2006 (06-15).
September 28, 2006 (06-43).
December 18, 2006 (06-83).
April 25, 2011 (11-13).
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, A-5 Training

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All members and persons employed by or associated with a member organization shall successfully complete mandatory training, as required by the Exchange. Training topics include, but are not limited to, training related to that person's function at the Exchange, changes in existing automated systems or any new technology that is utilized by the Exchange, compliance with Exchange Rules and federal securities laws.

Failure to attend the scheduled mandatory training described above may result in the issuance of a fine in accordance with the fine schedule below.

FINE SCHEDULE (Implemented on a three year running calendar basis)

1st Occurrence	$500.00
2nd Occurrence	$1,000.00
3rd Occurrence	$2,000.00
4th Occurrence and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement

Amended.
August 25, 1999 (99-29).
October 12, 2001 (01-77).
September 28, 2006 (06-43).
July 24, 2007 (07-16).
April 25, 2011 (11-13).
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, A-6 Failure to Provide Notification of Changes in Business Operations

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Any member organization for which the Exchange is the Designated Examining Authority (“DEA”) shall provide prior written notification to the Exchange or its designee of any change in the business operations of such member organization which would cause the member organization to be subject to additional or modified net capital requirements, examination schedules or other registration, examination or regulatory requirements.

For the purposes of this Advice, the appropriate time frame for notification is at least 10 business days prior to the change in business operations.

FINE SCHEDULE (Implemented on a three year running calendar basis)

1st Occurrence	$250.00
2nd Occurrence	$500.00
3rd Occurrence	$1,000.00
4th and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement

Adopted.
November 21, 2001 (01-68).
Amended.
September 28, 2006 (06-43).
April 25, 2011 (11-13).
November 15, 2017 (17-92), operative January 2, 2018.

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Nasdaq PHLX Rules, Regulation, A-7 Failure to Timely Submit Amendments to Form U4, Form U5 and Form BD

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Any member organization that is required to file Form U4, Form U5 or Form BD pursuant to Exchange Rules or the Securities Exchange Act of 1934 and the rules promulgated thereunder, is required to amend the applicable Form U4, Form U5 or Form BD to keep such forms current at all times. Member organizations shall amend Form U4, Form U5 or Form BD not later than thirty (30) days after the filer knew or should have known of the facts which gave rise to the need for the amendment.

FINE SCHEDULE (Implemented on a running 12 month period)

1st Occurrence	$500.00
2nd Occurrence	$1,000.00
3rd Occurrence	$2,000.00
4th and Thereafter	Sanction is discretionary with Phlx Regulation Department or Department of Enforcement

Adopted.
April 6, 2006 (06-15).
Amendments.
December 18, 2006 (06-83).
April 25, 2011 (11-13).
April 20, 2012 (12-23).
November 15, 2017 (17-92), operative January 2, 2018.
September 27, 2018 (18-61), operative October 1, 2018.

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Nasdaq PHLX Rules, Regulation, E-1 Deleted

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Adopted.
September 27, 1991 (91-29).
Amended.
September 28, 2006 (06-43).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, F-1 Deleted

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Amended.
September 28, 2006 (06-43).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, F-9 Deleted

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Amended.
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, F-27 Deleted

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Adopted.
May 7, 1998 (98-3).
Amended.
June 16, 2006 (05-42).
September 28, 2006 (06-43).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, F-31 Deleted

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Adopted.
February 15, 2001 (00-48).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, S-1—S-3 Deleted

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Amended.
September 28, 2006 (06-43).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Regulation 1 Deleted

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Amended.
September 28, 2006 (06-43).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Regulation 2 Deleted

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Amended.
June 23, 1994 (94-13).
September 28, 2006 (06-43).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Regulation 3 Deleted

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Amended.
September 28, 2006 (06-43).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Regulation 4 Deleted

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Amended.
July 28, 1994 (94-14).
July 8, 2002 (02-09).
September 28, 2006 (06-43).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Regulation 5 Deleted

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Amended.
September 28, 2006 (06-43).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Regulation 6 Deleted

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Amended.
May 4, 1995 (95-24).
September 28, 2006 (06-43).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, Regulation 7 Deleted

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Amended.
September 28, 2006 (06-43).
April 25, 2011 (11-13).

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Nasdaq PHLX Rules, Regulation, A-1 Specialist as ROT

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Specialists who are also ROTs shall not have their Specialist activity included in the calculation for required trading as an ROT.

FINE SCHEDULE

Fine not applicable

Amendment.
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, F-1 Option Quote Parameters

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When bidding and/or offering in equity option or index option issues, the following parameters should be utilized on the opening:

Current Option Bid	***Maximum Quote Spread***
Less than $2.00	.25
$2.00 to less than $5.00	.40
$5.00 to less than $10.00	.50
$10.00 to less than $20.00	.80
$20.00 and greater	1

After the opening, options trading on Phlx XL II may be quoted electronically with a difference not to exceed $5 between the bid and offer regardless of the price of the bid. The $5 bid/ask differentials only apply following the opening rotation in each security (i.e., the bid/ask differentials specified above shall apply during the opening).

The bid/ask differentials stated above shall not apply to in-the-money series where the market for the underlying security is wider than the differentials set forth above. For such series, the bid/ask differential may be as wide as the quotation for the underlying security on the primary market, or its decimal equivalent rounded up to the nearest minimum increment.

Foreign Currency Options

When bidding and/or offering in U.S. dollar-settled foreign currency option issues, the following parameters should be utilized on the opening:

Current Option Bid	***Maximum Quote Spread***
Less than $2.00	.25
$2.00 to less than $5.00	.40
$5.00 to less than $10.00	.50
$10.00 to less than $20.00	.80
$20.00 and greater	1

After the opening, options trading on Phlx XL II may be quoted electronically with a difference not to exceed $5 between the bid and offer regardless of the price of the bid. The $5 bid/ask differentials only apply following the opening rotation in each security (i.e., the bid/ask differentials specified above shall apply during the opening).

The bid/ask differential as stated above shall apply to all listed series, including the longest term, except for the two longest term series open for trading in the Euro options and long-term foreign currency options.

Relief

Relief from the established bid/ask differentials may be granted upon the receipt of an approval of an Options Exchange Official.

Batching

The Exchange may aggregate individual violations and treat such violations as a single offense.

FINE SCHEDULE (Implemented on a one-year running calendar basis)

1st Occurrence	Warning letter
2nd Occurrence	Warning letter
3rd Occurrence	Warning letter
4th Occurrence	$250.00
5th Occurrence	$500.00
6th Occurrence	$1,000.00
7th Occurrence and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement

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Amendments.
August 1995
January 15, 1999 (99-01).
October 6, 2000 (00-05).
July 11, 2001 (01-36).
July 29, 2002 (02-05).
December 21, 2006 (06-34).
June 7, 2007 (06-87).
July 10, 2007 (07-34).
June 24, 2009 (09-40).
May 21, 2010 (10-43).
March 16, 2012 (12-11).
February 1, 2016 (16-16), operative March 2, 2016.
November 15, 2017 (17-92), operative January 2, 2018.
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, F-2
Failure to Comply with an Exchange Inquiry

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Each member, member organization or associated person is required to promptly comply with any request of information made by the Exchange in connection with any regulatory inquiry, investigation or examination relating to the Exchange's disciplinary jurisdiction or regulatory obligations.

For the purposes of this Advice, information received within ten (10) business days from the date of the original request shall be deemed to meet the requirement of prompt compliance, except, for purposes of Exchange requests, information received within two business days from the date of the original request shall be deemed to meet the requirement of prompt compliance.

The Exchange may under extenuating circumstances grant extensions to allow for responses beyond the allotted requirement. Requests for extensions must be submitted in writing to the appropriate department, prior to the due date of the outstanding request. Each additional request for information not furnished within the allotted time periods may be considered a separate occurrence for purposes of the fine schedule below.

FINE SCHEDULE (Implemented on a three-year running calendar basis)

1st Occurrence	$500.00
2nd Occurrence	$1,000.00
3rd Occurrence	$2,000.00
4th Occurrence and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement

Amendments.
May 4, 1995 (94-61).
July 11, 2001 (01-36).
April 25, 2011 (11-13).
August 10, 2012 (12-107).
November 15, 2017 (17-92), operative January 2, 2018.
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, F-3 Affiliations

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(i) Affiliations must be filed in writing with the Exchange's Membership Department as provided by Exchange Rule 908.

FINE SCHEDULE (Implemented on a three-year running calendar basis)

1st Occurrence	$500.00
2nd Occurrence	$1,000.00
3rd Occurrence	$2,000.00
4th Occurrence and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement

Amendments.
July 11, 2001 (01-36).
January 5, 2011 (10-148).
November 15, 2017 (17-92), operative January 2, 2018.
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, F-4 Unusual Market Conditions

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In the interest of maintaining a fair and orderly market under unusual market conditions for one or more classes of options, an Options Exchange Official may determine that the level of trading activities or the existence of unusual market conditions is such that the Exchange is incapable of collecting, processing, and making available to quotation vendors the data for a subject security required to be made available pursuant to the SEC Quote rule in a manner that accurately reflects the current market on the Exchange. The Exchange shall immediately notify all specified persons of such a determination. Regular trading procedures shall be resumed when an Options Exchange Official determines that the conditions supporting that declaration no longer exist.

FINE SCHEDULE

Fine not applicable

Adopted.
July 25, 1990 (90-10).
Amendments.
April 2, 2001 (01-37).
June 7, 2007 (06-87).
April 25, 2011 (11-13).
August 8, 2011 (11-112).
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, F-5
Supervisory Procedures Relating to ITSFEA

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(a) Member organizations must maintain written supervisory procedures as required by the Insider Trading and Securities Fraud Enforcement Act of 1988 (ITSFEA). Such procedures must be reasonably designed to prevent the misuse of material, non-public information by employees.

(b) In addition to the requirements under ITSFEA, the Exchange herein institutes basic minimum standards for incorporation into ITSFEA-related written supervisory procedures for all member organizations. The requirements enumerated below must be included and, together with all related additional written supervisory procedures maintained in accordance with paragraph (a) above, must receive approval by the Exchange. These requirements are not intended to supersede, or be presumed to fulfill, the requirements of ITSFEA. These requirements are instead set forth as separate requirements of the Exchange.

In the instance where a member organization is subject to written supervisory procedures relating to ITSFEA, imposed by another self regulatory organization which is its designated examining authority ("DEA"), the Exchange requirements set forth in paragraph (b) of this Advice will not apply.

1.) Each new employee of the organization shall be furnished with a copy of the most current version of the Exchange's "Notice of Insider Trading" (Notice), or a document substantially similar to the Notice approved by the DEA for use in this connection. Within ten business days from the first date of employment with the Unit, each new employee must sign and return the Notice to the employer. By his signature on the Notice, the employee attests to having carefully read the Notice and agrees to appropriately supply the employer Firm with all trading accounts for which such person maintains a beneficial interest, including all personal and household accounts of the employee. Also, by his signature on the Notice, each new employee ensures that delivery of all related account statements will be made directly from the Firm(s) maintaining the account to the employer.

2.) Each Unit must complete the Exchange's "ITSFEA Accounts List," comprising all accounts submitted in connection with paragraph (1) above and all proprietary accounts of the Unit. Updates to the list must be made within one month of any change and each completed version of the list must be maintained for no less than three years by the Unit.

3.) Each month a supervisory person of the Unit is required to make a reasonable review of all activities from the account statements of those accounts reflected on the ITSFEA Accounts List with a view toward identifying the possible misuse of material non-public information. A report must be made promptly to the Exchange's Regulatory staff in the event that any such unusual profits are so identified.

Failure to properly maintain the ITSFEA Accounts List, or to conduct related reviews required by this Advice, may result in the issuance of fines in accordance with the schedule below.

FINE SCHEDULE (Implemented on a three-year running calendar basis)

1st Occurrence	$500.00
2nd Occurrence	$1,000.00
3rd Occurrence	$2,000.00
4th Occurrence and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement

Amendments.
December 18, 1997 (97-39).
July 11, 2001 (01-36).
May 14, 2009 (09-23).
April 25, 2011 (11-13).
November 15, 2017 (17-92), operative January 2, 2018.
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, F-6 Minor Infractions of Position/Exercise Limits and Hedge Exemptions

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(a) Minor violations of the Exchange's position and exercise limits (Exchange Rule 1001 - Position Limits, Exchange Rule 1002 - Exercise Limits, Exchange Rule 1001A - Position Limits, and Exchange Rule 1002A - Exercise Limits) which do not exceed such limits by more than 5% may result in the issuance of a fine in accordance with section (a) of the fine schedule below.

In addition, when a position limit exemption for a specific period has lapsed without the position either being brought into compliance or a new exemption granted, a fine in accordance with section (a) of the fine schedule below may be issued.

Other violations of the position and exercise limit are subject to review by the Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement in accordance with those procedures set forth under the Rule 8000 and 9000 Series.

(b) Automatic hedge exemptions are available for stock option positions. Specifically, each option of a stock option position hedged by 100 shares of stock or securities convertible into such stock, is exempted from having to be included in the aggregation count for the purposes of the position and exercise limits. The exemption is limited, however, to an amount of option contracts no greater than twice the standard limit of the respective option. Permissible hedges are provided below:

long stock, short call

long stock, long put

short stock, long call

short stock, short put

(i) When utilizing a hedge exemption, a report of the position must be received by the Exchange's Regulatory staff in a manner prescribed by the Exchange no later than the close of business following the day the exemption is availed upon. Failure to provide the Exchange with a hedge exemption form as required may result in the issuance of a fine in accordance with section (b)(i) of the fine schedule below.

(ii) Hedge exemptions apply for only as long as the hedge is maintained. In any instance where the stock side to a hedge exemption is decreased, the appropriate number of options must be liquidated prior to or simultaneous with the corresponding decrease in any stock position utilized to provide an automatic option hedge exemption. Failure to appropriately reduce the respective option position following such a decrease in the stock position such that the position limit does not exceed the limit by more than 5% may result in the issuance of a fine in accordance with section (b)(ii) of the fine schedule below. Instances where the resulting position exceeds established limits by more than 5% are subject to review by the Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement in accordance with those procedures set forth under the Rule 8000 and 9000 Series.

FINE SCHEDULE (Implemented on a two-year running calendar basis)
(a)

1st Occurrence	$500.00
2nd Occurrence	$1,000.00
3rd Occurrence	$2,000.00
4Th Occurrence and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation,

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			or Department of Enforcement
(b)			
	(i)		
		1st Occurrence	$250.00
		2nd Occurrence	$500.00
		3rd Occurrence	$1,000.00
		4th Occurrence and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement
	(ii)		
		1st Occurrence	$500.00
		2nd Occurrence	$1,000.00
		3rd Occurrence	$2,000.00
		4th Occurrence and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement

Amendments.
July 11, 2001 (01-36).
May 14, 2009 (09-23).
June 30, 2010 (10-93).
April 25, 2011 (11-13).
March 16, 2012 (12-11).
February 1, 2016 (16-16), operative March 2, 2016.
November 15, 2017 (17-92), operative January 2, 2018.
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, F-7 Clearing Agents' Responsibility for Carrying Positions in Market Maker Accounts

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A member organization of this Exchange which is also a clearing member of OCC carrying accounts for Specialists and ROTs/market makers is required to take reasonable steps to ensure that only those positions in Exchange listed options which are eligible for exempt credit treatment are carried in the market functions account. Any transaction on another Exchange in an option that is also listed on the Exchange is covered by this Advice. Reasonable steps include the adoption and implementation of procedures designed to detect any pattern of activity in contravention of this Advice.

FINE SCHEDULE (Implemented on a three-year running calendar basis)

1st Occurrence	$500.00
2nd Occurrence	$1,000.00
3rd Occurrence	$2,000.00
4th Occurrence and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement

FINE SCHEDULE

Fine not applicable

Amendments.
October, 1995
July 11, 2001 (01-36).
April 25, 2011 (11-13).
November 15, 2017 (17-92), operative January 2, 2018.
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, F-8 Options Exchange Official Rulings

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Options Exchange Officials are empowered to render rulings on the trading floor to resolve trading disputes occurring on and respecting activities on the trading floor. All rulings rendered by Options Exchange Officials are effective immediately and must be complied with promptly. Failure to promptly comply with a ruling concerning a trading dispute may result in referral to the Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement. Failure to promptly comply with other rulings issued pursuant to Order and Decorum Regulations or Floor Procedure Advices and not concerning a trading dispute may result in an additional violation. Options Exchange Officials need not render decisions in any instance where the request for a ruling was not made within a reasonable period of time. An Options Exchange Official should not render a decision or authorize a citation where such Options Exchange Official was involved in or affected by the dispute, as well as in any situation where the Options Exchange Official is not able to objectively and fairly render a decision.

Options Exchange Officials shall endeavor to be prompt in rendering decisions. However, in any instance where an Options Exchange Official has determined that the benefits of further discovery as to the facts and circumstances of any matter under review outweigh the monetary risks of a delayed ruling, the Options Exchange Official may determine to delay rendering the ruling until such time as that further discovery is completed. In issuing decisions for the resolution of trading disputes, Options Exchange Officials shall institute the course of action deemed by the ruling Options Exchange Official to be more fair to all parties under the circumstances at the time. An Options Exchange Official may direct the execution of an order on the floor, or adjust the transaction terms or participants to an executed order on the floor. However, an Options Exchange Official may nullify a transaction if they determine the transaction to have been in violation of Rule 1014 (Obligations and Restrictions Applicable to Specialists and Registered Options Traders) or Options 8, Section 24 (Bids And Offers-Premium).

Exchange staff may determine that an Options Exchange Official is ineligible to participate in a particular ruling where it appears that such Options Exchange Official has a conflict of interest. For purposes of this Rule, and without limitation, a conflict of interest exists where an Options Exchange Official: (a) is directly or indirectly affiliated with a party seeking an Options Exchange Official ruling; (b) is a participant or is directly or indirectly affiliated with a participant in a transaction that is the subject of an Options Exchange Official ruling; (c) is a debtor or creditor of a party seeking an Options Exchange Official ruling; or (d) is an immediate family member of a party seeking an Options Exchange Official ruling. Exchange staff may consider other circumstances, on a case-by-case basis, in determining the eligibility or ineligibility of a particular Options Exchange Official to participate in a particular ruling due to a conflict of interest.

All Options Exchange Official rulings concerning the adjustment and nullification of transactions are reviewable by the Exchange Review Council.

(i) Regulatory staff must be advised within 15 minutes of an Options Exchange Official's ruling that a party to such ruling has determined to appeal from such ruling to the Exchange Review Council. The Exchange may establish the procedures for the submission of a request for a review of an Options Exchange Official ruling. Options Exchange Official rulings concerning the nullification or adjustment of transactions may be sustained, overturned or modified by the Exchange Review Council. In making a determination, the Exchange Review Council may consider facts and circumstances not available to the ruling Options Exchange Official as well as action taken by the parties in reliance on the Options Exchange Official's ruling (e.g., cover, hedge and related trading activity).

(ii) All decisions made by the Exchange Review Council in connection with initial rulings on requests for relief and with the review of an Options Exchange Official ruling pursuant to Rule 124(d) shall be documented in writing and maintained by the Exchange in accordance with the record keeping requirements set forth in the Securities Exchange Act of 1934, as amended, and the rules thereunder.

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(iii) A member or member organization seeking the Exchange Review Council review of an Options Exchange Official ruling shall be assessed a fee of $250.00 for each Options Exchange Official ruling to be reviewed that is sustained and not overturned or modified by the Exchange Review Council.

(iv) Decisions of the Exchange Review Council concerning the review of Options Exchange Official rulings relating to the nullification or adjustment of transactions shall be final and may not be appealed to the Exchange's Board of Directors.

(v) Failure to promptly comply with an Options Exchange Official or Exchange Review Council decision under this Rule may result in referral to the Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement.

FINE SCHEDULE

$250.00

Adopted.
(May 7, 1998; 98-3.)
Amendments.
February 22, 1999 (98-38).
April 5, 2005 (04-75).
June 16, 2006 (05-42).
June 7, 2007 (06-87).
May 14, 2009 (09-23).
September 18, 2009 (09-59).
April 25, 2011 (11-13).
October 2, 2014 (14-64).
February 25, 2016 (16-32), operative March 26, 2016.
November 15, 2017 (17-92), operative January 2, 2018.
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, F-9 Failure to Provide Notification of Changes in Business Operations

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Any member organization for which the Exchange is the Designated Examining Authority (“DEA”) shall provide prior written notification to the Exchange or its designee of any change in the business operations of such member organization which would cause the member organization to be subject to additional or modified net capital requirements, examination schedules or other registration, examination or regulatory requirements.

For the purposes of this Advice, the appropriate time frame for notification is at least 10 business days prior to the change in business operations.

FINE SCHEDULE (Implemented on a three year running calendar basis)

1st Occurrence	$250.00
2nd Occurrence	$500.00
3rd Occurrence	$1,000.00
4th and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement

Adopted.
November 21, 2001 (01-68).
Amendments.
September 28, 2006 (06-43).
April 25, 2011 (11-13).
November 15, 2017 (17-92), operative January 2, 2018.
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, F-10 Failure to Timely Submit Amendments to Form U4, Form U5 and Form BD

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Any member organization that is required to file Form U4, Form U5 or Form BD pursuant to Exchange Rules or the Securities Exchange Act of 1934 and the rules promulgated thereunder, is required to amend the applicable Form U4, Form U5 or Form BD to keep such forms current at all times. Member organizations and participant organizations shall amend Form U4, Form U5 or Form BD not later than thirty (30) days after the filer knew or should have known of the facts which gave rise to the need for the amendment.

FINE SCHEDULE (Implemented on a running 12 month period)

1st Occurrence	$500.00
2nd Occurrence	$1,000.00
3rd Occurrence	$2,000.00
4th and Thereafter	Sanction is discretionary with Phlx Regulation Department or Department of Enforcement

Adopted.
April 6, 2006 (06-15).
Amendments.
December 18, 2006 (06-83).
April 25, 2011 (11-13).
April 20, 2012 (12-23).
November 15, 2017 (17-92), operative January 2, 2018.
September 27, 2018 (18-61), operative October 1, 2018.
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, F-11 Violations of Exercise and Exercise Advice Rules for Noncash-Settled Equity Option Contracts

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Any member who fails to submit to the Exchange in a timely manner pursuant to Rule 1042, or an exercise instruction relating to the exercise or nonexercise of a noncash-settled equity option shall be subject to the following fines:

FINE SCHEDULE (Implemented on a running 24 month period)

	Individual	Member Organization
1st Occurrence	$500.00	$1,000.00
2nd Occurrence	$1,000.00	$2,500.00
Subsequent Occurrence And Thereafter	$2,500.00	$5,000.00

Adopted.
March 19, 2008 (08-18).
Amendment.
April 16, 2019 (19-17).

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Nasdaq PHLX Rules, Regulation, G-1 Index Option Exercise Advices

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In accordance with the provisions of Exchange Rule 1042A, all Specialists, ROTs, customers and Firms must complete an exercise advice when exercising any American style index option contract(s) and exercise the amount of option contracts indicated on the exercise advice.

Specialists, ROTs, customers and Firms must time stamp and submit the completed exercise advice to Exchange staff at the Surveillance Post or in the trading crowd no later than five minutes after the close of trading on the day of the exercise with respect to any American style index option traded on the Exchange. Exercise advices for index options are not required on (a) the business day prior to expiration in series expiring on a day other than a business day or (b) the expiration day in series expiring on a business day.

Those Firms utilizing the electronic systems of the Options Clearing Corporation to meet the time requirements of this Advice must transmit to the Options Clearing Corporation index exercise instructions according to the time frames described above.

The fine schedule below provides sanctions for infractions of the index option exercise advice procedures which are minor in nature. Any violation of the procedure which has been deemed serious by the Exchange will be referred directly to the Exchange's Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement where stronger sanctions may result.

FINE SCHEDULE (Implemented on a two-year running calendar basis)

1st Occurrence	$250.00
2nd Occurrence	$500.00
3rd Occurrence	$1,000.00
4th Occurrence and Thereafter	Sanction is discretionary with Phlx Regulation Department, Department of Market Regulation, or Department of Enforcement

Amendments.
June 1996 (96-32).
July 1997 (97-04).
July 11, 2001 (01-36).
August 12, 2016 (16-84), operative September 11, 2016.
November 15, 2017 (17-92), operative January 2, 2018.

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