The rule changes below were effective November 9, 2022. The Exchange will issue an Options Trader Alert with the operative date of these rule amendments.

Deleted text is [bracketed]. New text is underlined.

NASDAQ ISE, LLC RULES

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Options 2 Options Market Participants

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Section 10. Preferenced Orders

(a) **Preferenced Orders**. An Electronic Access Member may designate a "Preferred Market Maker" on orders it enters into the System ("Preferenced Orders").

(1) A Preferred Market Maker may be the Primary Market Maker appointed to the options class or any Competitive Market Maker appointed to the options class.

(2) If the Preferred Market Maker is not quoting at a price equal to or better than the better of the internal BBO or the NBBO at the time the Preferenced Order is received, the allocation procedure described in Options 3, Section 10(c)(1)(C) shall not be applied to the execution of the Preferenced Order.

(3) If the Preferred Market Maker is quoting at the better of the internal BBO or the NBBO at the time the Preferenced Order is received, the allocation procedure described in Options 3, Section 10(c)(1)(C) shall be applied to the execution of the Preferenced Order.

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Options 3 Options Trading Rules

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Section 4. Entry and Display of Quotes

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(b) Quotes are subject to the following requirements and conditions:

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(6) **Trade-Through Compliance and Locked or Crossed Markets**. A quote will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. If, at the time of entry, a quote would cause a locked or crossed market violation or would cause a trade-through violation, it will [either] be re-priced to the current national best offer (for bids) or the current national best bid (for offers) as non-displayed, and displayed at one minimum price variance above (for offers) or below (for bids) the national best price, or immediately cancelled, as configured by the Member.

The rule changes below were effective November 9, 2022. The Exchange will issue an Options Trader Alert with the operative date of these rule amendments.

(7) The System automatically executes eligible quotes using the Exchange's displayed best bid and offer ("BBO") or the Exchange's non-displayed order book ("internal BBO") if the best bid and/or offer on the Exchange has been repriced pursuant to Options 3, Section 5(d) below and subsection (6) above.

(8[7]) Quotes submitted to the System are subject to the following: minimum increments provided for in Options 3, Section 3 and risk protections provided for in Options 3, Section 15.

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Section 5. Entry and Display of Single-Leg Orders

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(c) The System automatically executes eligible orders using the Exchange's displayed best bid and offer ("BBO") or the Exchange's non-displayed order book ("internal BBO") if the best bid and/or offer on the Exchange has been repriced pursuant to subsection (d) below and Options 3, Section 4(b)(6) above.

(d) **Trade-Through Compliance and Locked or Crossed Markets**. An order will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. An order that is designated by the Member as routable will be routed in compliance with applicable Trade-Through and Locked and Crossed Markets restrictions. Orders that are not automatically executed will be handled as provided in Supplementary Material .02 to Options 5, Section 2; provided that Members may specify that a Non-Customer order should instead be cancelled automatically by the System at the time of receipt. An order that is designated by a Member as non-routable will be re-priced in order to comply with applicable Trade-Through and Locked and Crossed Markets restrictions. If, at the time of entry, an order that the entering party has elected not to make eligible for routing would cause a locked or crossed market violation or would cause a trade-through violation, it will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) as non-displayed, and displayed at one minimum price variance above (for offers) or below (for bids) the national best price.

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Section 8. Options Opening Process

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(j) **Price Discovery Mechanism**. If the Exchange has not opened pursuant to paragraphs (e) or (h) above, after the OQR calculation in paragraph (i), the Exchange will conduct the following Price Discovery Mechanism.

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The rule changes below were effective November 9, 2022. The Exchange will issue an Options Trader Alert with the operative date of these rule amendments.

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(6) The System will execute orders at the Opening Price that have contingencies (such as, without limitation, Reserve Orders) and non-routable orders, such as a "Do-Not-Route" or "DNR" Orders, to the extent possible. The System will only route non-contingency Public Customer orders, except that Public Customer Reserve Orders may route up to their full volume.

(A) Pursuant to Options 3, Section 8(j)(6), the System will re-price DNR Orders (that would otherwise have to be routed to the exchange(s) disseminating the ABBO for an opening to occur) to the current away best offer (for bids) or the current away best bid (for offers) as non-displayed, and display at a price that is one minimum trading increment inferior to the ABBO, and disseminate such DNR Order as part of the new BBO. The System will cancel any order or quote that is priced through the Opening Price. All other interest will be eligible for trading after opening.

[For contracts that are not routable, pursuant to Options 3, Section 8(j)(6), such as DNR Orders and orders priced through the Opening Price, the System will cancel (i) any portion of a Do-Not-Route order that would otherwise have to be routed to the exchange(s) disseminating the ABBO for an opening to occur, or (ii) any order or quote that is priced through the Opening Price. All other interest will be eligible for trading after opening.]

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Section 10. Priority of Quotes and Orders

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(c) *Execution Priority and Processing in the System*. The Exchange will apply a Size Pro-Rata execution algorithm to orders, unless otherwise specified. The System shall execute trading interest within the System in price priority, meaning it will execute all trading interest at the best price level within the System before executing trading interest at the next best price. Size Pro-Rata Priority shall mean that if there are two or more resting orders or quotes at the same price, the System allocates contracts from an incoming order or quote to resting orders and quotes beginning with the resting order or quote displaying the largest size proportionally according to displayed size, based on the total number of contracts displayed at that price. If the result is not a whole number, it will be rounded up to the nearest whole number. If there are still contracts to be allocated after the displayed size of all orders at that price has been executed, the remaining size from the incoming order will be allocated proportionally against non-displayed interest according to remaining total size of each resting order at such price, beginning with the order which has the largest total size remaining.

(1) Priority Overlays Applicable to Size Pro-Rata Execution Algorithm: the Exchange will apply the following designated Member priority overlays. No Member shall be

entitled to receive a number of contracts that is greater than the size that is associated with their quotation or order.

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(B) **Enhanced Primary Market Maker Priority**: A Primary Market Maker may be assigned by the Exchange in each option class in accordance with Options 2, Section 3(b). After all Priority Customer orders have been fully executed, provided the Primary Market Maker's quote is at the better of the internal BBO or the NBBO, the Primary Market Maker shall be entitled to receive the allocation described in Options 3, Section 10(c)(1)(B)(i), unless the incoming order to be allocated is a Preferenced Order and the Primary Market Maker is not the Preferred Market Maker, in which case allocation would be pursuant to (c)(1)(C). If the order is a Preferenced Order and the Primary Market Maker is also the Preferred Market Maker ("Preferred Market Maker Priority") then the Preferred Market Maker Participation Entitlement in (c)(1)(C) or (c)(1)(E) applies. The Primary Market Maker shall not be entitled to receive a number of contracts that is greater than the size associated with such Primary Market Maker's quote.

(i) When the Primary Market Maker is at the same price as a non- Priority Customer Order or Market Maker quote and the number of contracts is greater than 5, the Primary Market Maker shall receive the greater of:

a. 60% of remaining interest if there is one other non-Priority Customer Order or Market Maker quote at that price; 40% of remaining interest if there are two other non-Priority Customer Orders or Market Maker quotes at that price; or 30% of remaining interest if there are more than two other non-Priority Customer Orders and Market Maker quotes at that price (the "Primary Market Maker Participation Entitlement"); or

b. the Primary Market Maker's Size Pro-Rata share under subparagraph ([a]c)(1)(E) ("All Other Remaining Interest").

(C) **Preferred Market Maker Priority**: After all Priority Customer orders have been fully executed, upon receipt of a Preferenced Order pursuant to Supplementary .01 to Options 3, Section 10, provided the Preferred Market Maker's quote is at the better of the internal BBO or the NBBO, the Preferred Market Maker will be afforded a participation entitlement. Preferred Market Maker participation entitlements will apply only after the Opening Process.

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(D) **Entitlement for Orders of 5 Contracts or Fewer**. This entitlement for Orders of 5 Contracts or Fewer shall only apply after the Opening Process. A Primary Market Maker is not entitled to receive a number of contracts that is greater than the size that is associated with its quote. On a quarterly basis, the Exchange will evaluate what percentage of the volume executed on the Exchange is comprised of orders for 5 contracts or fewer allocated to Primary Market Maker, and will reduce the size of the orders included in this provision if such percentage is over 40%.

(i) A Primary Market Maker is entitled to priority with respect to Orders of 5 Contracts or Fewer if the Primary Market Maker has a quote at the better of the internal BBO or the NBBO with no other Priority Customer or Preferenced Market Maker interest present which has a higher priority, including when the Primary Market Maker is also the Preferred Market Maker.

(ii) If the Primary Market Maker is quoting at the better of the internal BBO or the NBBO and the Primary Market Maker is also the Preferred Market Maker or there is no Preferred Market Maker quoting at the better of the internal BBO or the NBBO, and a Priority Customer has a higher priority at the time of execution, the Priority Customer will be allocated the Orders of 5 Contracts or Fewer up to their displayed size pursuant Options 3, Section 10(c)(1)(A) and if contracts remain, the Primary Market Maker will be allocated the remainder.

(iii) If the Primary Market Maker is quoting at the better of the internal BBO or the NBBO and no Priority Customer has a higher priority at the time of execution and a Preferred Market Maker, who is not the Primary Market Maker, is quoting at the better of the internal BBO or the NBBO then allocation shall proceed according to Options 3, Section 10(c)(1)(C).

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Section 11. Auction Mechanisms

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(b) **Facilitation Mechanism**. The Facilitation Mechanism is a process by which an Electronic Access Member can execute a transaction wherein the Electronic Access Member seeks to facilitate a block-size order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a block-size order it represents as agent. Electronic Access Members must be willing to execute the entire size of orders entered into the Facilitation Mechanism.

(1) Orders must be entered into the Facilitation Mechanism at a price that is (A) equal to or better than the NBBO and the internal BBO on the same side of the market as the agency order unless there is a Priority Customer order on the BBO or internal BBO on the same side of the market as the agency order[Exchange best bid or offer], in which case the order must be entered at an improved price over the Priority Customer order; and (B) equal to or better than the ABBO on the opposite side. Orders that do not meet these requirements are not eligible for the Facilitation Mechanism and will be rejected.

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(d) **Solicited Order Mechanism**. The Solicited Order Mechanism is a process by which an Electronic Access Member can attempt to execute orders of 500 or more contracts it represents as agent (the "Agency Order") against contra orders that it solicited. Each order entered into the Solicited Order Mechanism shall be designated as all-or-none.

(1) Orders must be entered into the Solicited Order Mechanism at a price that is equal to or better than the NBBO and the internal BBO on both sides of the market; provided that, if there is a Priority Customer order on the BBO or internal BBO[Exchange best bid or offer], the order must be entered at an improved price over the Priority Customer order. Orders that do not meet these requirements are not eligible for the Solicited Order Mechanism and will be rejected.

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Section 13. Price Improvement Mechanism for Crossing Transactions

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(b) **Crossing Transaction Entry**. A Crossing Transaction is comprised of the order the Electronic Access Member represents as agent (the "Agency Order") and a counter-side order for the full size of the Agency Order (the "Counter-Side Order"). The Counter-Side Order may represent interest for the Member's own account, or interest the Member has solicited from one or more other parties, or a combination of both.

(1) If the Agency Order is for less than 50 option contracts, and if the difference between the National Best Bid and National Best Offer ("NBBO") or the difference between the internal best bid and the internal best offer is $0.01, the Crossing Transaction must be entered at [one minimum price improvement increment]$0.01 better than the NBBO and the internal BBO on the opposite side of the market from the Agency Order and better than the limit order or quote on the Nasdaq ISE order book on the same side of the Agency Order.

(2) If the Agency Order is for 50 option contracts or more, or if the difference between the NBBO or the difference between the internal BBO is greater than $0.01, a Crossing Transaction must be entered only at a price that is equal to or better than the internal BBO and NBBO and $0.01 better than the limit order or quote on the Nasdaq ISE order book on the same side of the Agency Order.

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Section 15. Simple Order Risk Protections

(a) The following risk protections are automatically enforced by the System. In the event of unusual market conditions and in the interest of a fair and orderly market, the

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Exchange may temporarily establish the levels at which the order protections contained in this paragraph are triggered as necessary and appropriate.

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(2) The following are order and quote risk protections on ISE:

(A) **Acceptable Trade Range**.

(i) After the Opening Process, [T]the System will calculate an Acceptable Trade Range to limit the range of prices at which an order or quote will be allowed to execute. The Acceptable Trade Range is calculated by taking the reference price, plus or minus a value to be determined by the Exchange (i.e., the reference price - (x) for sell orders/quotes and the reference price + (x) for buy orders or quotes). The Acceptable Trade Range will not be available for all-or-none orders.

(ii) Upon receipt of a new order or quote, [T]the reference price is the better of the NBB or internal best bid for sell orders/quotes and the better of the NBO or internal best offer for buy orders/quotes or the last price at which the order/quote is posted, whichever is higher for a buy order/quote or lower for a sell order/quote. [The reference price is calculated upon receipt of a new order or quote, provided that if the applicable NBB or NBO price is improved at the time an order is routed to an away market, a new reference price is calculated based on the NBB or NBO at that time.]

(iii) If an order or quote reaches the outer limit of the Acceptable Trade Range (the "Threshold Price") without being fully executed, it will be posted at the Threshold Price for a brief period, not to exceed one second ("Posting Period"), to allow more liquidity to be collected. Upon posting, either the current Threshold Price of the order/quote or an updated NBB for buy orders/quotes or the NBO for sell orders/quotes (whichever is higher for a buy order/quote or lower for a sell order/quote) then becomes the reference price for calculating a new Acceptable Trade Range. If the order/quote remains unexecuted after the Posting Period, a new Acceptable Trade Range will be calculated and the order/quote will execute, route, or post up to the new Threshold Price. This process will repeat until either (1) the order/quote is executed, cancelled, or posted at its limit price or (2) the order/quote has been subject to a configurable number of instances of the Acceptable Trade Range as determined by the Exchange (in which case it will be returned)[then any unexecuted balance will be cancelled].

(iv) During the Posting Period, the Exchange will disseminate as a quotation: (1) the Threshold Price for the remaining size of the order/quote triggering the Acceptable Trade Range and (2) on the opposite side of the market, the best price will be displayed using the "non-firm" indicator message in accordance with the specifications of the network processor. Following the Posting Period, the Exchange will return to a normal trading state and disseminate its best bid and offer.

([i]v) There will be three categories of options for Acceptable Trade Range: (1) Penny Interval Program Options trading in one cent increments for options trading at less than $3.00 and increments of five cents for options trading at $3.00 or more, (2) Penny Interval Program Options trading in one-cent increments for all prices, and (3) Non-Penny Interval Program Options.

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