

MEMORANDUM

TO: Nasdaq Phlx Trading Floor

FROM: Nasdaq Phlx Floor Surveillance

DATE: March 3, 2025

RE: **Reminder of Various Floor Rules and Protocols**

Nasdaq PHLX (“Phlx”) is issuing this memorandum to remind members and member organizations (collectively “Members”) that transact business in open outcry on Phlx’s trading floor of the proper way to bid, offer, and otherwise communicate while on the trading floor.

Participation in a Trading Crowd

Pursuant to Options 8, Section 25(f)(4), a Streaming Quote Trader or “SQT” or Floor Market Maker will be deemed to be participating in a crowd only if such SQT is, **at the time an order is represented in the crowd, physically located in a specific “Crowd Area.”** An SQT or Floor Market Maker who is physically present in such Crowd Area may engage in options transactions in assigned issues as a crowd participant in such a Crowd Area, provided that such SQT or Floor Market Maker fulfills the requirements set forth in Options 8, Section 25(f). An SQT or Floor Market Maker shall be deemed to be participating in a single Crowd Area.

Announcing Order in Open Outcry and Responding

When announcing an order in open outcry, bids and offers must be made in an **audible tone of voice**. See Options 8, Section 2(a)(9). 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.

Further, a Floor Broker must be **loud and audible** when representing a market and/or representing an order **in the trading crowd**. A Floor Broker must make reasonable efforts to position himself in the trading crowd to be **heard by the majority of the trading crowd**. See Options 8, Section 39, C-6(b).

When an in-crowd Member receives a loud and audible request for a market, he or she must respond promptly to this request. All Members shall be given a reasonable amount of time to respond with a market, but if no prompt response is given, the requesting Member may establish a bid and offer by announcing his or her intentions **loudly and audibly** to a majority of the trading crowd. For purposes of determining a reasonable time, Floor Market Makers shall have **5 seconds per leg** to provide a quote for a multi-leg order.

In responding to a Member’s request for a market in a trading crowd, the Exchange expects its Members to act in a professional manner and consistent with just and equitable principles of trade. The following conduct is not tolerated:

1. Delayed responses to requests from crowd participants when multiple requests for a market are announced simultaneously.
2. Crowd participants asking multiple times to repeat a request for a market that was announced in a loud and audible voice.
3. Undue delay caused by a Member sending details of the request to an off-floor participant and such Member waiting for a phone call, instant message, or any other form of electronic communication to determine his or her response to the request for a market.

Further, Floor Market Makers must provide a two-sided market complying with the Exchange's quote spread parameter requirements. Pursuant to Options 8, Section 27(c)(1)(A)(i) and (ii):

Options on equities (including Exchange-Traded Fund Shares) 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, 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 spread between the national best bid and offer in the underlying security, 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.

Options on U.S. dollar-settled FCO. With respect to all U.S. dollar-settled FCO 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 \$2.00; no more than \$.40 where the prevailing bid is \$2.00 or more but less than \$5.00; no more than \$.50 where the prevailing bid is \$5.00 or more but less than \$10.00; no more than \$.80 where the prevailing bid is \$10.00 or more but less than \$20.00; and no more than \$1.00 where the prevailing bid is \$20.00 or more, provided that 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 spread between the national best bid and offer in the underlying security, 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.

Floor Market Makers shall provide such quotations with a size of not less than 10 contracts. See Options 8, Section 27(b). An SQT may not refuse a request by a Floor Broker, Lead Market Maker, or Options Exchange Official to make a two sided market for any option series trading in the same crowd at which such SQT is trading. See Options 8, Section 39, B-1.

Pursuant to Options 8, Section 22(c), once the trading crowd has provided a **quote**, it **will remain in effect** until: **(A)** a reasonable amount of time has passed; **(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. Floor Market Makers may utilize the provisions of Options 8, Section 22(c) to withdraw bids and offers **only** in the instance where the circumstances described in Options 8, Section 22(c) are present while in the trading crowd. Options 8, Section 22(c) requires a Member to audibly say “out” before the order is submitted into the FBMS for execution and, if the order is not executed, the Member must audibly say “out” before each time the Member resubmits the order for execution.

Once the parties to an open outcry transaction have arrived at a meeting of the minds in the trading crowd, bids and offers **cannot** be withdrawn, unless the order is unable to be executed in the Options Floor Based Management System or “FBMS” because the order does not comply with priority and trade-through rules, including Options 8, Sections 24 and 25 and Options 5, Section 2. See Options 8, Section 28(e)(4). A “Meeting of the Minds” means the contra-side(s) verbally confirmed participation in the trade.

Communications While on the Trading Floor

No Member or person associated with a Member may establish or maintain any telephonic communication between the Options Floor and any other location, or between locations on the Options Floor, without the prior written approval of the Exchange. See Options 8, Section 38. This rule is intended to apply to all communication and other electronic devices on the floor of the Exchange, including, but not limited to, wireless, wired, tethered, voice, and data. The following is a non-exhaustive list of practices would constitute a violation of Options 8, Section 38:

1. Wearing headphones in the Crowd Area;
2. Using a cell phone while negotiating a trade; and
3. Using any open line of communication on the trading floor.

Please familiarize yourself with the Communications and Equipment rule in Options 8, Section 38.

Violations of the aforementioned rules, among other rules applicable to Phlx’s Trading Floor, will be enforced by Phlx. A violation of Phlx’s rules may result in a sanction, up to and including a fine or suspension.

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 or 215.496.5295.