

## MEMORANDUM

TO: Nasdaq Phlx Trading Floor

FROM: Nasdaq Phlx Floor Surveillance

DATE: October 3, 2024

RE: Nasdaq Phlx “Split Price Orders and Transactions”

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Nasdaq Phlx (“Phlx”) reminds members and member organizations who transact business in open outcry on Phlx’s trading floor of the manner of bidding and offering specified in the following Phlx option rules.

### **Split Price Order – Sub-MPV**

- Phlx Options 8, Section 30(a)(2) permits a Phlx Options Floor Broker who holds orders to buy and sell the same option series may announce a split price order in a sub-MPV representing a bid or offer of the mid-point of the minimum increment and must bid or offer differing by the minimum increment of the option class.

*Phlx Options 8, Section 30(a)(2) provides: 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.*

### **Trading Crowd Example**

#### **Assume**

- XYZ option class minimum increment is priced and traded at \$0.05.
- A Floor Broker who seeks to cross an order on a split price (sub-MPV) may announce such order in the following manner. XYZ January 20 calls, \$0.145 bid for 1,000 contracts at \$0.15, sold.
- In this scenario, the \$0.145 split price bid represents a \$0.10 and \$0.15 bid in the minimum increment of that option class and the \$0.15 offer is the minimum increment based on the \$0.10 bid represented in the split price of \$0.145.

### **Minimum Increments**

Phlx Options 3, Section 3(a) requires a trading crowd participant responding to a Floor Broker, Lead Market Maker, or Floor Surveillance request for a market to respond in the option class specified minimum increment.

- Phlx Options 3, Section 3(a), Minimum Increments, provides: Except as provided in Supplementary Material to Options 3, Section 3 below, all options on stocks, index options, and Exchange Traded Fund Shares trading at a price of \$3.00 or higher shall have a minimum increment of \$.10, and all options on stocks and index options trading at a price under \$3.00 shall have a minimum increment of \$.05.
- Supplementary Material .01 to Options 3, Section 3 states, The Exchange will list option classes for the Penny Interval Program (“Penny Program”) with minimum quoting requirements (“penny increments”) of one cent (\$0.01) and five cents (\$0.05), as set forth in this Supplementary Material .01 to Options 3, Section 3.
  - (a) For options contracts traded pursuant to the Penny Program as described in this Supplementary Material .01, the following minimum increments will apply:
    - (1) One cent (\$0.01) for all options contracts in QQQ, SPY, and IWM;
    - (2) One cent (\$0.01) for all other options contracts included in the Penny Program that are trading at less than \$3.00; and
    - (3) Five cents (\$0.05) for all other options contracts in the Penny Program that are trading at or above \$3.00.

### **Trading Crowd Example**

- A Floor Broker enters the trading crowd and announces a solicitation for interest for a \$0.175 bid for 1,000 contracts for XYZ January 20 calls. The \$0.175 represents 500 contracts @ \$0.15 and 500 contracts @ \$0.20. A trading crowd participant may respond with interest to sell at \$0.175. If a trading crowd participant is looking to price improve the \$0.175 bid, must price improve at the minimum increment of the highest bid or lowest offer.
- In this scenario, the trading crowd participant may price improve by announcing in outcry a \$0.15 offer (or lower).

If you have questions regarding the Phlx rules and/or any of the scenarios, please direct your questions to Michael Blackson, Head of Floor Surveillance at [michael.blackson@nasdaq.com](mailto:michael.blackson@nasdaq.com) or 215.496.5295.