

Market-Maker order. As noted above, Market-Makers are best positioned to observe and address wide market scenarios.

*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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed change will apply to all M and N capacity orders uniformly, regardless of Time-in-Force. As noted above, the Exchange believes the proposed change is not unfairly discriminatory, as Market-Makers are best positioned to observe and address wide market scenarios.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as the proposed rule change relates specifically to price protections offered on the Exchange and which orders are subject to the price protection mechanism.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>11</sup> and Rule 19b-4(f)(6)<sup>12</sup> thereunder. 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<sup>13</sup> and Rule 19b-4(f)(6)<sup>14</sup> thereunder.

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(6).

<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief

A proposed rule change filed under Rule 19b-4(f)(6)<sup>15</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>16</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative immediately upon filing. The Exchange believes waiver of the operative delay is consistent with the protection of investors and the public interest because it will allow the Exchange to more expeditiously implement the proposed changes which will support the operational efficiency of the wide market protection mechanism and alleviate potential confusion, by removing an unnecessary operational distinction between types of Market-Maker orders, to the benefit of investors. For these reasons, and because the proposed rule change does not raise any novel legal or regulatory issues, the Commission finds that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the 30-day operative delay and designates the proposed rule change to be operative upon filing.<sup>17</sup>

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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

**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:

description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>15</sup> 17 CFR 240.19b-4(f)(6).

<sup>16</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>17</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

**Electronic Comments**

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-CBOE-2025-091 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-CBOE-2025-091. 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 (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-CBOE-2025-091 and should be submitted on or before January 12, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-104427; File No. SR-PHLX-2025-72]**

**Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt PHLX Options 9, Section 25 To Codify an Options Unbundling Rule**

December 17, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 11, 2025, Nasdaq PHLX LLC ("PHLX" or "Exchange") filed with the Securities

<sup>1</sup> 17 CFR 200.30-3(a)(12), (59).

<sup>2</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, 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 adopt PHLX Options 9, Section 25 to codify the Exchange’s longstanding guidance that the unbundling of orders for any purpose other than best execution is considered conduct inconsistent with just and equitable principles of trade, and to remove extraneous and nonsensical rule text from PHLX Options 3, Section 7.

The text of the proposed rule change is available on the Exchange’s website at <https://listingcenter.nasdaq.com/rulebook/phlx/rulefilings>, and at the principal office of the Exchange.

## **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 Options 9 by adding a new Section 25 to codify its longstanding guidance that it shall be considered 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 (collectively, “member” or “members”) to split an order into multiple smaller orders for any purpose other than seeking the best execution of the entire order. Members of the Exchange are not allowed to engage in conduct

inconsistent with just and equitable principles of trade.<sup>3</sup>

“Unbundling,” also known as “trade shredding,” is the practice of breaking up an order into multiple smaller orders for some purpose other than the best execution of the order. The practice of unbundling has in the past been used for purposes such as improperly maximizing commissions and fees charged to customers, distorting trade data, or circumventing rules pertaining to maximum order size.<sup>4</sup> For example, the unbundling of a large order into several smaller orders could be done for the purpose of achieving the Lead Market Maker (LMM) allocation preference for orders of 5 contracts or fewer.<sup>5</sup> Alternatively, unbundling an order into separate orders could be done for the purpose of gaining a higher allocation percentage in a price-improvement auction than the member submitting the orders into a price-improvement auction otherwise would have received.<sup>6</sup>

The Exchange believes that the unbundling of orders generally serves no purpose to the customer that entered the order and may cause unnecessary delays in the execution of that order. This belief has been reflected in the Exchange’s longstanding regulatory guidance to its members.<sup>7</sup> It is also reflected in PHLX General 9, Section 1(c)(3), concerning the unbundling of equity securities orders.<sup>8</sup>

<sup>3</sup> See PHLX General 9, Section 1(c)(1) (“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.”).

<sup>4</sup> See, e.g., Securities Exchange Act Release No. 62667 (Aug. 9, 2010), 75 FR 50013 (Aug. 16, 2010) (File No. SR-NYSEAmex-2010-77) (Self-Regulatory Organizations; NYSE Amex, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Rule 995NY).

<sup>5</sup> See PHLX Options 3, Section 10(a)(1)(C).

<sup>6</sup> See PHLX Options 3, Section 13(e) (Stating, in part, that “[i]t will also be deemed conduct inconsistent with just and equitable principles of trade and a violation of General 9, Section 1(c) 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.”).

<sup>7</sup> See Options Regulatory Alert #2025-34 (Aug. 29, 2025), available at <https://www.nasdaqtrader.com/MicroNews.aspx?id=ORA2025-34>; Options Regulatory Alert #2016-6 (Feb. 17, 2016), available at <https://www.nasdaqtrader.com/MicroNews.aspx?id=ORA2016-6>; and Options Regulatory Alert #2016-4 (Jan. 22, 2016), available at <https://www.nasdaqtrader.com/MicroNews.aspx?id=ORA2016-4>.

<sup>8</sup> That rule states that “it is conduct inconsistent with just and equitable principles of trade for any member, member organization, or person associated

The impermissibility of unbundling is a well-established principle across the U.S. securities markets. Other options exchanges have anti-unbundling rules or rule interpretations that are similar to the rule being adopted by the Exchange.<sup>9</sup> Additionally, other exchanges have also issued regulatory guidance to their members warning them against the practice of unbundling.<sup>10</sup> Finally, the Financial Industry Regulatory Authority (“FINRA”) also has its own anti-unbundling rule, FINRA Rule 5290, which specifies, in part, that “[n]o member . . . shall engage in conduct that has the intent or effect of splitting any order into multiple smaller orders for execution or any execution into multiple smaller executions for transaction reporting for the primary purpose of maximizing a monetary or in-kind amount to be received by the member . . . as a result of the execution of such orders or the transaction reporting of such executions.”

Additionally, the Exchange proposes to remove from PHLX Option 3, Section 7 the following sentence: “Orders may not be unbundled, nor may a firm solicit a customer to unbundle an order for this purpose.”<sup>11</sup> This sentence appears

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.”

<sup>9</sup> See, e.g., NYSE American Rule 995NY(d) (“It shall be considered conduct inconsistent with just and equitable principles of trade for an ATP Holder to split an order into multiple smaller orders for any purpose other than seeking the best execution of the entire order.”), NYSE Arca Rule 11.2(g) (“An ETP Holder may not split any order into multiple orders for any purpose other than seeking the best execution of the entire order.”), and MIAX Chapter III, Rule 301, Interpretation .03 (“It shall be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 301 for a Member to split an order into multiple smaller orders for any purpose other than seeking the best execution of the entire order.”).

<sup>10</sup> See, e.g., Cboe Regulatory Circular RG-15-011 (Sept. 23, 2015) (“Please note that unbundling of orders greater than 5 contracts into 1 to 5 lot increments for the purpose of achieving small order preference in favor of any [Designated Primary Market-Maker] or [Lead Market-Maker] may be a violation of CBOE Rule 4.1, Just and Equitable Principles of Trade”), available at <https://cdn.cboe.com/resources/regulation/circulars/regulatory/RG15-130.pdf>.

<sup>11</sup> This sentence was placed in its current location in 2024 as part of a larger reorganization of the

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extraneous, as it does not seem to belong with the preceding sentence (“The Exchange may determine to make certain order types and time-in-force, respectively, on a class or System basis.”). The sentence is also nonsensical, as it is not at all clear what it refers to by “for this purpose.” The Exchange suspects that this rule text may be a vestigial remain of some older Exchange rule that has since been modified so much as to make this sentence nonsensical.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>12</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>13</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, by deterring and helping to prevent the distortive practice of unbundling.

The Exchange believes that the unbundling of orders generally serves no purpose to the customer that entered the order and may cause unnecessary delays in the execution of that order. Codifying its longstanding guidance in its rulebook that unbundling is conduct inconsistent with just and equitable principles of trade is thus designed to promote just and equitable principles of trade. Additionally, by defining unbundling as the practice of splitting an order into multiple smaller orders for any purpose other than seeking the best execution of the entire order, the proposal is designed to promote best execution and thus protect investors and the public interest.

Additionally, the Exchange reiterates that the proposed rule is substantively identical to NYSE American Rule 995NY(d) and it is consistent with the rules and regulatory guidance of other exchanges, as well as FINRA Rule 5290.

Finally, the Exchange believes that it is consistent with the Act to remove the extraneous and nonsensical rule text in

Exchange's rulebook. The sentence used to be located in Option 3, Section 7(f) as a standalone provision. The Exchange now believes that, even in its former location, this rule text was extraneous and nonsensical and should have been removed instead of relocated in that prior filing. *See* Securities Exchange Act No. 101989 (Dec. 19, 2024), 89 FR 106888 (Dec. 30, 2024) (File No. SR-PHLX-2024-71) (Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Various PHLX Rules in Connection With a Technology Migration).

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

PHLX Options 3, Section 7, as this likely vestigial rule text currently serves no purpose and can be confusing to market participants. Removing this rule text is designed to remove impediments to and perfect the mechanism of a free and open market and a national market system by making PHLX Options 3, Section 7 more internally coherent and clearer to market participants.

## 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. In terms of intra-market competition, the Exchange notes that the proposed rule will apply equally to all members of the Exchange. Additionally, in terms of intermarket competition, the Exchange notes that the proposed rule is consistent with the rules of other exchanges, as well as the rules of FINRA. Finally, removing the extraneous and nonsensical rule text in PHLX Options 3, Section 7 will not impose any burden on competition, as it will serve to clarify that rule for all market participants.

## 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)(iii) of the Act<sup>14</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>15</sup>

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

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>15</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

## 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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to *rule-comments@sec.gov*. Please include file number SR-PHLX-2025-72 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-2025-72. 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 (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-PHLX-2025-72 and should be submitted on or before January 12, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

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<sup>16</sup> 17 CFR 200.30-3(a)(12).