II. Docketed Proceeding(s)


This Notice will be published in the Federal Register.

Erica A. Barker, Secretary.
[FR Doc. 2021–12151 Filed 6–9–21; 8:45 am]
BILLING CODE 7710–FW–P

POSTAL SERVICE

Board of Governors; Sunshine Act Meeting

DATES AND TIMES: Wednesday, June 16, 2021, at 9:00 a.m.
PLACE: Washington, DC, at U.S. Postal Service Headquarters, 475 L’Enfant Plaza SW, in the Benjamin Franklin Room.
STATUS: Wednesday, June 16, 2021, at 9:00 a.m.

MATTERS TO BE CONSIDERED:

Wednesday, June 16, 2021, at 9:00 a.m. (Closed)

1. Strategic Issues.
2. Financial and Operational Matters.
4. Administrative Items.

CONTACT PERSON FOR MORE INFORMATION:

Katherine Sigler, Assistant Secretary.
[FR Doc. 2021–12281 Filed 6–9–21; 11:15 am]
BILLING CODE 7710–12–P

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Nasdaq PHXL LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Various Phlx Rules

June 4, 2021.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),1 and Rule 19b–4 thereunder,2 notice is hereby given that on May 24, 2021, Nasdaq PHXL LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Phlx Rules at Options 1, Section 1, Applicability, Definitions and References; Options 2, Section 4, Obligations of Market Makers; Options 2, Section 12, Registration and Functions of Options Lead Market Makers; Options 3, Section 7, Types of Orders and Order and Quote Protocols; Options 3, Section 15, Simple Order Risk Protections; and Options 3, Section 16, Complex Order Risk Protections. The Exchange also proposes to add a new Equity 3A, which will be reserved, to the Rulebook Shell.

The text of the proposed rule change is available on the Exchange’s website at https://listingcenter.nasdaq.com/rulebook/phlx/rules, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of
the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Phlx Rules at Options 1, Section 1, Applicability, Definitions and References; Options 2, Section 4, Obligations of Market Makers; Options 2, Section 12, Registration and Functions of Options Lead Market Makers; Options 3, Section 7, Types of Orders and Order and Quote Protocols; Options 3, Section 15, Simple Order Risk Protections; and Options 3, Section 16, Complex Order Risk Protections.

The Exchange also proposes to add and reserve a new Equity 3A to the Rulebook Shell. Each change is described below.

Options 2, Section 4

The Exchange proposes to amend Options 2, Section 4, Obligations of Market Makers. First, the Exchange proposes some technical amendments. The Exchange proposes to amend Options 2, Section 4(b) and 4(b)(1) to change the term “an” to “a.” The Exchange also proposes to capitalize the term “market maker” within Options 2, Section 4(b)(4). Finally, the Exchange proposes to amend the term “is” to “are” within Options 2, Section 4(c). These corrections are non-substantive and intended to make the rule text clearer.

Second, the Exchange proposes to amend the current rule text within Options 2, Section 4(b)(5) which states, “An RSQT electing to engage in Exchange options transactions is designated as a Lead Market Maker on the Exchange for all purposes under the Exchange Act and the rules and regulations thereunder with respect to options transactions initiated and effected by him on the floor in his capacity as an ROT.”

The Exchange proposes to amend the rule to replace the term “RSQT” with the broader term “Market Maker” and replace the term “Lead Market Maker” with the term “specialist.” Phlx filed a rule change 3 to amend certain rules, the rule text previously at Commentary .01 of Rule 1014, which is now located at Options 2, Section 4(b)(5) stated, “An ROT 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 on the floor in his capacity as an ROT. For purposes of this commentary, the term “transactions initiated and effected on the floor” shall not include transactions initiated by an ROT off the floor, but which are considered “on-floor” pursuant to Commentaries .07 and .08 of Rule 1014.

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.

At this time, the Exchange proposes to revert the rule text back to a part of original language and state, “A Market Maker 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 on the floor in his capacity as an ROT.”

The Exchange proposes to amend Options 2, Section 4(b)(5) stated, “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 on the floor in his capacity as an ROT.”

Second, the Exchange proposes to similarly describe this limitation in its rules.

Options 3, Section 7

The Exchange also proposes to amend Options 3, Section 7(c)(2), Types of Orders and Order and Quote Protocols, and Options 3, Section 15, Risk Protocols, and Options 3, Section 16 at paragraph (e), related to Complex Order Risk Protections, to describe a current limitation that exists within its rules today as to the number of contracts an incoming order or quote may specify. Specifically, for simple orders, the maximum number of contracts, which shall not be less than 10,000 contracts, is established by the Exchange from time-to-time. For Complex Orders, the maximum number of contracts (or shares), which shall not be less than 10,000 contracts (or 100,000 shares), is established by the Exchange from time-to-time. Orders or quotes that exceed the maximum number of contracts/shares are rejected. This system limitation is the same on all Nasdaq affiliated exchanges.5 Today, Nasdaq ISE, LLC (“ISE”), Nasdaq GEMX, LLC (“GEMX”), and Nasdaq MRX, LLC (“MRX”) describe this limitation within their rules at Options 3, Section 15(a)(2)(B). ISE and MRX also describe the Size Limitation within Options 3, Section 16(c)(2). Phlx proposes to similarly describe this limitation in its rules.

Options 3, Section 15 and Options 3, Section 16

The Exchange proposes to add provisions within Options 3, Section 15 at paragraph (b)(2), related to Simple Order Risk Protections, and Options 3, Section 16 at paragraph (e), related to Complex Order Risk Protections, to describe a current limitation that exists within its rules today as to the number of contracts an incoming order or quote may specify. Specifically, for simple orders, the maximum number of contracts, which shall not be less than 10,000 contracts, is established by the Exchange from time-to-time. For Complex Orders, the maximum number of contracts (or shares), which shall not be less than 10,000 contracts (or 100,000 shares), is established by the Exchange from time-to-time. Orders or quotes that exceed the maximum number of contracts/shares are rejected. This system limitation is the same on all Nasdaq affiliated exchanges.5 Today, Nasdaq ISE, LLC (“ISE”), Nasdaq GEMX, LLC (“GEMX”), and Nasdaq MRX, LLC (“MRX”) describe this limitation within their rules at Options 3, Section 15(a)(2)(B). ISE and MRX also describe the Size Limitation within Options 3, Section 16(c)(2). Phlx proposes to similarly describe this limitation in its rules.


6 The Exchange also notes that IOC orders entered with a TIF of IOC are not eligible for routing.
through FIX or SQF, provided that an IOC order entered by a Market Maker through SQF is not subject to the Order Protection or the Market Order Spread Protection. The Exchange proposes to add Size Limitation to the list of protections that are available for IOC orders entered through FIX, but not SQF. In addition, the Exchange proposes to note within Options 3, Section 7(c)(2), that, “IOC orders may be entered through FIX or SQF, provided that an IOC order entered by a Market Maker through SQF is not subject to the Order Protection.”

Today, orders that are entered as IOC by a Market Maker through SQF are subject to the protections in Options 3, Section 15, except for Order Protection and Market Order Spread Protection. The Exchange proposes to add Size Limitation to the list of protections that are available for IOC orders entered through FIX, but not SQF. In addition, the Exchange proposes to note within Options 3, Section 7(c)(2), that, “IOC orders may be entered through FIX or SQF, provided that an IOC order entered by a Market Maker through SQF is not subject to the Order Protection.”

Similarly, the Exchange also proposes to amend Options 3, Section 7(c)(3) which describes an Opening Only or “OPG” order. Today, an OPG order can only be executed in the Opening Process as specified in Options 3, Section 8. The Exchange opted to not offer Size Limitation for IOC orders entered through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants.

The Exchange believes that allowing Market Makers to submit IOC orders through their preferred protocol increases their efficiency in submitting such orders and thereby allows them to maintain quality markets to the benefit of all market participants that trade on the Exchange. Further, unlike other market participants, Market Makers have more sophisticated infrastructures and other obligations to the market.

The Exchange notes that while only orders are entered into FIX, SQF is a quote protocol that also permits Market Makers to enter IOC orders that do not rest on the order book. The Exchange has no note to add Size Limitation on SQF as it did for FIX because Market Makers only utilize SQF to enter IOC orders and Market Makers are professional traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who may not have their own risk settings, unlike Market Makers.

Market Makers utilize IOC orders to trade out of accumulated positions and manage their risk when providing liquidity on the Exchange. Proper risk management, including using these IOC orders to offload risk, is vital for Market Makers, and allows them to maintain tight markets and meet their quoting and other obligations to the market. Market Makers handle a large amount of risk when quoting and in addition to the risk protections required by the Exchange. Market Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a Market Maker’s erroneous order from being entered. The Exchange believes that Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants.

The Exchange believes that allowing Market Makers to submit IOC orders through their preferred protocol increases their efficiency in submitting such orders and thereby allows them to maintain quality markets to the benefit of all market participants that trade on the Exchange. Further, unlike other market participants, Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk.

Similarly, the Exchange also proposes to amend Options 3, Section 7(c)(3) which describes an Opening Only or “OPG” order. Today, an OPG order can only be executed in the Opening Process pursuant to Options 3, Section 8. The rule currently states that this order type is not subject to any protections listed in Options 3, Section 15 describing risk protections. With the proposed addition of Size Limitation to proposed new Options 3, Section 15(b)(2) and Options 3, Section 16(e), the Exchange proposes to note within Options 3, Section 7(c)(3) that OPG orders are subject to Size Limitation. OPG orders are entered during the Opening Process “Financial Information eXchange” or “FIX”. Also, any participant may enter an OPG order and be subject to Size Limitation protections.

Non-Substantive Amendments

The Exchange proposes to amend the Rulebook shell to add a new Equity 3A and reserve that section. Equity 3A will be utilized by the Nasdaq BX, Inc. (“BX”) Rulebook and the Exchange proposes to reserve that section in this Rulebook to demonstrate the section does not exist for the Exchange’s equity market.

The Exchange proposes to make minor technical amendments to Options 1, Section 1(b)(27) which describes a Lead Market Maker. The Exchange proposes to change an “an” to “the” and capitalize the term “Trading Floor.”

The Exchange proposes to amend Options 2, Section 12(a)(1), Registration and Functions of Options Lead Market Makers, to add a parenthetical and space that were missing.

Finally, the Exchange proposes to amend the description of a Specialized Quote Feed within Options 3, Section 7(a)(i)(B) to make plural the word “request” and also add an “.” after an e.g to conform the punctuation in the paragraph.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act, in general and furthers the objectives of Section 6(b)(5) of the Act, in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

Options 2, Section 4

The Exchange’s proposal to amend Options 2, Section 4(b)(5) is consistent with the Act because the paragraph will read as intended. In the Rulebook Relocation, the Exchange amended the broader term “ROQt” to “Market Maker.” Pursuant to Options 1, Section 1(b)(28), the term “Market Maker” means an SQF or an RSQT who enters quotations for his own account electronically into the System. An RSQT is only one type of Market Maker, the other is an SQF. The original term “ROQt” included both SQTs and RSQTs and therefore the Exchange proposes to revert back to the broader term “Market Maker.”

See supra note 4.
Today, the Exchange describes an IOC order as a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled. Options 3, Section 7(c)(2)(B) provides that IOC orders may be entered through FIX or SQF, provided that an IOC order entered by a Market Maker through SQF is not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2) respectively. With the proposed additions of the Size Limitation within Options 3, Section 15(b)(2) and Options 3, Section 16(e), the Exchange also proposes to note that Size Limitation does not apply to IOC orders entered through SQF. The Exchange notes these exceptions within this rule to make clear that this information is available to market participants within the description of IOC.

The Exchange notes that while only orders are entered into FIX, SQF is a quote protocol that also permits Market Makers to enter IOC orders that do not rest on the order book. The Exchange has not elected to utilize Size Limitation on SQF as it did for FIX because Market Makers only utilize SQF to enter IOC orders and Market Makers are professional traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who unlike Market Makers may not have their own risk settings. Market Makers utilize IOC orders to trade out of accumulated positions and manage their risk when providing liquidity on the Exchange. Proper risk management, including using these IOC orders to offload risk, is vital for Market Makers, and allows them to maintain tight markets and meet their quoting and other obligations to the market. Market Makers handle a large amount of risk when quoting and in addition to the risk protections required by the Exchange. Market Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a Market Maker’s erroneous order from being entered. The Exchange believes that Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants.

The Exchange believes that allowing Market Makers to submit IOC orders through their preferred protocol increases their efficiency in submitting such orders and thereby allows them to maintain quality markets to the benefit of all market participants that trade on the Exchange. Further, unlike other market participants, Market Makers provide liquidity to the market place and have obligations. The Exchange believes not offering Size Limitation for IOC orders entered through SQF is consistent with the Act because Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk.

The Exchange’s proposal to amend OPG orders within Options 3, Section 7(c)(3) to make clear that Size Limitation applies to OPG orders is consistent with the Act as this rule text will clarify the existing language and make clear that Size Limitation applicable to the order type. OPG orders are entered during the Opening Process utilizing FIX. Any participant may enter an OPG order. The Exchange’s proposal to amend Options 3, Section 7(c)(3) to make clear that Size Limitation applies to OPG orders is consistent with the Act as this rule text will clarify the existing language and make clear that Size Limitation is applicable to this order type.

Non-Substantive Amendments

The Exchange’s proposal to amend OPG orders within Options 3, Section 7(c)(3) to make clear that Size Limitation applies to OPG orders is consistent with the Act as this rule text will clarify the existing language and make clear that Size Limitation applicable to the order type. OPG orders are entered during the Opening Process utilizing FIX. Any participant may enter an OPG order. The Exchange’s proposal to amend Options 3, Section 7(c)(3) to make clear that Size Limitation applies to OPG orders is consistent with the Act as this rule text will clarify the existing language and make clear that Size Limitation is applicable to this order type.

B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

Options 2, Section 4

The Exchange’s proposal to amend Options 2, Section 4(b)(5) does not impose an undue burden on competition because the paragraph will read as intended. The Exchange’s proposal will make clear that all participants engaged in market making activities are specialists pursuant to the Act.

The remainder of the proposed amendments to Options 2, Section 4 are non-substantive technical amendments.

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14 See supra note 5.
15 See Options 3, Section 7(c)(2).
16 See supra note 10.
The Exchange’s proposal to amend Options 3, Section 3, Section 15 at paragraph (b)(2), related to Simple Order Risk Protections, and Options 3, Section 16 at paragraph (e), related to Complex Order Risk Protections, to describe a current limitation that exists within its rules today as to the number of contracts an incoming order or quote may specify does not impose an undue burden on competition. The proposal is intended to describe a current limitation that exists today as to the number of contracts an incoming order or quote may specify. This System limitation is the same on all Nasdaq affiliated exchanges. Today, ISE, GEMX and MRX describe this limitation within its rules at Options 3, Section 15(a)(2)(B) and ISE and MRX describe this limitation within Options 3, Section 16(c)(2). Phlx proposes to similarly describe this limitation in its rules.

Options 3, Section 7

The Exchange’s proposal to amend Options 3, Section 7(c)(2) with respect to IOC orders does not impose an undue burden on competition. With the proposed additions of the Size Limitation within Options 3, Section 15(b)(2) and Options 3, Section 16(e), the Exchange also proposes to note that Size Limitation does not apply to IOC orders entered through SQF. Unlike other market participants, Market Makers provide liquidity to the market place and have obligations.

The Exchange’s proposal to amend Options 3, Section 7(c)(3) to make clear that Size Limitation applies to OPG orders does not impose an undue burden on competition as this rule text will clarify the existing language and make clear that Size Limitation is applicable to this order type. OPG orders are entered during the Opening Process utilizing FIX.

Non-Substantive Amendments

The Exchange’s proposal to add a new Equity 3A and reserve that section, and amend Options 1, Section 1(b)(27), Options 2, Section 12 and Options 3, Section 7(a)(1)(B) to make technical changes, do not impose an undue burden on competition as these changes will add clarity to the Exchange’s rules.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b–4(f)(6) thereunder. The Exchange has requested that the Commission waive the 30-day operative delay. The Commission notes that other exchanges have substantively similar rules regarding size limitation for certain incoming orders or quotes.

The Exchange’s proposal will also revert a rule unintentionally modified to its original intention. Finally, the non-substantive amendments should clarify the Exchange’s rules. Thus, the Commission believes waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. The Commission therefore waives the 30-day operative delay and designates this proposal operative upon filing.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

• Use the Commission’s internet comment form (http://www.sec.gov/rules/sro.shtml); or
• Send an email to rule-comments@sec.gov. Please include File Number SR–PHLX–2021–32 on the subject line.

Paper Comments

• Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to File Number SR–PHLX–2021–32. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission’s Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–PHLX–2021–32 and should be submitted on or before July 1, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.24

J. Matthew DeLosDernier,
Assistant Secretary.

[FR Doc. 2021–12120 Filed 6–9–21; 8:45 am]

BILLING CODE 8011–01–P