



8011-01p
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83080; File No. SR-Phlx-2018-31)

April 20, 2018

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Exchange's Pricing Schedule at Section II to Clarify Fees Applicable to Correcting "As/of" or "Reversal" Trades

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 April 17, 2018, Nasdaq PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("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 amend the Exchange's Pricing Schedule at Section II to clarify fees applicable to correcting "as/of" or "reversal" trades, as described below. The text of the proposed rule change is available on the Exchange's Website at <http://nasdaqphlx.cchwallstreet.com/>, 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 purpose of the proposed rule change is to amend Section II of the Exchange's Pricing Schedule to clarify that when the Exchange processes an "as/of" or "reversal" trade at the request of a member to correct clearing, the new trade will incur the "Floor" category of Options Transaction Charges for the correction, even if the underlying trade that the Exchange is correcting was electronic, because the Exchange must process all corrections manually and in accordance with procedures applicable to Floor trades.

Pursuant to its Policy for Amended Billing Information, which is set forth in the introduction to the Pricing Schedule, the Exchange entertains written requests (with supporting documentation) that its members submit to correct or reverse erroneous trades after the date when such trades clear. The corrections that the Exchange makes in response to such requests are to errors that the requesting member or other members associated with the trade have made with respect to executed orders. These errors are not Exchange errors.

Provided that the Exchange determines that the correction or reversal request is valid, the Exchange must process the correction or reversal manually, using a paper trade ticket, even if the underlying trade that the Exchange is correcting or reversing was electronic in nature. The Exchange presently does not possess a means of electronically correcting or reversing a trade after settlement date of the trade. Accordingly, even if the Exchange originally charged a member the "Electronic" rate for the Options Transaction Charge that applied to the underlying trade, the Exchange will charge the member the "Floor" rate to correct or reverse the trade.

Although this is the existing practice of the Exchange, the Exchange now proposes to make this practice explicit in its Pricing Schedule. Specifically, the Exchange proposes adding a footnote 8 to Section II of the Pricing Schedule stating that “Floor transaction fees will apply to any ‘as of’ or ‘reversal’ adjustments for manually processed trades originally submitted electronically or through FBMS.”³

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁴ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,⁵ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that it is reasonable to charge members an Options Transactions Charge to correct or reverse erroneous trades because processing such corrections and reversals requires the Exchange to execute additional options transactions. Moreover, the trade corrections and reversals at issue occur at the request of members and pursuant to errors for which members, rather than the Exchange, are responsible. Additionally, it is reasonable for the Exchange to charge members the “Floor” rate to correct or reverse trades – including to correct or reverse both Floor-based and electronic trades – because the Exchange must process all such requests manually, using trade tickets, and in accordance with its Floor-based procedures.

³ For the avoidance of doubt, the Exchange notes that the transaction fee that the Exchange charges to reverse or correct a trade is in addition to, rather than in lieu of, the transaction fee charged to execute the underlying trade that is subject to reversal or correction.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(4) and (5).

The Exchange believes that its proposal is an equitable allocation and is not unfairly discriminatory because the “Floor” rate that the Exchange charges for corrections or reversals is reflective of the Exchange’s manual process of correcting or reversing a trade rather than the nature of the underlying trade that the Exchange is correcting or reversing. Moreover, the Exchange notes that it will assess the same fee to all similarly situated members that request corrections or reversals.

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 inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

In this instance, the proposed changes to the Pricing Schedule compensate the Exchange for effecting transactions, using a manual process, that are necessary to correct or reverse trades at a member’s request. The proposals also clarify and render more transparent the existing practices of the Exchange with respect to its fees for processing member requests for corrections and reversals. The Exchange does not intend or expect that the proposals will have any impact on inter-market or intra-market competition.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.⁶

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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 (<http://www.sec.gov/rules/sro.shtml>);
- or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2018-31 on the subject line.

⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

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-2018-31. This file number should be included on the subject line if e-mail 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-2018-31 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁷

Eduardo A. Aleman
Assistant Secretary

⁷ 17 CFR 200.30-3(a)(12).

