Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2025 - * 07

Amendment No. (req. for Amendments *)

Filing by   Nasdaq ISE, LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * ✓	Amendment * ☐	Withdrawal ☐

Pilot ☐	Extension of Time Period for Commission Action * ☐

Date Expires *

Section 19(b)(2) * ☐	Section 19(b)(3)(A) * ✓	Section 19(b)(3)(B) * ☐

Rule

☐ 19b-4(f)(1)	☐ 19b-4(f)(4)
☐ 19b-4(f)(2)	☐ 19b-4(f)(5)
☐ 19b-4(f)(3)	✓ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Amend Various Options Rules

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Angela   Last Name * Dunn

Title * Principal Associate General Counsel

E-mail * Angela.Dunn@Nasdaq.com

Telephone * (215) 496-5692   Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934,   Nasdaq ISE, LLC
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 02/06/2025

By   John Zecca   (Title *) EVP and Chief Legal Officer

(Name *)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

John A. Zecca   Date: 2025.02.06 10:52:56 -05'00'

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

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SR-ISE-2025-07 19b-4.docx

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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SR-ISE-2025-07 Exhibit 1.docx

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

☐ Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

☐ Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add	Remove	View

SR-ISE-2025-07 Exhibit 5.docx

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1.   Text of the Proposed Rule Change

(a)   Nasdaq ISE, LLC ("ISE" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule to amend various options rules to: (1) further define a Stop Order and Stop Limit Order at Options 3, Section 7(d) and (e); (2) amend the treatment of responses in the Facilitation Mechanism in Options 3, Section 11(b), Solicited Order Mechanism in Options 3, Section 11(d) and Price Improvement Mechanism ("PIM") in Options 3, Section 13 and clarify how multiple responses are treated; (3) add a Cancel-Replacement Complex Order to Options 3, Section 14(b)(20); (4) describe the application of the Order Price Protection to Stop-Limit Orders at Options 3, Section 15(a)(1)(A), amend the parameters for the Market Wide Risk Protection at Options 3, Section 15(a)(1)(C), and amend the Acceptable Trade Range at Options 3, Section 15(a)(2)(A); (5) remove references to index options on the Nasdaq 100 Reduced Value Index; (6) remove obsolete rule text regarding port fees in Options 7, Section 7; and (7) make various other non-substantive and technical amendments.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1.

The text of the proposed rule change is attached as Exhibit 5.

(b)   Not applicable.

(c)   Not applicable.

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[1]   15 U.S.C. 78s(b)(1).

[2]   17 CFR 240.19b-4.

2.   Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange

pursuant to authority delegated by the Board of Directors (the "Board"). Exchange staff

will advise the Board of any action taken pursuant to delegated authority. No other

action is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to:

Angela Saccomandi Dunn
Principal Associate General Counsel
Nasdaq, Inc.
215-496-5692

3.   Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis
        for, the Proposed Rule Change

a.   Purpose

The Exchange proposes to amend various Options 3, Options Trading Rules:

Section 7, Types of Orders and Order and Quote Protocols; Section 11, Auction

Mechanisms; Section 13, Price Improvement Mechanism for Crossing Transactions;

Section 14, Complex Orders; Section 15, Simple Order Risk Protections; Section 22,

Limitations on Order Entry; and Section 23, Data Feeds and Trade Information. The

Exchange also proposes to amend various Options 4A, Options Index Rules: Section 2,

Definitions; Section 6, Position Limits for Broad-Based Index Options; and Section 12,

Terms of Index Options Contracts. The Exchange proposes to amend Options 5, Section

4, Order Routing, and Options 7, Pricing Schedule. Each change will be described

below.

Options 3, Section 7

The Exchange proposes to add an additional sentence to Options 3, Section 7(d)

related to a Stop Order. Today, Options 3, Section 7(d) provides,

> A stop order is an order that becomes a market order when the stop price is elected. A stop order to buy is elected when the option is bid or trades on the Nasdaq ISE at, or above, the specified stop price. A stop order to sell is elected when the option is offered or trades on the Nasdaq ISE at, or below, the specified stop price. A Stop Order shall be cancelled if it is immediately electable upon receipt. Stop Orders may only be entered through FIX or Precise.

Today, a Stop Order is not elected by a trade that is reported late or out-of-sequence or by a Complex Order trading with another Complex Order. The purpose of this provision is to ensure systemically that a Stop Order would be elected on the Exchange by the execution price at the actual time of the execution, instead of at the time of a late or out-of-sequence report or a trade that is outside the NBBO in the case of a complex order. Absent this provision, it would be possible for a Stop Order to be elected by a trade that is reported late or out-of-sequence or a trade that is outside the NBBO in the case of a complex order, which could result in such Stop Order being converted into a Market Order or a Limit Order and, in the case of a Stop Order executed at a significantly different price than the election price of the Stop Order.[3] For these reasons, a similar sentence would also be added to Options 3, Section 7(e) related to a Stop Limit Order. The Exchange proposes to make clear what would elect a Stop Order or a Stop Limit Order in its rules so that Members may anticipate that a late, out-of-sequence report, or a trade that is outside the NBBO in the case of a Complex Order, would not cause a Stop Order or Stop Limit Order to be elected. Today, Nasdaq Phlx LLC ("Phlx") notes this behavior with respect to its Stop Order.[4]

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[3] For example, if a Stop Order to sell at $3.00 is elected by a trade reported late or out-of-sequence with an execution price of $3.00 when the actual bid price at the time of the report is $1.00, the Stop Order would be converted into a market order and executed at $1.00.

[4] See Phlx Options 3, Section 7(b)(4). Phlx's current Stop Order applies to Stop limit orders as well as noted in Options 3, Section 7(b)(4)(A).

The Exchange proposes to amend Legging Orders at Options 3, Section 7(k). Specifically, similar to Nasdaq MRX, LLC ("MRX") Options 3, Section 7(k), the Exchange proposes to amend the Legging Order type to provide the word "other" within Options 3, Section 7(k)(1) and Options 3, Section 7(k)(4) as intended by the language in a prior rule change[5] which noted in the addition of "other" within the rule text. The Exchange inadvertently did not mark the rule text correctly in that prior rule change and is correcting that error.

Auction Responses

The Exchange proposes to amend the Facilitation Mechanism at Options 3, Section 11(b)(3), the Solicited Order Mechanism at Options 3, Section 11(d)(2), and the Price Improvement Mechanism ("PIM") in Options 3, Section 13(c)(2) to amend the current System behavior with respect to the handling of Response and Improvement Orders. Today, a Response or Improvement Order must be equal to or better than the displayed NBBO on both sides of the market at the time of receipt of the Response or Improvement Order in both the Facilitation Mechanism and the Solicited Order Mechanism, as well as in a PIM. While the current rules do not make this clear, this represents the Exchange's current practice.

Specifically, the Exchange proposes to amend the System behavior to permit a response to these auctions to be entered at a price that is equal to or better than the better of the internal BBO or the NBBO on the same side of the market at the start of the auction and on the opposite side of the market at the time the Response is received.

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[5]   See Securities Exchange Act Release No. 99092 (December 6, 2023), 88 FR 86162, 86163-86164 and 86167 (December 12, 2023) (SR-ISE-2023-31) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Legging Orders).

Utilizing the price of the market at the start of the auction, for the same side check, would

prevent an order or quote from potentially manipulating the final auction price by

changing the internal BBO/NBBO while not fully satisfying the Agency Order, thus

preventing Responses or Improvement Orders from being entered at a price that improves

the stop price of the auction, but remains inferior to the price of such initial order or

quote. In contrast, for the opposite side check, it is not necessary to use the price of the

market at the time of the start of the auction because potential manipulation cannot occur

on the opposite side check as the NBBO cannot be updated on the same side by

submitting interest into the auction. The proposed amendment is intended to prevent

potential auction manipulation which can occur when an order/quote is entered at a price

that improves the price of the order to be facilitated, Agency Order or Crossing

Transaction.

The Exchange proposes to amend the current rule because, in certain cases, the

current rule prevents other responses to that auction to be entered at a price that improves

the price of the order to be facilitated, Agency Order or Crossing Transaction, but is

inferior to such other quote/order responses which improved upon the internal BBO or

NBBO. By way of example, during an auction, once an order or quote is received on the

opposite side of the PIM, Facilitation, or Solicitation Agency Order which is marketable

with the Agency Order, it changes the internal BBO and potentially the NBBO. If such

initial order or quote does not comprise enough size to fully satisfy the PIM, Facilitation,

or Solicitation Agency Order, since it has changed the internal BBO/NBBO, it now

prevents Responses or Improvement Orders which improve the stop price of the auction

from being entered at a price that is inferior to the initial order or quote, despite such

initial order or quote's inability to satisfy the full volume of the Agency Order at an improved price. By utilizing the better of the internal BBO or the NBBO at the start of the relevant auction, the Exchange believes that better priced responses would be permitted to trade with the order to be facilitated, Agency Order or Crossing Transaction. Today, those better priced responses would be rejected. The proposed amendments would allow orders to be facilitated, and the Agency Order or Crossing Transaction to potentially trade at improved prices.

Below are examples of this functionality change.

Example 1

Internal BBO – $1.15 x $1.30

NBBO – $1.10 x $1.35

PIM Order to sell is entered with Customer on Agency side selling 100 contracts with a stop price of $1.18.

Order 1 is entered to Buy 1 @ $1.25 – accepted based on market at start of auction $1.15 x $1.30.

Auction response 1 is entered to Buy 100 @ $1.20 – With entry check modification, accepted based on market at start of auction $1.15 x $1.30.

Under current system entry checks, PIM Auction response 1 would be rejected because the system would look at the market of $1.25 x $1.30, and the PIM Auction would conclude after the timer has run the full 100 milliseconds and partially trade with Order 1 at $1.25 and with a final auction price of $1.18. The remainder of the Agency Order would trade with the contra-side order at $1.18.

Under new system entry checks, the PIM Auction would conclude and partially trade with Order 1 at $1.25 and then trade the remainder of the Agency Order at a price of $1.20 based off of the acceptance of Auction Response 1.

Example 2

Internal BBO – $23.90 x $28.50

NBBO – $23.90 x $28.50 (Singly listed on ISE)

PIM Order to sell is entered with Customer on Agency selling 100 contracts with an Agency Order price of $26.20.

Quote is entered to buy 1 contract @ $27.40 (updating NBBO to $27.40 x $28.50)

Auction Response 1 is entered to Buy 100 @ $26.72 – With entry check modification, accepted based on market at start of auction $23.90 x $28.50.

Under current system entry checks, Auction response 1 would be rejected because the system would look at the market of $27.40 x $28.50, and the PIM Auction would conclude after the timer has run the full 100 milliseconds and partially trade with quote @ $27.40 and with contra at a final auction price of $26.20.

Under new system entry checks, the PIM Auction would conclude and partially trade with quote @ $27.40 and with Auction Response and contra (assuming the contra elected to automatically match the response) at a final auction price of $26.72 based off of the acceptance of Auction Response 1.

The Exchange is not amending Options 3, Section 13(b)(3) because the same side of the market entry check currently conforms to Phlx Options 3, Section 13(a)(3) which requires that on the same side of the market as the PIXL Order, the better of: (i) the Reference BBO price improved by at least $0.01, (ii) the PIXL Order's limit price (if the order is a Limit Order), or (iii) equal to or better than the NBBO. In harmonizing its auction rules, the Exchange is conforming to Phlx PIXL entry checks. Currently, on Phlx, if the PIXL Order is for a Non-Public Customer, the PIXL Order must also be better than any quote on the same side of the market as the PIXL Order. Priority Customers may start a PIM Auction equal to a quote as these market participants would have priority over all other market participants if a Priority were to submit an order to the order book. In contrast, a broker dealer or any other person or entity that is not a Priority would not have this priority with respect to a Market Maker quote. The Exchange's current rule text at Options 3, Section 13(b)(3) is the same as Phlx Options 3, Section 13(a)(3).

Options 3, Section 11

The Exchange proposes two technical amendments to Options 3, Section 11, Auction Mechanisms, at paragraph (g). First the Exchange proposes to correct a citation to Options 11, Section 13(e); the correct citation is Options 3, Section 13(e). Second, the Exchange proposes to remove a citation to Options 3, Section 13(e)(4)(vi), which does not exist in the rules as it was removed in a 2022 rule change.[6] The Exchange proposes to correct a citation in Options 3, Section 11(e)(4)(D) which currently cites to Options 3, Section 15. The correct citation is to Options 3, Section 10.

Options 3, Section 13

The Exchange proposes to amend Options 3, Section 13(b)(1) and (2) to align its entry check with Phlx Options 3, Section 13, Price Improvement XL ("PIXL") entry checks.[7] Specifically, the Exchange proposes to amend its entry check where the PIM 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; currently, the Crossing Transaction

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6   See Securities Exchange Act Release No. 96518 (December 16, 2022), 87 FR 78740 (December 22, 2022) (SR-ISE-2022-28) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Certain ISE Complex Order Functionalities in Connection With a Technology Migration).

7   Today, Phlx Options 3, Section 13(b)(3) PIXL entry checks for the account of a broker dealer or any other person or entity that is not a Public Customer for orders of 50 contracts or more are the same checks that are currently in place at Phlx Options 3, Section 13(a)(3) for the account of a broker dealer or any other person or entity that is not a Public Customer for orders of 50 contracts or more. Phlx's current rule text defines the "internal PBBO" as the "Reference BBO" at Options 3, Section 13(a)(3)(A). Phlx's same side entry check for the account of a broker dealer or any other person or entity that is not a Public Customer for orders of 50 contracts or more, requires the Reference PBBO price to be improved by at least $0.01 which is analogous to requiring a PIXL Order's quote to be better than the same side of the market as the PIXL Order, similar to ISE's entry check for this category of PIM Order. Of note, Phlx will separately amend its rule text at Options 3, Section 13(a)(3) to align that rule text with ISE, GEMX and MRX Options 3, Section 13(b)(3).

must be entered at a price that is: $0.01 better than the NBBO and the internal BBO on the opposite side of the market from the Agency Order and on the same side of the market as the Agency Order, (i) equal to or better than the NBBO and (ii) better than any Limit Order or quote on the ISE order book. At this time, the Exchange proposes to instead provide that where a PIM Agency Order is for less than 50 option contracts, and if the difference between the NBBO or the difference between the internal best bid and the internal best offer is $0.01, the Crossing Transaction must be entered at a price that is: on the same side of the market as the Agency Order, (i) equal to or better than the NBBO and (ii) *better than any Limit Order on the Limit Order book. If the Agency Order is for a Non-Priority Customer, the Agency Order must also be better than any quote on the same side of the market as the Agency Order*. Today, Phlx Options 3, Section 13(a)(1)(B)(ii) has this identical entry check. With this proposed change, if the Agency Order is for less than 50 option contracts, and if the difference between the NBBO or the difference between the internal best bid and the internal best offer is $0.01, the Initiating Member must stop the entire Agency Order at a price that is on the same side of the market as the Agency Order, equal to or better than the NBBO[8] and better than any Limit Order on the Limit Order Book. The Exchange is removing the check against the quote for Priority Customers, similar to Phlx. If the Agency Order is for a Non-Priority Customer, the Agency Order must also be better than any quote on the same side of the market as the Agency Order. The System will check if the Agency Order is better than

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[8]   For example, if the market is 0.98 bid and 0.99 offer, a Priority Customer Agency Order to buy for less than 50 contracts must be stopped at 0.98 cents in this scenario to be accepted into a PIM Auction, provided there is no resting order or quote on the Limit Order book at 0.98 in which case the Agency Order would be rejected.

any quote on the same side of the market as the Agency Order if the Agency Order is for

a Non-Priority Customer.

Additionally, the Exchange proposes to amend ISE Options 3, Section

13(b)(2)(B)(i). Currently, Options 3, Section 13(b)(2)(B)(i) provides if an Agency Order

is for the account of a Priority Customer, and such 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: (A)

equal to or better than the internal BBO and NBBO on the opposite side of the market

from the Agency Order, and (B) on the same side of the market as the Agency Order, (i)

at least $0.01 better than any Limit Order or quote on the ISE order book, and (ii) equal

to or better than the NBBO. At this time, the Exchange proposes to amend the same side

prong of the entry check to require if an Agency Order is for the account of a Priority

Customer, and such 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: on the same side of the market as the

Agency Order, (i) at least $0.01 better than any Limit Order on the Limit Order Book,

and (ii) equal to or better than the NBBO which is identical to Phlx Options 3, Section

13(a)(2)(B)(iii). The eligibility requirements if the Agency Order is for the account of a

Priority Customer and such order is for 50 option contracts or more should provide a

meaningful opportunity for price improvement, and thereby benefit investors and others

in a manner that is consistent with the Act.

The Exchange proposes to amend Options 3, Section 13(c) to add language

regarding Improvement Orders in a PIM Auction. Today, multiple Improvement Orders

from the same Member may be submitted during the Auction. Multiple Improvement

Orders at a particular price point submitted by a Member in response to an exposure

period may not exceed, in the aggregate, the size of the Crossing Transaction. However,

a Member using the same badge[9]/mnemonic[10] may only submit a single Improvement

Order per auction ID for a given auction. If an additional Improvement Order is

submitted for the same auction ID from the same badge/mnemonic, then that

Improvement Order will automatically replace the previous Improvement Order. The

Exchange proposes to make clear in its rules that it would not allow Members to submit

multiple Improvement Orders using the same badge/mnemonic and would also not

aggregate all of those Improvement Orders at the same price. The Exchange proposes to

make clear that additional Improvement Orders from the same badge/mnemonic for the

same auction ID will automatically replace the previous Improvement Orders. This

foregoing handling of Improvement Orders is consistent with the current System

handling of Improvement Orders.

Options 3, Section 14

The Exchange proposes to define a Cancel-Replacement Complex Order within

Options 3, Section 14(b)(20). Today, Options 3, Section 7(f) described a single-leg

Cancel-Replacement Order as follows:

> Cancel and Replace Orders shall mean a single message for the immediate
> cancellation of a previously received order and the replacement of that
> order with a new order. If the previously placed order is already filled
> partially or in its entirety, the replacement order is automatically canceled

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[9]   A "badge" shall mean an account number, which may contain letters and/or numbers, assigned to
        Market Makers. A Market Maker account may be associated with multiple badges. See Options
        1, Section 1(a)(5).

[10]   A "mnemonic" shall mean an acronym comprised of letters and/or numbers assigned to Electronic
        Access Members. An Electronic Access Member account may be associated with multiple
        mnemonics. See Options 1, Section 1(a)(23).

or reduced by the number of contracts that were executed. The replacement order will retain the priority of the cancelled order, if the order posts to the Order Book, provided the price is not amended or size is not increased. In the case of Reserve Orders, the replacement order will retain the priority of the cancelled order, if the order posts to the Order Book, provided the price is not amended or size (displayed and non-displayed) is not changed. If the replacement portion of a Cancel and Replace Order does not satisfy the System's price or other reasonability checks (e.g. Options 3, Section 15(a)(1)(A) and (a)(1)(B); and Options 3, Section 16(a)(1), (b) and (c)(1)) the existing order shall be cancelled and not replaced.

Today, the Exchange permits Members to cancel and replace a Complex Order within a single message, but does not list the order type in Options 3, Section 14.[11] The Exchange proposes to add the order type at Options 3, Section 14(b)(20) and provide,

Cancel-Replacement Complex Orders shall mean a single message for the immediate cancellation of a previously received Complex Order and the replacement of that Complex Order with a new Complex Order. If the previously placed Complex Order is already filled partially or in its entirety, the replacement Complex Order is automatically canceled or reduced by the number of contracts that were executed. The replacement Complex Order will retain the priority of the cancelled Complex Order, if the order posts to the Complex Order Book, provided the price is not amended or size is not increased.

The proposed rule text is identical to the rule text for a single-leg order in Options 3, Section 7(f) except that: (1) Reserve Orders are not described, because there are no reserve complex orders; (2) single-leg risk protections do not apply to Complex Orders; and (3) protections for the legs of a Complex Order are described in Options 3, Section 7(f) which relates to the single-leg order book.

This order type offers Members the ability to cancel and replace a Complex Order in a single message as compared to entering two separate orders, which some Members may find more efficient. If the previously placed Complex Order is already filled

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[11]   See ISE Options 3, Section 7(f).

partially or in its entirety, the replacement Complex Order is automatically canceled or

reduced by the number of contracts that were executed. Similar to single-leg orders, the

replacement Complex Order will retain the priority of the cancelled Complex Order, if

the order posts to the Complex Order Book[12], provided the price is not amended or size is

not increased. If the price is amended, or the size is increased, the replacement Complex

Order will result in a loss in priority. Adding the order to the list of order types in

Options 3, Section 14 makes clear that the order type is available for Complex Orders, in

addition to single-leg orders. Also, the rule text makes clear the manner in which priority

of the replacement Complex Order is retained in the System thereby memorializing the

manner in which a Cancel-Replacement Complex Order is handled today by the System.

The Exchange proposes to amend certain rule citations in Options 3, Section 14,

Complex Orders, to add the correct citation. Citations to Options 3, Section 22(d) should

be to "b" and citations to Options 3, Section 22(e) should be to "c". Options 3, Section

22(b) refers to Limitation on Principal Transactions.[13] Options 3, Section 22(c) refers to

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[12]   The concept of priority is only relevant to resting orders on the Order Book or Complex Order
         Book as it relates to other resting orders when incoming orders trade with those resting orders. If
         an order is cancelled and then replaced in a way where that order becomes eligible to trade right
         away, the priority rules do not apply as that order immediately trades and ceases to exist unless
         volume remains, in which case the remainder does "post to the Complex Order Book" and priority
         becomes relevant.

[13]   Electronic Access Members may not execute as principal orders they represent as agent unless (i)
         agency orders are first exposed on the Exchange for at least one (1) second, (ii) the Electronic
         Access Member has been bidding or offering on the Exchange for at least one (1) second prior to
         receiving an agency order that is executable against such bid or offer, or (iii) the Member utilizes
         the Facilitation Mechanism pursuant to Options 3, Section 11(b) and (c); (iv) the Member utilizes
         the Price Improvement Mechanism for Crossing Transactions pursuant to Options 3, Section 13;
         (v) the Member utilizes Qualified Contingent Cross Orders pursuant to Options 3, Section 12(c)
         and (d); (vi) the Member utilizes a Customer Cross Order pursuant to Options 3, Sections 12(a) or
         (b); or (vii) the Member utilizes a Complex Order Exposure pursuant to Supplementary Material
         .01 to Options 3, Section 14. Electronic Access Members may not execute as principal orders they
         represent as agent within the Solicitation Mechanism pursuant to Options 3, Section 11(d) and (e).
         See Options 3, Section 22(b).

limitations on Solicitation Orders.[14]

Options 3, Section 15

The Exchange proposes to amend Options 3, Section 15(a)(1)(A) to note that the

Order Price Protection ("OPP") does not apply to Stop Limit Orders until elected.

Because a Stop Order does not execute upon entry, and instead rests in the System until

the market reaches a certain price level, at which time the order could be executed, the

Exchange does not apply the OPP protection to this order type upon its receipt. Once the

Stop Limit Order is elected, the Exchange checks the Limit Order against the OPP

bounds. The Exchange proposes to amend the OPP language to make clear to Members

that a Stop Limit Order does not trigger OPP since OPP is a risk protection that activates

when the limit price of an order is too far through the contra-side BBO. In this case,

since Stop Limit Orders do not have a limit price until they are elected, OPP could not

apply until the contingency is satisfied. The rule text makes clear to Members when OPP

will apply to a Stop Limit Order so that Members understand the System handling.

The Exchange proposes to amend Options 3, Section 15(a)(1)(C) to align the rule

text of ISE's Market Wide Risk Protection with the Market Wide Risk Protection in

MRX Options 3, Section 15(a)(1)(C). MRX filed a rule change[15] to adopt similar rules

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[14]   Electronic Access Members may not execute orders they represent as agent on the Exchange
        against orders solicited from Members and non-Member broker-dealers to transact with such
        orders unless (i) the unsolicited order is first exposed on the Exchange for at least one (1) second,
        (ii) the Member utilizes the Solicited Order Mechanism pursuant to Options 3, Section 11(e), (iii)
        the Member utilizes the Facilitation Mechanism pursuant to Options 3, Section 11(d); (iv) the
        Member utilizes the Price Improvement Mechanism for Crossing Transactions pursuant to Options
        3, Section 13; (v) the Member utilizes Qualified Contingent Cross Orders pursuant to Options 3,
        Section 12(c) and (d); (vi) the Member utilizes a Customer Cross Order pursuant to Options 3,
        Sections 12(a) or (b); or (vii) the Member utilizes a Complex Order Exposure pursuant to
        Supplementary Material .01 to Options 3, Section 14. See Options 3, Section 22(c).

[15]   See Securities Exchange Act Release No. 97726 (June 14, 2023), 88 FR 40344 (June 21, 2023)
        (SR-MRX-2023-10) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To
        Amend Complex Order Rules) ("MRX-2023-10").

related to Market Wide Risk Protection on ISE. Within that rule change, MRX amended

the rule text that it was copying from ISE.[16] At this time, to harmonize the rule text,

which reflects identical functionality, the Exchange proposes to add rule text related to

the defined term "Complex Options Order" and "entered into the complex order book" to

align the two rules. Today, the Market Wide Risk Protection counting programs maintain

separate counts over rolling time period for the total number of orders entered in the

regular order book, complex order book with only options legs, and the complex order

book with both stock and options legs. Additionally, the risk protection counts the total

number of contracts traded in regular orders and Complex Orders with only options

legs.[17] MRX-2023-10 noted that it proposed to mirror the rules of ISE Options 3, Section

15(a)(1)(C) within (2) through (5) except that the rules will use the defined terms Stock-

Option Order, Stock-Complex Order, and Complex Option Order.[18] MRX noted that ISE

would make a similar change to utilize the defined terms "Stock-Option Order,"[19]

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[16]   Id.

[17]   The Member's allowable order rate for the Order Entry Rate Protection is comprised of the
          parameters defined in (1) to (3), while the allowable contract execution rate for the Order
          Execution Rate Protection is comprised of the parameters defined in (4) and (5).

[18]   See MRX-2023-10 at footnote 54.

[19]   A Stock-Option Strategy is the purchase or sale of a stated number of units of an underlying stock
          or a security convertible into the underlying stock ("convertible security") coupled with the
          purchase or sale of options contract(s) on the opposite side of the market representing either (A)
          the same number of units of the underlying stock or convertible security, or (B) the number of
          units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio
          greater than eight-to-one (8.00), where the ratio represents the total number of units of the
          underlying stock or convertible security in the option leg to the total number of units of the
          underlying stock or convertible security in the stock leg. See Options 3, Section 14(a)(2).

"Stock-Complex Order"[20] and "Complex Option Order,"[21] which change is being made herein to utilize these terms as appropriate. The Exchange notes that the stock portion of QCC Orders, Complex Qualified QCC Orders, QCC with Stock Orders, and Complex QCC with Stock Orders are not counted in provision (3) because ISE's System does not handle the stock portion of these orders. ISE represents the stock leg through NES as it does for other Stock-Option Orders and Stock-Complex Orders. QCC Orders, Complex Qualified QCC Orders, QCC with Stock Orders, and Complex QCC with Stock Orders are considered, where applicable, in Options 3, Section 15(a)(1)(C)(1), (2), (4) and (5).

Also, the Exchange also proposes to amend Options 3, Section 15(a)(1)(C)(iii) to correct a citation to a subparagraph in that rule. The Exchange proposes to amend a citation to "(b)(1)(D)" to "(ii)."

The Exchange proposes to amend Options 3, Section 15(a)(2)(A), Acceptable Trade Range. Today, the Exchange's System calculates an Acceptable Trade Range to limit the range of prices at which an order and/or quote will be allowed to execute. Upon posting of an order at the outer limit of the Acceptable Trade Range, either the current

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[20]   A Stock-Complex Strategy is the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of a Complex Options Strategy on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option legs to the total number of units of the underlying stock or convertible security in the stock leg. Only those Stock-Complex Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing. See Options 3, Section 14(a)(3).

[21]   A Complex Options Strategy is the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. Only those Complex Options Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing. See Options 3, Section 14(a)(1).

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. The Exchange proposes to amend the current rule text to state that

a Member may request that their quotes/orders be returned if the quotes/orders would

post at the outer limit of the Acceptable Trade Range, in which case, the quotes/orders

will be returned. This functionality, which is not specified in the current rule, provides a

Member with additional choices as to the price at which their order could execute. The

Exchange proposes to reflect this existing functionality in Options 3, Section 15(a)(2)(A)

to make clear that the choice exists to have an order returned. Today, Phlx also offers

this functionality.[22]

Options 3, Section 22

The Exchange proposes to amend citations in Options 3, Section 22(c) to the

Solicited Order Mechanism ("SOM") and the Facilitation Mechanism to cite to both the

single-leg and Complex Order SOM and Facilitation Mechanism and correct an incorrect

cite. The Exchange proposes to capitalize references to Reserve Order, which is a

defined order type.

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[22]   See Phlx Options 3, Section 15(b)(1)(B).

Options 3, Section 23

The Exchange proposes to amend a technical error in Options 3, Section 23(b)(3), related to FIX Drop, to add a missing "has" to the sentence. This amendment is non-substantive.

Options 4A

The Exchange proposes to remove rule text related to the listing and trading of index options on the Nasdaq 100 Reduced Value Index ("NQX"). In 2018, ISE received approval to list and trade NQX.[23] Since that time, ISE has delisted options on NQX.[24] The Exchange does not have plans to re-list NQX in the foreseeable future. There is no open interest in NQX at this time. The Exchange proposes to delete all references to NQX to provide greater clarity to Members and the public regarding the Exchange's offerings.

Specifically, the Exchange proposes to delete references to NQX in Options 4A, Section 2, Definitions; Section 6, Position Limits for Broad-Based Index Options; and Section 12, Terms of Index Options Contracts. The Exchange also proposes to remove rule text related to NQX in Options 7, Section 3, Regular Order Fees and Rebates; Section 4, Complex Order Fees and Rebates; Section 5, Index Options Fees and Rebates; and Section 6, Other Options Fees and Rebates.

Options 5, Section 4

Today, Options 5, Section 4(a)(iii)(C) relates to the routing of SRCH Orders. Today, Options 5, Section 4(a)(iii)(C) states that a SRCH Order is routable at any time.

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23   See Securities Exchange Act Release No. 82911 (March 20, 2018), 83 FR 12966 (March 26, 2018) (SR-ISE-2017-106) (Approval Order).

24   See https://www.nasdaqtrader.com/MicroNews.aspx?id=OTA%202024-27.

A SRCH Order on the order book during an Opening Process (including a re-opening

following a trading halt), whether it is received prior to an Opening Process or it is a

Good-Till-Canceled or "GTC"[25] SRCH Order from a prior day, may be routed as part of

an Opening Process. Orders initiate their own Route Timers and are routed in the order

in which their Route Timers end. The Exchange proposes to add Good-Till-Date or

"GTD"[26] SRCH Orders in addition to the GTC SRCH Orders so that Members are aware

that a Time in Force ("TIF") of GTD, in addition to GTC, would be routable. The

Exchange notes that these order types are both instructions to the Exchange that should

be treated in a similar manner by the System with respect to order routing. Since an order

with a TIF of GTD could have been received on a day prior to its routing, adding this rule

text to the routing rule puts Members on notice that the order could route in order to

avoid confusion. The routing rule should have included a GTD TIF in addition to the

GTC TIF, which also may route. The current rule text inadvertently omitted GTD from

the rule text. Today, GTD SRCH Orders may also be routed as part of an Opening

Process.

Options 7, Section 7

The Exchange proposes to remove the language in Options 7, Section 7C, related

to a technology migration, from its Rulebook as the Exchange's technology migration has

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[25]   An order to buy or sell entered with a TIF of "GTC" that remains in force until the order is filled,
         canceled or the option contract expires; provided, however, that GTC orders will be canceled in
         the event of a corporate action that results in an adjustment to the terms of an option contract.
         GTC orders may be entered through FIX or Precise. See Supplementary Material .02(b) to
         Options 3, Section 7.

[26]   An order to buy or sell entered with a TIF of "GTD," which, if not executed, will be cancelled at
         the sooner of the end of the expiration date assigned to the order, or the expiration of the series;
         provided, however, that GTD orders will be canceled in the event of a corporate action that results
         in an adjustment to the terms of an option contract. GTD orders may be entered through FIX or
         Precise. See Supplementary Material .02(c) to Options 3, Section 7.

occurred.[27] The rule text is no longer relevant. Today, Members are assessed the fees in

Options 7, Section 7C for all ports to which they subscribe.

Implementation

The Exchange proposes to specify an implementation date, other than 30 days

from the filing, for the proposed amendments to auction responses that amend the

Facilitation Mechanism at Options 3, Section 11(b)(3), the Solicited Order Mechanism at

Options 3, Section 11(d)(2), and the Price Improvement Mechanism ("PIM") in Options

3, Section 13(c)(2). The Exchange proposes to implement these changes on or before Q2

2026. Additionally, the Exchange proposes to amend the rule change related to the entry

checks in Options 3, Section 13(b)(1) and (2) on or before the end of Q2 2026. The

Exchange will specify the exact dates for each of the proposed changes in an Options

Trader Alert at least 30 days prior to the operative date.

b.   Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section

6(b) of the Act,[28] in general, and furthers the objectives of Section 6(b)(5) of the Act,[29] 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.

Options 3, Section 7

The Exchange's proposal to add an additional sentence to Options 3, Section 7(d)

related to a Stop Order, as well as Options 3, Section 7(e) related to a Stop Limit Order,

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27   See Options Trader Alert #2024 – 41.

28   15 U.S.C. 78f(b).

29   15 U.S.C. 78f(b)(5).

is consistent with the Act because it would systemically prevent a Stop Order from being elected at the time of a late or out-of-sequence report or a trade that is outside the NBBO in the case of a complex order, rather than the execution price at the actual time of the execution. The Exchange believes that describing how the System operates in the case of a Stop Order or Stop Limit Order sets the expectation for Members thereby protecting investors and the public interest. Today, Phlx notes this behavior with respect to its Stop Order.[30]

Auction Responses

The Exchange's proposal to amend the Facilitation Mechanism at Options 3, Section 11(b)(3), the Solicited Order Mechanism at Options 3, Section 11(d)(2), and the PIM in Options 3, Section 13(c)(2) with respect to the handling of Response and Improvement Orders is consistent with the Act because the proposed rule change is intended to protect investors and the public interest. By way of example, during an auction, once an order or quote is received on the opposite side of the PIM, Facilitation, or Solicitation Agency Order which is marketable with the Agency Order, it changes the internal BBO and potentially the NBBO. If such initial order or quote does not comprise enough size to fully satisfy the PIM, Facilitation, or Solicitation Agency Order, since it has changed the internal BBO/NBBO, it now prevents Responses or Improvement Orders which improve the stop price of the auction from being entered at a price that is inferior to the initial order or quote, despite such initial order or quote's inability to satisfy the full volume of the Agency Order at an improved price. By utilizing the better of the internal BBO or the NBBO at the start of the relevant auction, the Exchange believes that better

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[30]   See Phlx Options 3, Section 7(b)(4). Phlx Stop Orders include Stop limit orders.

priced responses would be permitted to trade with the order to be facilitated, Agency Order or Crossing Transaction. Today, those better priced responses would be rejected. This proposal would permit a response to these auctions to be entered at a price that is equal to or better than the better of the internal BBO or the NBBO on the same side of the market at the start of the auction and on the opposite side of the market at the time the Response is received, thereby preventing potential auction manipulation which can occur when an order/quote is entered at a price that improves the price of the order to be facilitated, Agency Order or Crossing Transaction. This amendment would allow other responses to that auction to be entered at a price that improves the price of the order to be facilitated, Agency Order or Crossing Transaction, but is inferior to such other quote/order responses which improved upon the internal BBO or NBBO. Utilizing the price of the market at the start of the auction, for the same side check, would prevent an order or quote from potentially manipulating the final auction price by changing the internal BBO/NBBO while not fully satisfying the Agency Order, thus preventing Responses or Improvement Orders from being entered at a price that improves the stop price of the auction, but remains inferior to the price of such initial order or quote. The entry checks differ for the same and opposite sides of the market because manipulation may not occur on the opposite side of the response because only interest on the same side of the response will be eligible to trade with the auctioned order. The proposed amendments would allow orders to be facilitated, Agency Orders or Crossing Transactions to potentially trade at improved prices.

Options 3, Section 11

The Exchange's proposed amendments to Options 3, Section 11, Auction

Mechanisms, at paragraph (g), to correct a citation to Options 11, Section 13(e) and to

remove a citation to Options 3, Section 13(e)(4)(vi), which does not exist in the rules as it

was removed in a 2022 rule change[31] are non-substantive amendments. The Exchange's

proposed amendment to correct a citation in Options 3, Section 11(e)(4)(D) to Options 3,

Section 10 is also a non-substantive amendment.

Options 3, Section 13

Amending ISE's entry checks at Options 3, Section 13(b)(1) and (2) such that an

Agency Order for a Priority Customer, in addition to being equal to or better than the

NBBO, must be better than any Limit Order on the same side of the market as the

Agency Order, and not a quote is consistent with the Act because this proposal will allow

additional PIM Auctions to commence for Priority Customer Agency Orders since the

entry check would not consider quotes. The Exchange will continue to consider all

interest (quotes and orders) for Non-Priority Customers as is the case today. This change

will not impact the handling of orders and quotes and their respective priority on the limit

order book. This proposed change is being made for orders of Priority Customers that are

less than 50 contracts and for orders that are more than 50 contracts. Priority Customers

will continue to be guaranteed at least the NBBO when commencing PIM Orders and will

continue to not trade-through the Exchange's order book. The Exchange believes that the

proposal should continue to provide a Priority Customer Agency Order a meaningful

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[31]   See Securities Exchange Act Release No. 96518 (December 16, 2022), 87 FR 78740 (December
        22, 2022) (SR-ISE-2022-28) (Notice of Filing and Immediate Effectiveness of Proposed Rule
        Change To Amend Certain ISE Complex Order Functionalities in Connection With a Technology
        Migration).

opportunity for price improvement, and thereby benefit investors and others in a manner that is consistent with the Act. The proposal is identical to PIXL entry checks at Phlx Options 3, Section 13(a)(1)(B) and (a)(2)(B).

The Exchange's proposal to amend Options 3, Section 13(c)(4) to add language regarding Improvement Orders in a PIM Auction is consistent with the Act. The proposal makes clear the current handling of Improvement Orders by not allowing Members to submit multiple Improvement Orders using the same badge/mnemonic and would also not aggregate all of those Improvement Orders at the same price. Further, additional Improvement Orders from the same badge/mnemonic for the same auction ID will automatically replace the previous Improvement Orders. This foregoing handling of Improvement Orders protects investors and the public interest.

Options 3, Section 14

The Exchange's proposal to define a Cancel-Replacement Complex Order within Options 3, Section 14(b)(20) is consistent with the Act because it provides Members the ability to cancel and replace a Complex Order in a single message as compared to entering two separate orders protects investors and the public interest as it allows Members to efficiently replace a prior Complex Order.

The proposed Cancel-Replacement Complex Order at Options 3, Section 14(b)(20) is identical to the rule text for a single-leg Cancel-Replacement Order at ISE Options 3, Section 7(f) except that: (1) Reserve Orders are not described, because there are no reserve complex orders; (2) single-leg risk protections do not apply to Complex Orders; and (3) protections for the legs of a Complex Order are described in Options 3,

Section 7(f) which relates to the single-leg order book.[32] The Exchange is memorializing

the manner in which a Cancel-Replacement Order is handled today by the System. The

Exchange's proposal to amend certain rule citations in Options 3, Section 14, Complex

Orders are non-substantive amendments.

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 15(a)(1)(A) is consistent

with the Act and protects investors and the public interest because it makes clear to

Members that a Stop Limit Order does not trigger OPP since OPP is a risk protection that

activates when the limit price of an order is too far through the contra-side BBO. In this

case, since Stop Limit Orders do not have a limit price until they are elected, OPP could

not apply until the contingency is satisfied. The rule text makes clear to Members when

OPP will apply when a Stop Limit Order is entered.

The Exchange's proposal to amend Options 3, Section 15(a)(1)(C) to align the

rule text of ISE's Market Wide Risk Protection with the Market Wide Risk Protection in

MRX Options 3, Section 15(a)(1)(C) to utilize the defined terms "Stock-Option Order,"[33]

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[32]   Today, the Exchange offers Members a single-leg Cancel-Replacement Order at Options 3, Section 7(f) and a Cancel-Replacement Complex Order that is currently not codified in the Rules.

[33]   A Stock-Option Strategy is the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of options contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option leg to the total number of units of the underlying stock or convertible security in the stock leg. See Options 3, Section 14(a)(2).

"Stock-Complex Order"[34] and "Complex Option Order,"[35] protects investors and the

public interest by clearly describing the operation of the Market Wide Risk Protection.

Today, the Market Wide Risk Protection counting programs maintain separate counts

over rolling time period for the total number of orders entered in the regular order book,

complex order book with only options legs, and the complex order book with both stock

and options legs. Additionally, the risk protection counts the total number of contracts

traded in regular orders and Complex Orders with only options legs.[36] The Market Wide

Risk Protection will continue to reduce risk associated with system errors or market

events that may cause Members to send a large number of orders, or receive multiple,

automatic executions, before they can adjust their exposure in the market. QCC Orders,

Complex Qualified QCC Orders, QCC with Stock Orders, and Complex QCC with Stock

Orders are considered, where applicable, in Options 3, Section 15(a)(1)(C)(1), (2), (4)

and (5). Members will continue to be provided with the flexibility needed to

appropriately tailor the Market Wide Risk Protection to their respective risk management

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[34]   A Stock-Complex Strategy is the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of a Complex Options Strategy on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option legs to the total number of units of the underlying stock or convertible security in the stock leg. Only those Stock-Complex Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing. See Options 3, Section 14(a)(3).

[35]   A Complex Options Strategy is the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. Only those Complex Options Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing. See Options 3, Section 14(a)(1).

[36]   The Member's allowable order rate for the Order Entry Rate Protection is comprised of the parameters defined in (1) to (3), while the allowable contract execution rate for the Order Execution Rate Protection is comprised of the parameters defined in (4) and (5).

needs. MRX-2023-10 noted that ISE would amend its rules to align its rule text to MRX, which reflects identical functionality. The Exchange's proposal to amend Options 3, Section 15(a)(1)(C)(iii) to correct a citation to a subparagraph from "(b)(1)(D)" to "(ii)" is non-substantive.

The Exchange's proposal to amend Options 3, Section 15(a)(2)(A), Acceptable Trade Range, to provide that a Member may request that their quotes/orders be returned if the quotes/orders would post at the outer limit of the Acceptable Trade Range, in which case, the quotes/orders will be returned is consistent with the Act. This functionality, which is not specified in the current rule, provides a Member with additional choices as to the price at which their order/quote could execute. The Exchange proposes to reflect this existing functionality in Options 3, Section 15(a)(2)(A) to make clear that the choice exists to have an order/quote returned. Today, Phlx offers this functionality.[37]

Options 3, Section 22

The Exchange's proposal to amend citations in Options 3, Section 22(c) to the SOM and the Facilitation Mechanism to cite to both the single-leg and Complex Order SOM and Facilitation Mechanism and correct an incorrect cite are non-substantive amendments. The Exchange's proposal to capitalize references to Reserve Order, which is a defined order type, is a non-substantive amendment.

Options 3, Section 23

The Exchange's proposal to amend a technical error in Options 3, Section 23(b)(3), related to FIX Drop, to add a missing "has" to the sentence is non-substantive.

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[37]   See Phlx Options 3, Section 15(b)(1)(B).

Options 4A, Section 2

The Exchange's proposal to remove rule text related to the listing and trading of index options on NQX is consistent with the Act as the Exchange has delisted NQX, there is no open interest in this product, and the Exchange does not have plans to re-list NQX in the foreseeable future. The Exchange proposes to delete all references to NQX to provide greater clarity to Members and the public regarding the Exchange's offerings. Specifically, the Exchange proposes to delete references to NQX in Options 4A, Section 2, Definitions; Section 6, Position Limits for Broad-Based Index Options; and Section 12, Terms of Index Options Contracts. The Exchange also proposes to remove rule text related to NQX in Options 7, Section 3, Regular Order Fees and Rebates; Section 4, Complex Order Fees and Rebates; Section 5, Index Options Fees and Rebates; and Section 6, Other Options Fees and Rebates.

Options 5, Section 4

Amending Options 5, Section 4(a)(iii)(C), related to a SRCH Order, to make clear that a Good-Till-Date or "GTD" SRCH Order may be routed as part of an Opening Process is consistent with the Act and protects investors and the public interest by allowing an order type with this TIF to route to an away market(s) at the NBBO in order for the order to be executed. Since an order with a TIF of GTD could have been received on a day prior to its routing, adding this rule text to the routing rule puts Members on notice that the order could route in order to avoid confusion. Options 5, Section 4(a)(iii)(C) should have included a GTD TIF in addition to the Good-Till-Canceled or "GTC" TIF, which also may route. The current rule text inadvertently omitted GTD from the rule text.

Options 7, Section 7

The Exchange's proposal to remove the language in Options 7, Section 7C, related to a technology migration, from its Rulebook is consistent with the Act as the Exchange's technology migration has occurred. The rule text is no longer relevant. Today, Members are assessed the fees in Options 7, Section 7C for all ports to which they subscribe.

4.   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.

Options 3, Section 7

The Exchange's proposal to add an additional sentence to Options 3, Section 7(d) related to a Stop Order as well as Options 3, Section 7(e) related to Stop Limit Order does not impose an undue burden on intra-market competition because, today, no Member's Stop Order or Stop Limit Order would be elected by a trade that is reported late or out-of-sequence or by a Complex Order trading with another Complex Order.

The Exchange's proposal to add an additional sentence to Options 3, Section 7(d) related to a Stop Order does not impose an undue burden on inter-market competition because today Phlx notes this behavior with respect to its Stop Order or Stop Limit Order.[38]

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[38]   See Phlx Options 3, Section 7(b)(4) which applies to Stop Orders and Stop limit orders.

Auction Responses

The Exchange's proposal to amend the Facilitation Mechanism at Options 3, Section 11(b)(3), the Solicited Order Mechanism at Options 3, Section 11(d)(2), and the PIM in Options 3, Section 13(c)(2) with respect to the handling of Response and Improvement Orders does not impose an undue burden on intra-market competition as this amendment will be applied uniformly to all orders entered into the Facilitation Mechanism, the Solicited Order Mechanism or a PIM.

The Exchange's proposal to amend the Facilitation Mechanism at Options 3, Section 11(b)(3), the Solicited Order Mechanism at Options 3, Section 11(d)(2), and the PIM in Options 3, Section 13(c)(2) with respect to the handling of Response and Improvement Orders does not impose an undue burden on inter-market competition because other options exchanges may adopt a similar rule.

Options 3, Section 11

The Exchange's proposed amendments to Options 3, Section 11, Auction Mechanisms, at paragraph (g), to correct a citation to Options 11, Section 13(e) and to remove a citation to Options 3, Section 13(e)(4)(vi), which does not exist in the rules as it was removed in a 2022 rule change[39] are non-substantive amendments. The Exchange's proposed amendment to correct a citation in Options 3, Section 11(e)(4)(D) to Options 3, Section 10 is also a non-substantive amendment.

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[39]   See Securities Exchange Act Release No. 96518 (December 16, 2022), 87 FR 78740 (December 22, 2022) (SR-ISE-2022-28) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Certain ISE Complex Order Functionalities in Connection With a Technology Migration).

Options 3, Section 13

The Exchange's proposal to amend ISE's entry checks at Options 3, Section 13(b)(1) and (2) such that an Agency Order for a Priority Customer, in addition to being equal to or better than the NBBO, must be better than any Limit Order on the same side of the market as the Agency Order, and not a quote does not impose an undue burden on intra-market competition because the entry check would apply uniformly to all Priority Customer PIM Agency Orders.

The Exchange's proposal to amend ISE's entry checks at Options 3, Section 13(b)(1) and (2) such that an Agency Order for a Priority Customer, in addition to being equal to or better than the NBBO, must be better than any Limit Order on the same side of the market as the Agency Order, and not a quote does not impose an undue burden on inter-market competition because other options exchanges could adopt a similar entry check. Today, Phlx Options 3, Section 13(a)(1)(B) and (a)(2)(B) have identical entry checks.

The Exchange's proposal to amend Options 3, Section 13(c)(4) to add language regarding Improvement Orders in a PIM Auction does not impose an undue burden on intra-market competition because the Exchange would handle all Improvement Orders in a PIM Auction in a uniform manner.

The Exchange's proposal to amend Options 3, Section 13(c)(4) to add language regarding Improvement Orders in a PIM Auction does not impose an undue burden on inter-market competition because other options exchanges may adopt a similar rule.

Options 3, Section 14

The Exchange's proposal to define a Cancel-Replacement Order within Options

3, Section 14(b)(20) does not impose an undue burden on inter-market competition because, today, ISE permits Members to cancel and replace a Complex Order within a single message allows for more efficiency for Members submitting such orders. Also, today, ISE permits single-leg order and complex order cancel-replacements.[40]

The Exchange's proposal to define a Cancel-Replacement Order within Options 3, Section 14(b)(20) does not impose an undue burden on intra-market competition because other Exchanges permit similar order types such as Phlx Options 3, Section 14(b)(v).

The Exchange's proposal to amend certain rule citations in Options 3, Section 14, Complex Orders are non-substantive amendments.

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 15(a)(1)(A) to note that the OPP does not apply to Stop Limit Orders until elected does not impose an undue burden on intra-market competition because OPP will uniformly not apply to any Stop Limit Order on the Exchange upon receipt. Once a Stop Limit Order is elected, the Exchange would check such Stop Limit Orders against the OPP bounds.

The Exchange's proposal to amend Options 3, Section 15(a)(1)(A) to note that the OPP does not apply to Stop Limit Orders until elected does not impose an undue burden on inter-market competition because Phlx has a similar rule.[41]

The Exchange's proposal to amend Options 3, Section 15(a)(1)(C) to align the rule text of ISE's Market Wide Risk Protection with the Market Wide Risk Protection in

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[40]   See ISE Options 3, Section 7(f).

[41]   See Phlx Options 3, Section 7(b)(4).

MRX Options 3, Section 15(a)(1)(C) does not impose an undue burden on intra-market competition because this risk protection will apply uniformly to all Members.

The Exchange's proposal to amend Options 3, Section 15(a)(1)(C) to align the rule text of ISE's Market Wide Risk Protection with the Market Wide Risk Protection in MRX Options 3, Section 15(a)(1)(C) does not impose an undue burden on inter-market competition because MRX has identical rule text at Options 3, Section 15(a)(1)(C).

The Exchange's proposal to amend Options 3, Section 15(a)(2)(A), Acceptable Trade Range, does not impose an undue burden on intra-market competition because this rule text will apply uniformly to all Members.

The Exchange's proposal to amend Options 3, Section 15(a)(2)(A), Acceptable Trade Range, does not impose an undue burden on inter-market competition because BX has this functionality.[42]

Options 3, Section 23

The Exchange's proposal to amend a technical error in Options 3, Section 23(b)(3), related to FIX Drop, to add a missing "has" to the sentence is non-substantive.

Options 4A, Section 2

The Exchange's proposal to remove rule text related to the listing and trading of index options on NQX does not impose an undue burden on intra-market competition as no Member will be able to transact in NQX.

The Exchange's proposal to remove rule text related to the listing and trading of index options on NQX does not impose an undue burden on inter-market competition as other exchanges may innovate and propose similar products.

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[42]   See BX Options 3, Section 15(b)(1)(A).

Options 5, Section 4

The Exchange's proposal to amend Options 5, Section 4(a)(iii)(C), related to a SRCH Order, does not impose an undue burden on intra-market competition as all Member GTD Orders will be treated in a uniform manner with respect to routing and GTD and GTC Orders, which both include instructions to the Exchange for expiration, would both be treated in a similar manner by the System with respect to order routing.

The Exchange's proposal to amend Options 5, Section 4(a)(iii)(C), related to a SRCH Order, does not impose an undue burden on inter-market competition as other exchanges can elect to route GTD Orders.

Options 7, Section 7

The Exchange's proposal to remove the language in Options 7, Section 7C, related to a technology migration, from its Rulebook does not impose an undue burden on intra-market competition as the rule text will not be applied to any Member.

The Exchange's proposal to remove the language related to a technology migration from its Rulebook does not impose an undue burden on inter-market competition as the rule text is no longer relevant and was only subject to a technology migration.

5.   <u>Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others</u>

No written comments were either solicited or received.

6.   <u>Extension of Time Period for Commission Action</u>

The Exchange does not consent to an extension of the time period for Commission action.

7.   Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated
        Effectiveness Pursuant to Section 19(b)(2)

The foregoing rule change has become effective pursuant to Section

19(b)(3)(A)(iii)[43] of the Act and Rule 19b-4(f)(6) thereunder[44] in that it effects a change

that: (i) does not significantly affect the protection of investors or the public interest; (ii)

does not impose any significant burden on competition; and (iii) by its terms, does not

become operative for 30 days after the date of the filing, or such shorter time as the

Commission may designate if consistent with the protection of investors and the public

interest.

The proposal does not significantly affect the protection of investors or the public

interest. The Exchange's proposal to add an additional sentence to Options 3, Section

7(d) related to a Stop Order and Options 3, Section 7(e) related to a Stop Limit Order

does not significantly affect the protection of investors or the public interest because it

would systemically prevent a Stop Order from being elected at the time of a late or out-

of-sequence report or a trade that is outside the NBBO in the case of a complex order,

rather than the execution price at the actual time of the execution. The rule text provides

Members with notice that the System will not elect a Stop Order or Stop Limit Order with

a trade that is reported late or out-of-sequence or by a Complex Order trading with

another Complex Order. Today, Phlx notes this behavior with respect to its Stop Order.[45]

Amending the Facilitation Mechanism at Options 3, Section 11(b)(3), the Solicited Order

Mechanism at Options 3, Section 11(d)(2), and the PIM in Options 3, Section 13(c)(2)

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[43]   15 U.S.C. 78s(b)(3)(A)(iii).

[44]   17 CFR 240.19b-4(f)(6).

[45]   See Phlx Options 3, Section 7(b)(4). Phlx's Stop Order includes a Stop limit order.

with respect to the handling of Response and Improvement Orders does not significantly

affect the protection of investors or the public interest because the proposal would permit

a response to these auctions to be entered at a price that is equal to or better than the

better of the internal BBO or the NBBO on the same side of the market at the start of the

auction, thereby preventing potential auction manipulation which can occur when an

order/quote is entered at a price that improves the price of the order to be facilitated,

Agency Order or Crossing Transaction. Further, this amendment would allow other

responses to that auction to be entered at a price that improves the price of the order to be

facilitated, Agency Order or Crossing Transaction, but is inferior to such other

quote/order responses which improved upon the internal BBO or NBBO. The proposed

amendments would allow order to be facilitated, Agency Order or Crossing Transaction

to potentially trade at improved prices. Amending ISE's entry checks at Options 3,

Section 13(b)(1) and (2) such that an Agency Order for a Priority Customer, in addition

to being equal to or better than the NBBO, must be better than any Limit Order on the

same side of the market as the Agency Order, and not a quote does not significantly

affect the protection of investors or the public interest because this proposal will allow

additional PIM Auctions to commence for Priority Customer Agency Orders since the

entry check would not consider quotes but will continue to not trade-through the

Exchange's order book. The Exchange will continue to consider all interest (quotes and

orders) for Non-Priority Customers as is the case today. The proposal is identical to

PIXL entry checks at Phlx Options 3, Section 13(a)(1)(B) and (a)(2)(B). The Exchange's

proposal to amend Options 3, Section 13 to add language regarding Improvement Orders

in a PIM Auction does not significantly affect the protection of investors or the public

interest because the Exchange would not allow Members to submit multiple

Improvement Orders using the same badge/mnemonic and would also not aggregate all of

those Improvement Orders at the same price. Further, additional Improvement Orders

from the same badge/mnemonic for the same auction ID will automatically replace the

previous Improvement Orders. The Exchange's proposal to define a Cancel-

Replacement Complex Order within Options 3, Section 14(b)(20) does not significantly

affect the protection of investors or the public interest because this order type will permit

a Member to cancel and replace a Complex Order in a single message as compared to

entering two separate orders, which some Members may find more efficient. The

proposed order type specifies, similar to single-leg orders at ISE Options 3, Section

7(d)(v) that a replacement Complex Order will retain the priority of the cancelled

Complex Order provided the price is not amended or size is not increased. If the price is

amended, or the size is increased, the replacement Complex Order will result in a loss in

priority. The Exchange's proposal to amend Options 3, Section 15(a)(1)(A) to note that

OPP does not apply to Stop Limit Orders until elected does not significantly affect the

protection of investors or the public interest because Stop Limit Orders do not have a

limit price until they are elected; OPP could not apply until the contingency is satisfied.

Amending Options 3, Section 15(a)(1)(C) to align the rule text of ISE's Market Wide

Risk Protection with the Market Wide Risk Protection in MRX Options 3, Section

15(a)(1)(C) does not significantly affect the protection of investors or the public interest

because QCC Orders, Complex Qualified QCC Orders, QCC with Stock Orders, and

Complex QCC with Stock Orders are considered, where applicable, in Options 3, Section

15(a)(1)(C)(1), (2), (4) and (5). MRX-2023-10 noted that ISE would align its rule text.

Amending Options 3, Section 15(a)(2)(A), Acceptable Trade Range, to provide that a

Member may request that their quotes/orders be returned if the quotes/orders would post

at the outer limit of the Acceptable Trade Range, in which case, the quotes/orders will be

returned does not significantly affect the protection of investors or the public interest,

rather it offers a Member with additional choices as to the price at which their

order/quote could execute. Today, Phlx also offers this functionality.[46] Removing rule

text related to the listing and trading of index options on NQX does not significantly

affect the protection of investors or the public interest as the Exchange has delisted NQX,

there is no open interest in this product and the Exchange does not have plans to re-list

NQX in the foreseeable future. Amending Options 5, Section 4(a)(iii)(C), related to a

SRCH Order, to make clear that a GTD SRCH Order may be routed as part of an

Opening Process, does not significantly affect the protection of investors or the public

interest because it provides notice to Members that a TIF of GTD, in addition to GTC,

would be routable as an order with a TIF of GTD could have been received on a day prior

to its routing. The current rule text was inadvertently omitted GTD from the rule text.

The Exchange's proposal to remove the language in Options 7, Section 7C related to a

technology migration from its Rulebook is consistent with the Act as the Exchange's

technology migration has occurred. The rule text is no longer relevant. Today, Members

are assessed the fees in Options 7, Section 7C for all ports to which they subscribe. The

remainder of the changes are non-substantive.

The Exchange's proposal to add an additional sentence to Options 3, Section 7(d)

related to a Stop Order as well as Options 3, Section 7(e) related to Stop Limit Order does

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[46]   See Phlx Options 3, Section 15(b)(1)(B).

not impose any significant burden on competition because, today, no Member's Stop

Order or Stop Limit Order would be elected by a trade that is reported late or out-of-

sequence or by a Complex Order trading with another Complex Order. The Exchange's

proposal to amend the Facilitation Mechanism at Options 3, Section 11(b)(3), the

Solicited Order Mechanism at Options 3, Section 11(d)(2), and the PIM in Options 3,

Section 13(c)(2) with respect to the handling of Response and Improvement Orders does

not impose any significant burden on competition as this amendment will be applied

uniformly to all orders entered into the Facilitation Mechanism, the Solicited Order

Mechanism or a PIM. The Exchange's proposed amendment to Options 3, Section 11,

Auction Mechanisms, at paragraph (g), to remove a citation to Options 3, Section

13(e)(4)(vi), which does not exist in the rules as it was removed in a 2022 rule change[47]

is a non-substantive amendment. The Exchange's proposal to amend ISE's entry checks

at Options 3, Section 13(b)(1) and (2) such that an Agency Order for a Priority Customer,

in addition to being equal to or better than the NBBO, must be better than any Limit

Order on the same side of the market as the Agency Order, and not a quote does a

significant burden on competition because the entry check would apply uniformly to all

Priority Customer PIM Agency Orders. The Exchange's proposal to amend Options 3,

Section 13(c)(4) to add language regarding Improvement Orders in a PIM Auction does

not impose a significant burden on competition because the Exchange would handle all

Improvement Orders in a PIM Auction in a uniform manner. The Exchange's proposal to

define a Cancel-Replacement Order within Options 3, Section 14(b)(20) does not impose

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[47]   See Securities Exchange Act Release No. 96518 (December 16, 2022), 87 FR 78740 (December
         22, 2022) (SR-ISE-2022-28) (Notice of Filing and Immediate Effectiveness of Proposed Rule
         Change To Amend Certain ISE Complex Order Functionalities in Connection With a Technology
         Migration).

a significant burden on competition because, today, ISE permits Members to cancel and replace a Complex Order within a single message allows for more efficiency for Member submitting such orders. Also, today, ISE permits single-leg order and complex order cancel-replacements.[48] The Exchange's proposal to amend Options 3, Section 15(a)(1)(A) to note that the OPP does not apply to Stop Limit Orders until elected does not impose any significant burden on competition because OPP will uniformly not apply to any Stop Limit Order until elected on the Exchange. Once a Stop Limit Order is elected, the Exchange would check all Stop Limit Orders against the OPP bounds. The Exchange's proposal to amend Options 3, Section 15(a)(1)(C) to align the rule text of ISE's Market Wide Risk Protection with the Market Wide Risk Protection in MRX Options 3, Section 15(a)(1)(C) does not impose a significant burden on competition because this risk protection will apply uniformly to all Members. The Exchange's proposal to amend Options 3, Section 15(a)(2)(A), Acceptable Trade Range, does not impose any significant burden on competition because this rule text will apply uniformly to all Members. The Exchange's proposal to remove rule text related to the listing and trading of index options on NQX does not impose a significant burden on competition as no Member will be able to transact in NQX. The Exchange's proposal to amend Options 5, Section 4(a)(iii)(C), related to a SRCH Order, does not impose a significant burden on competition as all Member GTD Orders will be treated in a uniform manner with respect to routing and GTD and GTC Orders, which both include instructions to the Exchange for expiration, would both be treated in a similar manner by the System with respect to order routing. The Exchange's proposal to remove the language related to a technology

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[48]   See ISE Options 3, Section 7(f).

migration from its Rulebook does not impose a significant burden on competition as the rule text will not be applied to any Member. The remainder of the changes are non-substantive.

Furthermore, Rule 19b-4(f)(6)(iii)[49] requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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.

8.   Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The Exchange proposal to amend Options 3, Section 7(d), related to Stop Orders and Stop Limit Orders at Options 3, Section 7(d) are substantially similar to Phlx Options 3, Section 7(b)(4).

The Exchange proposal to amend Legging Orders at Options 3, Section 7(k)(4) is identical to rule text in MRX Options 3, Section 7(k)(4).

The Exchange proposal to amend the ISE PIM entry checks in Options 3, Section 13(b)(1) and (2) is identical to Phlx Options 3, Section 13(a)(1)(B) and (a)(2)(B).

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[49]   17 CFR 240.19b-4(f)(6)(iii).

The Exchange proposal to amend language in ISE Options 3, Section 15(a)(1)(C), related to the Market Wide Risk Protection, is identical to MRX Options 3, Section 15(a)(1)(C).

The Exchange proposal to amend Options 3, Section 15(a)(2)(A), related to the Acceptable Trade Range, is identical to behavior at Phlx Options 3, Section 15(b)(1)(B).

The Exchange proposal to amend Options 3, Section 14(b)(20) to add a Cancel-Replacement Complex Order is identical to the rule text for a single-leg Cancel-Replacement Order in ISE Options 3, Section 7(f) for all applicable rule text. The excluded rule text is irrelevant because: (1) there are no reserve complex orders; (2) single-leg risk protections do not apply to Complex Orders; and (3) protections for the legs from a Complex Orders are described in Options 3, Section 7(f) as they relate to the single-leg book.

9.   Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act
       Not applicable.

10.   Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and
       Settlement Supervision Act
       Not applicable.

11.   Exhibits

       1.   Notice of Proposed Rule Change for publication in the Federal Register.

       5.   Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No.   ; File No. SR-ISE-2025-07)

February__, 2025

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate
Effectiveness of Proposed Rule Change to Various Options Rules

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 February 6, 2025 Nasdaq ISE,

LLC ("ISE" or "Exchange") filed with the Securities 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 amend various options rules to: (1) further define a

Stop Order and Stop Limit Order at Options 3, Section 7(d) and (e); (2) amend the

treatment of responses in the Facilitation Mechanism in Options 3, Section 11(b),

Solicited Order Mechanism in Options 3, Section 11(d) and Price Improvement

Mechanism ("PIM") in Options 3, Section 13 and clarify how multiple responses are

treated; (3) add a Cancel-Replacement Complex Order to Options 3, Section 14(b)(20);

(4) describe the application of the Order Price Protection to Stop-Limit Orders at Options

3, Section 15(a)(1)(A), amend the parameters for the Market Wide Risk Protection at

Options 3, Section 15(a)(1)(C), and amend the Acceptable Trade Range at Options 3,

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[1]   15 U.S.C. 78s(b)(1).

[2]   17 CFR 240.19b-4.

Section 15(a)(2)(A); (5) remove references to index options on the Nasdaq 100 Reduced

Value Index; (6) remove obsolete rule text regarding port fees in Options 7, Section 7;

and (7) make various other non-substantive and technical amendments.

The text of the proposed rule change is available on the Exchange's Website at

https://listingcenter.nasdaq.com/rulebook/ise/rulefilings, 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 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 various Options 3, Options Trading Rules:

Section 7, Types of Orders and Order and Quote Protocols; Section 11, Auction

Mechanisms; Section 13, Price Improvement Mechanism for Crossing Transactions;

Section 14, Complex Orders; Section 15, Simple Order Risk Protections; Section 22,

Limitations on Order Entry; and Section 23, Data Feeds and Trade Information. The

Exchange also proposes to amend various Options 4A, Options Index Rules: Section 2,

Definitions; Section 6, Position Limits for Broad-Based Index Options; and Section 12,

Terms of Index Options Contracts. The Exchange proposes to amend Options 5, Section

4, Order Routing, and Options 7, Pricing Schedule. Each change will be described

below.

Options 3, Section 7

The Exchange proposes to add an additional sentence to Options 3, Section 7(d)

related to a Stop Order. Today, Options 3, Section 7(d) provides,

> A stop order is an order that becomes a market order when the stop price
> is elected. A stop order to buy is elected when the option is bid or trades
> on the Nasdaq ISE at, or above, the specified stop price. A stop order to
> sell is elected when the option is offered or trades on the Nasdaq ISE at, or
> below, the specified stop price. A Stop Order shall be cancelled if it is
> immediately electable upon receipt. Stop Orders may only be entered
> through FIX or Precise.

Today, a Stop Order is not elected by a trade that is reported late or out-of-sequence or by

a Complex Order trading with another Complex Order. The purpose of this provision is

to ensure systemically that a Stop Order would be elected on the Exchange by the

execution price at the actual time of the execution, instead of at the time of a late or out-

of-sequence report or a trade that is outside the NBBO in the case of a complex order.

Absent this provision, it would be possible for a Stop Order to be elected by a trade that

is reported late or out-of-sequence or a trade that is outside the NBBO in the case of a

complex order, which could result in such Stop Order being converted into a Market

Order or a Limit Order and, in the case of a Stop Order executed at a significantly

different price than the election price of the Stop Order.[3] For these reasons, a similar

sentence would also be added to Options 3, Section 7(e) related to a Stop Limit Order.

The Exchange proposes to make clear what would elect a Stop Order or a Stop Limit

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[3]   For example, if a Stop Order to sell at $3.00 is elected by a trade reported late or out-of-sequence
        with an execution price of $3.00 when the actual bid price at the time of the report is $1.00, the
        Stop Order would be converted into a market order and executed at $1.00.

Order in its rules so that Members may anticipate that a late, out-of-sequence report, or a trade that is outside the NBBO in the case of a Complex Order, would not cause a Stop Order or Stop Limit Order to be elected. Today, Nasdaq Phlx LLC ("Phlx") notes this behavior with respect to its Stop Order.[4]

The Exchange proposes to amend Legging Orders at Options 3, Section 7(k). Specifically, similar to Nasdaq MRX, LLC ("MRX") Options 3, Section 7(k), the Exchange proposes to amend the Legging Order type to provide the word "other" within Options 3, Section 7(k)(1) and Options 3, Section 7(k)(4) as intended by the language in a prior rule change[5] which noted in the addition of "other" within the rule text. The Exchange inadvertently did not mark the rule text correctly in that prior rule change and is correcting that error.

Auction Responses

The Exchange proposes to amend the Facilitation Mechanism at Options 3, Section 11(b)(3), the Solicited Order Mechanism at Options 3, Section 11(d)(2), and the Price Improvement Mechanism ("PIM") in Options 3, Section 13(c)(2) to amend the current System behavior with respect to the handling of Response and Improvement Orders. Today, a Response or Improvement Order must be equal to or better than the displayed NBBO on both sides of the market at the time of receipt of the Response or Improvement Order in both the Facilitation Mechanism and the Solicited Order Mechanism, as well as in a PIM. While the current rules do not make this clear, this

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4　　See Phlx Options 3, Section 7(b)(4). Phlx's current Stop Order applies to Stop limit orders as well as noted in Options 3, Section 7(b)(4)(A).

5　　See Securities Exchange Act Release No. 99092 (December 6, 2023), 88 FR 86162, 86163-86164 and 86167 (December 12, 2023) (SR-ISE-2023-31) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Legging Orders).

represents the Exchange's current practice.

Specifically, the Exchange proposes to amend the System behavior to permit a response to these auctions to be entered at a price that is equal to or better than the better of the internal BBO or the NBBO on the same side of the market at the start of the auction and on the opposite side of the market at the time the Response is received. Utilizing the price of the market at the start of the auction, for the same side check, would prevent an order or quote from potentially manipulating the final auction price by changing the internal BBO/NBBO while not fully satisfying the Agency Order, thus preventing Responses or Improvement Orders from being entered at a price that improves the stop price of the auction, but remains inferior to the price of such initial order or quote. In contrast, for the opposite side check, it is not necessary to use the price of the market at the time of the start of the auction because potential manipulation cannot occur on the opposite side check as the NBBO cannot be updated on the same side by submitting interest into the auction. The proposed amendment is intended to prevent potential auction manipulation which can occur when an order/quote is entered at a price that improves the price of the order to be facilitated, Agency Order or Crossing Transaction.

The Exchange proposes to amend the current rule because, in certain cases, the current rule prevents other responses to that auction to be entered at a price that improves the price of the order to be facilitated, Agency Order or Crossing Transaction, but is inferior to such other quote/order responses which improved upon the internal BBO or NBBO. By way of example, during an auction, once an order or quote is received on the opposite side of the PIM, Facilitation, or Solicitation Agency Order which is marketable

with the Agency Order, it changes the internal BBO and potentially the NBBO. If such initial order or quote does not comprise enough size to fully satisfy the PIM, Facilitation, or Solicitation Agency Order, since it has changed the internal BBO/NBBO, it now prevents Responses or Improvement Orders which improve the stop price of the auction from being entered at a price that is inferior to the initial order or quote, despite such initial order or quote's inability to satisfy the full volume of the Agency Order at an improved price. By utilizing the better of the internal BBO or the NBBO at the start of the relevant auction, the Exchange believes that better priced responses would be permitted to trade with the order to be facilitated, Agency Order or Crossing Transaction. Today, those better priced responses would be rejected. The proposed amendments would allow orders to be facilitated, and the Agency Order or Crossing Transaction to potentially trade at improved prices.

Below are examples of this functionality change.

Example 1

Internal BBO – $1.15 x $1.30

NBBO – $1.10 x $1.35

PIM Order to sell is entered with Customer on Agency side selling 100 contracts with a stop price of $1.18.

Order 1 is entered to Buy 1 @ $1.25 – accepted based on market at start of auction $1.15 x $1.30.

Auction response 1 is entered to Buy 100 @ $1.20 – With entry check modification, accepted based on market at start of auction $1.15 x $1.30.

Under current system entry checks, PIM Auction response 1 would be rejected because the system would look at the market of $1.25 x $1.30, and the PIM Auction would conclude after the timer has run the full 100 milliseconds and partially trade with Order 1 at $1.25 and with a final auction price of $1.18. The remainder of the Agency Order would trade with the contra-side order at $1.18.

Under new system entry checks, the PIM Auction would conclude and partially trade with Order 1 at $1.25 and then trade the remainder of the Agency Order at a price of $1.20 based off of the acceptance of Auction Response 1.

Example 2

Internal BBO – $23.90 x $28.50

NBBO – $23.90 x $28.50 (Singly listed on ISE)

PIM Order to sell is entered with Customer on Agency selling 100 contracts with an Agency Order price of $26.20.

Quote is entered to buy 1 contract @ $27.40 (updating NBBO to $27.40 x $28.50)

Auction Response 1 is entered to Buy 100 @ $26.72 – With entry check modification, accepted based on market at start of auction $23.90 x $28.50.

Under current system entry checks, Auction response 1 would be rejected because the system would look at the market of $27.40 x $28.50, and the PIM Auction would conclude after the timer has run the full 100 milliseconds and partially trade with quote @ $27.40 and with contra at a final auction price of $26.20.

Under new system entry checks, the PIM Auction would conclude and partially trade with quote @ $27.40 and with Auction Response and contra (assuming the contra elected to automatically match the response) at a final auction price of $26.72 based off of the acceptance of Auction Response 1.

The Exchange is not amending Options 3, Section 13(b)(3) because the same side of the market entry check currently conforms to Phlx Options 3, Section 13(a)(3) which requires that on the same side of the market as the PIXL Order, the better of: (i) the Reference BBO price improved by at least $0.01, (ii) the PIXL Order's limit price (if the order is a Limit Order), or (iii) equal to or better than the NBBO. In harmonizing its auction rules, the Exchange is conforming to Phlx PIXL entry checks. Currently, on Phlx, if the PIXL Order is for a Non-Public Customer, the PIXL Order must also be better than any quote on the same side of the market as the PIXL Order. Priority Customers may start a PIM Auction equal to a quote as these market participants would have priority over all other market participants if a Priority were to submit an order to the

order book. In contrast, a broker dealer or any other person or entity that is not a Priority

would not have this priority with respect to a Market Maker quote. The Exchange's

current rule text at Options 3, Section 13(b)(3) is the same as Phlx Options 3, Section

13(a)(3).

Options 3, Section 11

The Exchange proposes two technical amendments to Options 3, Section 11,

Auction Mechanisms, at paragraph (g). First the Exchange proposes to correct a citation

to Options 11, Section 13(e); the correct citation is Options 3, Section 13(e). Second, the

Exchange proposes to remove a citation to Options 3, Section 13(e)(4)(vi), which does

not exist in the rules as it was removed in a 2022 rule change.[6] The Exchange proposes

to correct a citation in Options 3, Section 11(e)(4)(D) which currently cites to Options 3,

Section 15. The correct citation is to Options 3, Section 10.

Options 3, Section 13

The Exchange proposes to amend Options 3, Section 13(b)(1) and (2) to align its

entry check with Phlx Options 3, Section 13, Price Improvement XL ("PIXL") entry

checks.[7] Specifically, the Exchange proposes to amend its entry check where the PIM

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[6]   See Securities Exchange Act Release No. 96518 (December 16, 2022), 87 FR 78740 (December 22, 2022) (SR-ISE-2022-28) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Certain ISE Complex Order Functionalities in Connection With a Technology Migration).

[7]   Today, Phlx Options 3, Section 13(b)(3) PIXL entry checks for the account of a broker dealer or any other person or entity that is not a Public Customer for orders of 50 contracts or more are the same checks that are currently in place at Phlx Options 3, Section 13(a)(3) for the account of a broker dealer or any other person or entity that is not a Public Customer for orders of 50 contracts or more. Phlx's current rule text defines the "internal PBBO" as the "Reference BBO" at Options 3, Section 13(a)(3)(A). Phlx's same side entry check for the account of a broker dealer or any other person or entity that is not a Public Customer for orders of 50 contracts or more, requires the Reference PBBO price to be improved by at least $0.01 which is analogous to requiring a PIXL Order's quote to be better than the same side of the market as the PIXL Order, similar to ISE's entry check for this category of PIM Order. Of note, Phlx will separately amend its rule text at

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; currently, the Crossing Transaction

must be entered at a price that is: $0.01 better than the NBBO and the internal BBO on

the opposite side of the market from the Agency Order and on the same side of the

market as the Agency Order, (i) equal to or better than the NBBO and (ii) better than any

Limit Order or quote on the ISE order book. At this time, the Exchange proposes to

instead provide that where a PIM Agency Order is for less than 50 option contracts, and

if the difference between the NBBO or the difference between the internal best bid and

the internal best offer is $0.01, the Crossing Transaction must be entered at a price that is:

on the same side of the market as the Agency Order, (i) equal to or better than the NBBO

and (ii) *better than any Limit Order on the Limit Order book. If the Agency Order is for*

a Non-Priority Customer, the Agency Order must also be better than any quote on the

same side of the market as the Agency Order. Today, Phlx Options 3, Section

13(a)(1)(B)(ii) has this identical entry check. With this proposed change, if the Agency

Order is for less than 50 option contracts, and if the difference between the NBBO or the

difference between the internal best bid and the internal best offer is $0.01, the Initiating

Member must stop the entire Agency Order at a price that is on the same side of the

market as the Agency Order, equal to or better than the NBBO[8] and better than any Limit

Order on the Limit Order Book. The Exchange is removing the check against the quote

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Options 3, Section 13(a)(3) to align that rule text with ISE, GEMX and MRX Options 3, Section 13(b)(3).

[8]   For example, if the market is 0.98 bid and 0.99 offer, a Priority Customer Agency Order to buy for less than 50 contracts must be stopped at 0.98 cents in this scenario to be accepted into a PIM Auction, provided there is no resting order or quote on the Limit Order book at 0.98 in which case the Agency Order would be rejected.

for Priority Customers, similar to Phlx. If the Agency Order is for a Non-Priority

Customer, the Agency Order must also be better than any quote on the same side of the

market as the Agency Order. The System will check if the Agency Order is better than

any quote on the same side of the market as the Agency Order if the Agency Order is for

a Non-Priority Customer.

Additionally, the Exchange proposes to amend ISE Options 3, Section

13(b)(2)(B)(i). Currently, Options 3, Section 13(b)(2)(B)(i) provides if an Agency Order

is for the account of a Priority Customer, and such 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: (A)

equal to or better than the internal BBO and NBBO on the opposite side of the market

from the Agency Order, and (B) on the same side of the market as the Agency Order, (i)

at least $0.01 better than any Limit Order or quote on the ISE order book, and (ii) equal

to or better than the NBBO. At this time, the Exchange proposes to amend the same side

prong of the entry check to require if an Agency Order is for the account of a Priority

Customer, and such 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: on the same side of the market as the

Agency Order, (i) at least $0.01 better than any Limit Order on the Limit Order Book,

and (ii) equal to or better than the NBBO which is identical to Phlx Options 3, Section

13(a)(2)(B)(iii). The eligibility requirements if the Agency Order is for the account of a

Priority Customer and such order is for 50 option contracts or more should provide a

meaningful opportunity for price improvement, and thereby benefit investors and others

in a manner that is consistent with the Act.

The Exchange proposes to amend Options 3, Section 13(c) to add language

regarding Improvement Orders in a PIM Auction. Today, multiple Improvement Orders

from the same Member may be submitted during the Auction. Multiple Improvement

Orders at a particular price point submitted by a Member in response to an exposure

period may not exceed, in the aggregate, the size of the Crossing Transaction. However,

a Member using the same badge[9]/mnemonic[10] may only submit a single Improvement

Order per auction ID for a given auction. If an additional Improvement Order is

submitted for the same auction ID from the same badge/mnemonic, then that

Improvement Order will automatically replace the previous Improvement Order. The

Exchange proposes to make clear in its rules that it would not allow Members to submit

multiple Improvement Orders using the same badge/mnemonic and would also not

aggregate all of those Improvement Orders at the same price. The Exchange proposes to

make clear that additional Improvement Orders from the same badge/mnemonic for the

same auction ID will automatically replace the previous Improvement Orders. This

foregoing handling of Improvement Orders is consistent with the current System

handling of Improvement Orders.

Options 3, Section 14

The Exchange proposes to define a Cancel-Replacement Complex Order within

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[9]   A "badge" shall mean an account number, which may contain letters and/or numbers, assigned to
       Market Makers. A Market Maker account may be associated with multiple badges. See Options
       1, Section 1(a)(5).

[10]   A "mnemonic" shall mean an acronym comprised of letters and/or numbers assigned to Electronic
       Access Members. An Electronic Access Member account may be associated with multiple
       mnemonics. See Options 1, Section 1(a)(23).

Options 3, Section 14(b)(20). Today, Options 3, Section 7(f) described a single-leg

Cancel-Replacement Order as follows:

> Cancel and Replace Orders shall mean a single message for the immediate
> cancellation of a previously received order and the replacement of that
> order with a new order. If the previously placed order is already filled
> partially or in its entirety, the replacement order is automatically canceled
> or reduced by the number of contracts that were executed. The
> replacement order will retain the priority of the cancelled order, if the
> order posts to the Order Book, provided the price is not amended or size is
> not increased. In the case of Reserve Orders, the replacement order will
> retain the priority of the cancelled order, if the order posts to the Order
> Book, provided the price is not amended or size (displayed and non-
> displayed) is not changed. If the replacement portion of a Cancel and
> Replace Order does not satisfy the System's price or other reasonability
> checks (e.g. Options 3, Section 15(a)(1)(A) and (a)(1)(B); and Options 3,
> Section 16(a)(1), (b) and (c)(1)) the existing order shall be cancelled and
> not replaced.

Today, the Exchange permits Members to cancel and replace a Complex Order within a

single message, but does not list the order type in Options 3, Section 14.[11] The Exchange

proposes to add the order type at Options 3, Section 14(b)(20) and provide,

> Cancel-Replacement Complex Orders shall mean a single message for the
> immediate cancellation of a previously received Complex Order and the
> replacement of that Complex Order with a new Complex Order. If the
> previously placed Complex Order is already filled partially or in its
> entirety, the replacement Complex Order is automatically canceled or
> reduced by the number of contracts that were executed. The replacement
> Complex Order will retain the priority of the cancelled Complex Order, if
> the order posts to the Complex Order Book, provided the price is not
> amended or size is not increased.

The proposed rule text is identical to the rule text for a single-leg order in Options 3,

Section 7(f) except that: (1) Reserve Orders are not described, because there are no

reserve complex orders; (2) single-leg risk protections do not apply to Complex Orders;

and (3) protections for the legs of a Complex Order are described in Options 3, Section

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[11]   See ISE Options 3, Section 7(f).

7(f) which relates to the single-leg order book.

This order type offers Members the ability to cancel and replace a Complex Order in a single message as compared to entering two separate orders, which some Members may find more efficient. If the previously placed Complex Order is already filled partially or in its entirety, the replacement Complex Order is automatically canceled or reduced by the number of contracts that were executed. Similar to single-leg orders, the replacement Complex Order will retain the priority of the cancelled Complex Order, if the order posts to the Complex Order Book[12], provided the price is not amended or size is not increased. If the price is amended, or the size is increased, the replacement Complex Order will result in a loss in priority. Adding the order to the list of order types in Options 3, Section 14 makes clear that the order type is available for Complex Orders, in addition to single-leg orders. Also, the rule text makes clear the manner in which priority of the replacement Complex Order is retained in the System thereby memorializing the manner in which a Cancel-Replacement Complex Order is handled today by the System.

The Exchange proposes to amend certain rule citations in Options 3, Section 14, Complex Orders, to add the correct citation. Citations to Options 3, Section 22(d) should be to "b" and citations to Options 3, Section 22(e) should be to "c". Options 3, Section 22(b) refers to Limitation on Principal Transactions.[13] Options 3, Section 22(c) refers to

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[12] The concept of priority is only relevant to resting orders on the Order Book or Complex Order Book as it relates to other resting orders when incoming orders trade with those resting orders. If an order is cancelled and then replaced in a way where that order becomes eligible to trade right away, the priority rules do not apply as that order immediately trades and ceases to exist unless volume remains, in which case the remainder does "post to the Complex Order Book" and priority becomes relevant.

[13] Electronic Access Members may not execute as principal orders they represent as agent unless (i) agency orders are first exposed on the Exchange for at least one (1) second, (ii) the Electronic Access Member has been bidding or offering on the Exchange for at least one (1) second prior to receiving an agency order that is executable against such bid or offer, or (iii) the Member utilizes the Facilitation Mechanism pursuant to Options 3, Section 11(b) and (c); (iv) the Member utilizes

limitations on Solicitation Orders.[14]

Options 3, Section 15

The Exchange proposes to amend Options 3, Section 15(a)(1)(A) to note that the

Order Price Protection ("OPP") does not apply to Stop Limit Orders until elected.

Because a Stop Order does not execute upon entry, and instead rests in the System until

the market reaches a certain price level, at which time the order could be executed, the

Exchange does not apply the OPP protection to this order type upon its receipt. Once the

Stop Limit Order is elected, the Exchange checks the Limit Order against the OPP

bounds. The Exchange proposes to amend the OPP language to make clear to Members

that a Stop Limit Order does not trigger OPP since OPP is a risk protection that activates

when the limit price of an order is too far through the contra-side BBO. In this case,

since Stop Limit Orders do not have a limit price until they are elected, OPP could not

apply until the contingency is satisfied. The rule text makes clear to Members when OPP

will apply to a Stop Limit Order so that Members understand the System handling.

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the Price Improvement Mechanism for Crossing Transactions pursuant to Options 3, Section 13; (v) the Member utilizes Qualified Contingent Cross Orders pursuant to Options 3, Section 12(c) and (d); (vi) the Member utilizes a Customer Cross Order pursuant to Options 3, Sections 12(a) or (b); or (vii) the Member utilizes a Complex Order Exposure pursuant to Supplementary Material .01 to Options 3, Section 14. Electronic Access Members may not execute as principal orders they represent as agent within the Solicitation Mechanism pursuant to Options 3, Section 11(d) and (e). See Options 3, Section 22(b).

[14]   Electronic Access Members may not execute orders they represent as agent on the Exchange against orders solicited from Members and non-Member broker-dealers to transact with such orders unless (i) the unsolicited order is first exposed on the Exchange for at least one (1) second, (ii) the Member utilizes the Solicited Order Mechanism pursuant to Options 3, Section 11(e), (iii) the Member utilizes the Facilitation Mechanism pursuant to Options 3, Section 11(d); (iv) the Member utilizes the Price Improvement Mechanism for Crossing Transactions pursuant to Options 3, Section 13; (v) the Member utilizes Qualified Contingent Cross Orders pursuant to Options 3, Section 12(c) and (d); (vi) the Member utilizes a Customer Cross Order pursuant to Options 3, Sections 12(a) or (b); or (vii) the Member utilizes a Complex Order Exposure pursuant to Supplementary Material .01 to Options 3, Section 14. See Options 3, Section 22(c).

The Exchange proposes to amend Options 3, Section 15(a)(1)(C) to align the rule

text of ISE's Market Wide Risk Protection with the Market Wide Risk Protection in

MRX Options 3, Section 15(a)(1)(C). MRX filed a rule change[15] to adopt similar rules

related to Market Wide Risk Protection on ISE. Within that rule change, MRX amended

the rule text that it was copying from ISE.[16] At this time, to harmonize the rule text,

which reflects identical functionality, the Exchange proposes to add rule text related to

the defined term "Complex Options Order" and "entered into the complex order book" to

align the two rules. Today, the Market Wide Risk Protection counting programs maintain

separate counts over rolling time period for the total number of orders entered in the

regular order book, complex order book with only options legs, and the complex order

book with both stock and options legs. Additionally, the risk protection counts the total

number of contracts traded in regular orders and Complex Orders with only options

legs.[17] MRX-2023-10 noted that it proposed to mirror the rules of ISE Options 3, Section

15(a)(1)(C) within (2) through (5) except that the rules will use the defined terms Stock-

Option Order, Stock-Complex Order, and Complex Option Order.[18] MRX noted that ISE

would make a similar change to utilize the defined terms "Stock-Option Order,"[19]

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15   See Securities Exchange Act Release No. 97726 (June 14, 2023), 88 FR 40344 (June 21, 2023)
        (SR-MRX-2023-10) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To
        Amend Complex Order Rules) ("MRX-2023-10").

16   Id.

17   The Member's allowable order rate for the Order Entry Rate Protection is comprised of the
        parameters defined in (1) to (3), while the allowable contract execution rate for the Order
        Execution Rate Protection is comprised of the parameters defined in (4) and (5).

18   See MRX-2023-10 at footnote 54.

19   A Stock-Option Strategy is the purchase or sale of a stated number of units of an underlying stock
        or a security convertible into the underlying stock ("convertible security") coupled with the
        purchase or sale of options contract(s) on the opposite side of the market representing either (A)
        the same number of units of the underlying stock or convertible security, or (B) the number of
        units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio
        greater than eight-to-one (8.00), where the ratio represents the total number of units of the

"Stock-Complex Order"[20] and "Complex Option Order,"[21] which change is being made herein to utilize these terms as appropriate. The Exchange notes that the stock portion of QCC Orders, Complex Qualified QCC Orders, QCC with Stock Orders, and Complex QCC with Stock Orders are not counted in provision (3) because ISE's System does not handle the stock portion of these orders. ISE represents the stock leg through NES as it does for other Stock-Option Orders and Stock-Complex Orders. QCC Orders, Complex Qualified QCC Orders, QCC with Stock Orders, and Complex QCC with Stock Orders are considered, where applicable, in Options 3, Section 15(a)(1)(C)(1), (2), (4) and (5).

Also, the Exchange also proposes to amend Options 3, Section 15(a)(1)(C)(iii) to correct a citation to a subparagraph in that rule. The Exchange proposes to amend a citation to "(b)(1)(D)" to "(ii)."

The Exchange proposes to amend Options 3, Section 15(a)(2)(A), Acceptable Trade Range. Today, the Exchange's System calculates an Acceptable Trade Range to limit the range of prices at which an order and/or quote will be allowed to execute. Upon

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underlying stock or convertible security in the option leg to the total number of units of the underlying stock or convertible security in the stock leg. See Options 3, Section 14(a)(2).

[20]   A Stock-Complex Strategy is the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of a Complex Options Strategy on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option legs to the total number of units of the underlying stock or convertible security in the stock leg. Only those Stock-Complex Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing. See Options 3, Section 14(a)(3).

[21]   A Complex Options Strategy is the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. Only those Complex Options Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing. See Options 3, Section 14(a)(1).

posting of an order at the outer limit of the Acceptable Trade Range, 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. The Exchange proposes to amend the current rule text to state that

a Member may request that their quotes/orders be returned if the quotes/orders would

post at the outer limit of the Acceptable Trade Range, in which case, the quotes/orders

will be returned. This functionality, which is not specified in the current rule, provides a

Member with additional choices as to the price at which their order could execute. The

Exchange proposes to reflect this existing functionality in Options 3, Section 15(a)(2)(A)

to make clear that the choice exists to have an order returned. Today, Phlx also offers

this functionality.[22]

Options 3, Section 22

The Exchange proposes to amend citations in Options 3, Section 22(c) to the

Solicited Order Mechanism ("SOM") and the Facilitation Mechanism to cite to both the

single-leg and Complex Order SOM and Facilitation Mechanism and correct an incorrect

cite. The Exchange proposes to capitalize references to Reserve Order, which is a

defined order type.

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[22]   See Phlx Options 3, Section 15(b)(1)(B).

Options 3, Section 23

The Exchange proposes to amend a technical error in Options 3, Section 23(b)(3), related to FIX Drop, to add a missing "has" to the sentence. This amendment is non-substantive.

Options 4A

The Exchange proposes to remove rule text related to the listing and trading of index options on the Nasdaq 100 Reduced Value Index ("NQX"). In 2018, ISE received approval to list and trade NQX.[23] Since that time, ISE has delisted options on NQX.[24] The Exchange does not have plans to re-list NQX in the foreseeable future. There is no open interest in NQX at this time. The Exchange proposes to delete all references to NQX to provide greater clarity to Members and the public regarding the Exchange's offerings.

Specifically, the Exchange proposes to delete references to NQX in Options 4A, Section 2, Definitions; Section 6, Position Limits for Broad-Based Index Options; and Section 12, Terms of Index Options Contracts. The Exchange also proposes to remove rule text related to NQX in Options 7, Section 3, Regular Order Fees and Rebates; Section 4, Complex Order Fees and Rebates; Section 5, Index Options Fees and Rebates; and Section 6, Other Options Fees and Rebates.

Options 5, Section 4

Today, Options 5, Section 4(a)(iii)(C) relates to the routing of SRCH Orders. Today, Options 5, Section 4(a)(iii)(C) states that a SRCH Order is routable at any time.

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[23]   See Securities Exchange Act Release No. 82911 (March 20, 2018), 83 FR 12966 (March 26, 2018) (SR-ISE-2017-106) (Approval Order).

[24]   See https://www.nasdaqtrader.com/MicroNews.aspx?id=OTA%202024-27.

A SRCH Order on the order book during an Opening Process (including a re-opening

following a trading halt), whether it is received prior to an Opening Process or it is a

Good-Till-Canceled or "GTC"[25] SRCH Order from a prior day, may be routed as part of

an Opening Process. Orders initiate their own Route Timers and are routed in the order

in which their Route Timers end. The Exchange proposes to add Good-Till-Date or

"GTD"[26] SRCH Orders in addition to the GTC SRCH Orders so that Members are aware

that a Time in Force ("TIF") of GTD, in addition to GTC, would be routable. The

Exchange notes that these order types are both instructions to the Exchange that should

be treated in a similar manner by the System with respect to order routing. Since an order

with a TIF of GTD could have been received on a day prior to its routing, adding this rule

text to the routing rule puts Members on notice that the order could route in order to

avoid confusion. The routing rule should have included a GTD TIF in addition to the

GTC TIF, which also may route. The current rule text inadvertently omitted GTD from

the rule text. Today, GTD SRCH Orders may also be routed as part of an Opening

Process.

Options 7, Section 7

The Exchange proposes to remove the language in Options 7, Section 7C, related

to a technology migration, from its Rulebook as the Exchange's technology migration has

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[25]   An order to buy or sell entered with a TIF of "GTC" that remains in force until the order is filled,
         canceled or the option contract expires; provided, however, that GTC orders will be canceled in
         the event of a corporate action that results in an adjustment to the terms of an option contract.
         GTC orders may be entered through FIX or Precise. See Supplementary Material .02(b) to
         Options 3, Section 7.

[26]   An order to buy or sell entered with a TIF of "GTD," which, if not executed, will be cancelled at
         the sooner of the end of the expiration date assigned to the order, or the expiration of the series;
         provided, however, that GTD orders will be canceled in the event of a corporate action that results
         in an adjustment to the terms of an option contract. GTD orders may be entered through FIX or
         Precise. See Supplementary Material .02(c) to Options 3, Section 7.

occurred.[27] The rule text is no longer relevant. Today, Members are assessed the fees in

Options 7, Section 7C for all ports to which they subscribe.

Implementation

The Exchange proposes to specify an implementation date, other than 30 days

from the filing, for the proposed amendments to auction responses that amend the

Facilitation Mechanism at Options 3, Section 11(b)(3), the Solicited Order Mechanism at

Options 3, Section 11(d)(2), and the Price Improvement Mechanism ("PIM") in Options

3, Section 13(c)(2). The Exchange proposes to implement these changes on or before Q2

2026. Additionally, the Exchange proposes to amend the rule change related to the entry

checks in Options 3, Section 13(b)(1) and (2) on or before the end of Q2 2026. The

Exchange will specify the exact dates for each of the proposed changes in an Options

Trader Alert at least 30 days prior to the operative date.

2.   Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section

6(b) of the Act,[28] in general, and furthers the objectives of Section 6(b)(5) of the Act,[29] 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.

Options 3, Section 7

The Exchange's proposal to add an additional sentence to Options 3, Section 7(d)

related to a Stop Order, as well as Options 3, Section 7(e) related to a Stop Limit Order,

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[27]   See Options Trader Alert #2024 – 41.

[28]   15 U.S.C. 78f(b).

[29]   15 U.S.C. 78f(b)(5).

is consistent with the Act because it would systemically prevent a Stop Order from being elected at the time of a late or out-of-sequence report or a trade that is outside the NBBO in the case of a complex order, rather than the execution price at the actual time of the execution. The Exchange believes that describing how the System operates in the case of a Stop Order or Stop Limit Order sets the expectation for Members thereby protecting investors and the public interest. Today, Phlx notes this behavior with respect to its Stop Order.[30]

Auction Responses

The Exchange's proposal to amend the Facilitation Mechanism at Options 3, Section 11(b)(3), the Solicited Order Mechanism at Options 3, Section 11(d)(2), and the PIM in Options 3, Section 13(c)(2) with respect to the handling of Response and Improvement Orders is consistent with the Act because the proposed rule change is intended to protect investors and the public interest. By way of example, during an auction, once an order or quote is received on the opposite side of the PIM, Facilitation, or Solicitation Agency Order which is marketable with the Agency Order, it changes the internal BBO and potentially the NBBO. If such initial order or quote does not comprise enough size to fully satisfy the PIM, Facilitation, or Solicitation Agency Order, since it has changed the internal BBO/NBBO, it now prevents Responses or Improvement Orders which improve the stop price of the auction from being entered at a price that is inferior to the initial order or quote, despite such initial order or quote's inability to satisfy the full volume of the Agency Order at an improved price. By utilizing the better of the internal BBO or the NBBO at the start of the relevant auction, the Exchange believes that better

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[30]   See Phlx Options 3, Section 7(b)(4). Phlx Stop Orders include Stop limit orders.

priced responses would be permitted to trade with the order to be facilitated, Agency

Order or Crossing Transaction. Today, those better priced responses would be rejected.

This proposal would permit a response to these auctions to be entered at a price that is

equal to or better than the better of the internal BBO or the NBBO on the same side of the

market at the start of the auction and on the opposite side of the market at the time the

Response is received, thereby preventing potential auction manipulation which can occur

when an order/quote is entered at a price that improves the price of the order to be

facilitated, Agency Order or Crossing Transaction. This amendment would allow other

responses to that auction to be entered at a price that improves the price of the order to be

facilitated, Agency Order or Crossing Transaction, but is inferior to such other

quote/order responses which improved upon the internal BBO or NBBO. Utilizing the

price of the market at the start of the auction, for the same side check, would prevent an

order or quote from potentially manipulating the final auction price by changing the

internal BBO/NBBO while not fully satisfying the Agency Order, thus preventing

Responses or Improvement Orders from being entered at a price that improves the stop

price of the auction, but remains inferior to the price of such initial order or quote. The

entry checks differ for the same and opposite sides of the market because manipulation

may not occur on the opposite side of the response because only interest on the same side

of the response will be eligible to trade with the auctioned order. The proposed

amendments would allow orders to be facilitated, Agency Orders or Crossing

Transactions to potentially trade at improved prices.

Options 3, Section 11

The Exchange's proposed amendments to Options 3, Section 11, Auction

Mechanisms, at paragraph (g), to correct a citation to Options 11, Section 13(e) and to

remove a citation to Options 3, Section 13(e)(4)(vi), which does not exist in the rules as it

was removed in a 2022 rule change[31] are non-substantive amendments. The Exchange's

proposed amendment to correct a citation in Options 3, Section 11(e)(4)(D) to Options 3,

Section 10 is also a non-substantive amendment.

Options 3, Section 13

Amending ISE's entry checks at Options 3, Section 13(b)(1) and (2) such that an

Agency Order for a Priority Customer, in addition to being equal to or better than the

NBBO, must be better than any Limit Order on the same side of the market as the

Agency Order, and not a quote is consistent with the Act because this proposal will allow

additional PIM Auctions to commence for Priority Customer Agency Orders since the

entry check would not consider quotes. The Exchange will continue to consider all

interest (quotes and orders) for Non-Priority Customers as is the case today. This change

will not impact the handling of orders and quotes and their respective priority on the limit

order book. This proposed change is being made for orders of Priority Customers that are

less than 50 contracts and for orders that are more than 50 contracts. Priority Customers

will continue to be guaranteed at least the NBBO when commencing PIM Orders and will

continue to not trade-through the Exchange's order book. The Exchange believes that the

proposal should continue to provide a Priority Customer Agency Order a meaningful

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31   See Securities Exchange Act Release No. 96518 (December 16, 2022), 87 FR 78740 (December
        22, 2022) (SR-ISE-2022-28) (Notice of Filing and Immediate Effectiveness of Proposed Rule
        Change To Amend Certain ISE Complex Order Functionalities in Connection With a Technology
        Migration).

opportunity for price improvement, and thereby benefit investors and others in a manner that is consistent with the Act. The proposal is identical to PIXL entry checks at Phlx Options 3, Section 13(a)(1)(B) and (a)(2)(B).

The Exchange's proposal to amend Options 3, Section 13(c)(4) to add language regarding Improvement Orders in a PIM Auction is consistent with the Act. The proposal makes clear the current handling of Improvement Orders by not allowing Members to submit multiple Improvement Orders using the same badge/mnemonic and would also not aggregate all of those Improvement Orders at the same price. Further, additional Improvement Orders from the same badge/mnemonic for the same auction ID will automatically replace the previous Improvement Orders. This foregoing handling of Improvement Orders protects investors and the public interest.

Options 3, Section 14

The Exchange's proposal to define a Cancel-Replacement Complex Order within Options 3, Section 14(b)(20) is consistent with the Act because it provides Members the ability to cancel and replace a Complex Order in a single message as compared to entering two separate orders protects investors and the public interest as it allows Members to efficiently replace a prior Complex Order.

The proposed Cancel-Replacement Complex Order at Options 3, Section 14(b)(20) is identical to the rule text for a single-leg Cancel-Replacement Order at ISE Options 3, Section 7(f) except that: (1) Reserve Orders are not described, because there are no reserve complex orders; (2) single-leg risk protections do not apply to Complex Orders; and (3) protections for the legs of a Complex Order are described in Options 3,

Section 7(f) which relates to the single-leg order book.[32] The Exchange is memorializing

the manner in which a Cancel-Replacement Order is handled today by the System. The

Exchange's proposal to amend certain rule citations in Options 3, Section 14, Complex

Orders are non-substantive amendments.

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 15(a)(1)(A) is consistent

with the Act and protects investors and the public interest because it makes clear to

Members that a Stop Limit Order does not trigger OPP since OPP is a risk protection that

activates when the limit price of an order is too far through the contra-side BBO. In this

case, since Stop Limit Orders do not have a limit price until they are elected, OPP could

not apply until the contingency is satisfied. The rule text makes clear to Members when

OPP will apply when a Stop Limit Order is entered.

The Exchange's proposal to amend Options 3, Section 15(a)(1)(C) to align the

rule text of ISE's Market Wide Risk Protection with the Market Wide Risk Protection in

MRX Options 3, Section 15(a)(1)(C) to utilize the defined terms "Stock-Option Order,"[33]

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[32]   Today, the Exchange offers Members a single-leg Cancel-Replacement Order at Options 3, Section 7(f) and a Cancel-Replacement Complex Order that is currently not codified in the Rules.

[33]   A Stock-Option Strategy is the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of options contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option leg to the total number of units of the underlying stock or convertible security in the stock leg. See Options 3, Section 14(a)(2).

"Stock-Complex Order"[34] and "Complex Option Order,"[35] protects investors and the

public interest by clearly describing the operation of the Market Wide Risk Protection.

Today, the Market Wide Risk Protection counting programs maintain separate counts

over rolling time period for the total number of orders entered in the regular order book,

complex order book with only options legs, and the complex order book with both stock

and options legs. Additionally, the risk protection counts the total number of contracts

traded in regular orders and Complex Orders with only options legs.[36] The Market Wide

Risk Protection will continue to reduce risk associated with system errors or market

events that may cause Members to send a large number of orders, or receive multiple,

automatic executions, before they can adjust their exposure in the market. QCC Orders,

Complex Qualified QCC Orders, QCC with Stock Orders, and Complex QCC with Stock

Orders are considered, where applicable, in Options 3, Section 15(a)(1)(C)(1), (2), (4)

and (5). Members will continue to be provided with the flexibility needed to

appropriately tailor the Market Wide Risk Protection to their respective risk management

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[34]   A Stock-Complex Strategy is the purchase or sale of a stated number of units of an underlying
         stock or a security convertible into the underlying stock ("convertible security") coupled with the
         purchase or sale of a Complex Options Strategy on the opposite side of the market representing
         either (A) the same number of units of the underlying stock or convertible security, or (B) the
         number of units of the underlying stock necessary to create a delta neutral position, but in no case
         in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of
         the underlying stock or convertible security in the option legs to the total number of units of the
         underlying stock or convertible security in the stock leg. Only those Stock-Complex Strategies
         with no more than the applicable number of legs, as determined by the Exchange on a class-by-
         class basis, are eligible for processing. See Options 3, Section 14(a)(3).

[35]   A Complex Options Strategy is the simultaneous purchase and/or sale of two or more different
         options series in the same underlying security, for the same account, in a ratio that is equal to or
         greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of
         executing a particular investment strategy. Only those Complex Options Strategies with no more
         than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are
         eligible for processing. See Options 3, Section 14(a)(1).

[36]   The Member's allowable order rate for the Order Entry Rate Protection is comprised of the
         parameters defined in (1) to (3), while the allowable contract execution rate for the Order
         Execution Rate Protection is comprised of the parameters defined in (4) and (5).

needs. MRX-2023-10 noted that ISE would amend its rules to align its rule text to MRX, which reflects identical functionality. The Exchange's proposal to amend Options 3, Section 15(a)(1)(C)(iii) to correct a citation to a subparagraph from "(b)(1)(D)" to "(ii)" is non-substantive.

The Exchange's proposal to amend Options 3, Section 15(a)(2)(A), Acceptable Trade Range, to provide that a Member may request that their quotes/orders be returned if the quotes/orders would post at the outer limit of the Acceptable Trade Range, in which case, the quotes/orders will be returned is consistent with the Act. This functionality, which is not specified in the current rule, provides a Member with additional choices as to the price at which their order/quote could execute. The Exchange proposes to reflect this existing functionality in Options 3, Section 15(a)(2)(A) to make clear that the choice exists to have an order/quote returned. Today, Phlx offers this functionality.[37]

Options 3, Section 22

The Exchange's proposal to amend citations in Options 3, Section 22(c) to the SOM and the Facilitation Mechanism to cite to both the single-leg and Complex Order SOM and Facilitation Mechanism and correct an incorrect cite are non-substantive amendments. The Exchange's proposal to capitalize references to Reserve Order, which is a defined order type, is a non-substantive amendment.

Options 3, Section 23

The Exchange's proposal to amend a technical error in Options 3, Section 23(b)(3), related to FIX Drop, to add a missing "has" to the sentence is non-substantive.

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[37]   See Phlx Options 3, Section 15(b)(1)(B).

Options 4A, Section 2

The Exchange's proposal to remove rule text related to the listing and trading of index options on NQX is consistent with the Act as the Exchange has delisted NQX, there is no open interest in this product, and the Exchange does not have plans to re-list NQX in the foreseeable future. The Exchange proposes to delete all references to NQX to provide greater clarity to Members and the public regarding the Exchange's offerings. Specifically, the Exchange proposes to delete references to NQX in Options 4A, Section 2, Definitions; Section 6, Position Limits for Broad-Based Index Options; and Section 12, Terms of Index Options Contracts. The Exchange also proposes to remove rule text related to NQX in Options 7, Section 3, Regular Order Fees and Rebates; Section 4, Complex Order Fees and Rebates; Section 5, Index Options Fees and Rebates; and Section 6, Other Options Fees and Rebates.

Options 5, Section 4

Amending Options 5, Section 4(a)(iii)(C), related to a SRCH Order, to make clear that a Good-Till-Date or "GTD" SRCH Order may be routed as part of an Opening Process is consistent with the Act and protects investors and the public interest by allowing an order type with this TIF to route to an away market(s) at the NBBO in order for the order to be executed. Since an order with a TIF of GTD could have been received on a day prior to its routing, adding this rule text to the routing rule puts Members on notice that the order could route in order to avoid confusion. Options 5, Section 4(a)(iii)(C) should have included a GTD TIF in addition to the Good-Till-Canceled or "GTC" TIF, which also may route. The current rule text inadvertently omitted GTD from the rule text.

Options 7, Section 7

The Exchange's proposal to remove the language in Options 7, Section 7C, related to a technology migration, from its Rulebook is consistent with the Act as the Exchange's technology migration has occurred. The rule text is no longer relevant. Today, Members are assessed the fees in Options 7, Section 7C for all ports to which they subscribe.

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.

Options 3, Section 7

The Exchange's proposal to add an additional sentence to Options 3, Section 7(d) related to a Stop Order as well as Options 3, Section 7(e) related to Stop Limit Order does not impose an undue burden on intra-market competition because, today, no Member's Stop Order or Stop Limit Order would be elected by a trade that is reported late or out-of-sequence or by a Complex Order trading with another Complex Order.

The Exchange's proposal to add an additional sentence to Options 3, Section 7(d) related to a Stop Order does not impose an undue burden on inter-market competition because today Phlx notes this behavior with respect to its Stop Order or Stop Limit Order.[38]

Auction Responses

The Exchange's proposal to amend the Facilitation Mechanism at Options 3,

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[38]   See Phlx Options 3, Section 7(b)(4) which applies to Stop Orders and Stop limit orders.

Section 11(b)(3), the Solicited Order Mechanism at Options 3, Section 11(d)(2), and the

PIM in Options 3, Section 13(c)(2) with respect to the handling of Response and

Improvement Orders does not impose an undue burden on intra-market competition as

this amendment will be applied uniformly to all orders entered into the Facilitation

Mechanism, the Solicited Order Mechanism or a PIM.

The Exchange's proposal to amend the Facilitation Mechanism at Options 3,

Section 11(b)(3), the Solicited Order Mechanism at Options 3, Section 11(d)(2), and the

PIM in Options 3, Section 13(c)(2) with respect to the handling of Response and

Improvement Orders does not impose an undue burden on inter-market competition

because other options exchanges may adopt a similar rule.

Options 3, Section 11

The Exchange's proposed amendments to Options 3, Section 11, Auction

Mechanisms, at paragraph (g), to correct a citation to Options 11, Section 13(e) and to

remove a citation to Options 3, Section 13(e)(4)(vi), which does not exist in the rules as it

was removed in a 2022 rule change[39] are non-substantive amendments. The Exchange's

proposed amendment to correct a citation in Options 3, Section 11(e)(4)(D) to Options 3,

Section 10 is also a non-substantive amendment.

Options 3, Section 13

The Exchange's proposal to amend ISE's entry checks at Options 3, Section

13(b)(1) and (2) such that an Agency Order for a Priority Customer, in addition to being

equal to or better than the NBBO, must be better than any Limit Order on the same side

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[39]   See Securities Exchange Act Release No. 96518 (December 16, 2022), 87 FR 78740 (December
        22, 2022) (SR-ISE-2022-28) (Notice of Filing and Immediate Effectiveness of Proposed Rule
        Change To Amend Certain ISE Complex Order Functionalities in Connection With a Technology
        Migration).

of the market as the Agency Order, and not a quote does not impose an undue burden on

intra-market competition because the entry check would apply uniformly to all Priority

Customer PIM Agency Orders.

The Exchange's proposal to amend ISE's entry checks at Options 3, Section

13(b)(1) and (2) such that an Agency Order for a Priority Customer, in addition to being

equal to or better than the NBBO, must be better than any Limit Order on the same side

of the market as the Agency Order, and not a quote does not impose an undue burden on

inter-market competition because other options exchanges could adopt a similar entry

check. Today, Phlx Options 3, Section 13(a)(1)(B) and (a)(2)(B) have identical entry

checks.

The Exchange's proposal to amend Options 3, Section 13(c)(4) to add language

regarding Improvement Orders in a PIM Auction does not impose an undue burden on

intra-market competition because the Exchange would handle all Improvement Orders in

a PIM Auction in a uniform manner.

The Exchange's proposal to amend Options 3, Section 13(c)(4) to add language

regarding Improvement Orders in a PIM Auction does not impose an undue burden on

inter-market competition because other options exchanges may adopt a similar rule.

Options 3, Section 14

The Exchange's proposal to define a Cancel-Replacement Order within Options

3, Section 14(b)(20) does not impose an undue burden on inter-market competition

because, today, ISE permits Members to cancel and replace a Complex Order within a

single message allows for more efficiency for Members submitting such orders. Also,

today, ISE permits single-leg order and complex order cancel-replacements.[40]

The Exchange's proposal to define a Cancel-Replacement Order within Options 3, Section 14(b)(20) does not impose an undue burden on intra-market competition because other Exchanges permit similar order types such as Phlx Options 3, Section 14(b)(v).

The Exchange's proposal to amend certain rule citations in Options 3, Section 14, Complex Orders are non-substantive amendments.

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 15(a)(1)(A) to note that the OPP does not apply to Stop Limit Orders until elected does not impose an undue burden on intra-market competition because OPP will uniformly not apply to any Stop Limit Order on the Exchange upon receipt. Once a Stop Limit Order is elected, the Exchange would check such Stop Limit Orders against the OPP bounds.

The Exchange's proposal to amend Options 3, Section 15(a)(1)(A) to note that the OPP does not apply to Stop Limit Orders until elected does not impose an undue burden on inter-market competition because Phlx has a similar rule.[41]

The Exchange's proposal to amend Options 3, Section 15(a)(1)(C) to align the rule text of ISE's Market Wide Risk Protection with the Market Wide Risk Protection in MRX Options 3, Section 15(a)(1)(C) does not impose an undue burden on intra-market competition because this risk protection will apply uniformly to all Members.

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[40]   See ISE Options 3, Section 7(f).

[41]   See Phlx Options 3, Section 7(b)(4).

The Exchange's proposal to amend Options 3, Section 15(a)(1)(C) to align the rule text of ISE's Market Wide Risk Protection with the Market Wide Risk Protection in MRX Options 3, Section 15(a)(1)(C) does not impose an undue burden on inter-market competition because MRX has identical rule text at Options 3, Section 15(a)(1)(C).

The Exchange's proposal to amend Options 3, Section 15(a)(2)(A), Acceptable Trade Range, does not impose an undue burden on intra-market competition because this rule text will apply uniformly to all Members.

The Exchange's proposal to amend Options 3, Section 15(a)(2)(A), Acceptable Trade Range, does not impose an undue burden on inter-market competition because BX has this functionality.[42]

Options 3, Section 23

The Exchange's proposal to amend a technical error in Options 3, Section 23(b)(3), related to FIX Drop, to add a missing "has" to the sentence is non-substantive.

Options 4A, Section 2

The Exchange's proposal to remove rule text related to the listing and trading of index options on NQX does not impose an undue burden on intra-market competition as no Member will be able to transact in NQX.

The Exchange's proposal to remove rule text related to the listing and trading of index options on NQX does not impose an undue burden on inter-market competition as other exchanges may innovate and propose similar products.

Options 5, Section 4

The Exchange's proposal to amend Options 5, Section 4(a)(iii)(C), related to a

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[42]   See BX Options 3, Section 15(b)(1)(A).

SRCH Order, does not impose an undue burden on intra-market competition as all

Member GTD Orders will be treated in a uniform manner with respect to routing and

GTD and GTC Orders, which both include instructions to the Exchange for expiration,

would both be treated in a similar manner by the System with respect to order routing.

The Exchange's proposal to amend Options 5, Section 4(a)(iii)(C), related to a

SRCH Order, does not impose an undue burden on inter-market competition as other

exchanges can elect to route GTD Orders.

Options 7, Section 7

The Exchange's proposal to remove the language in Options 7, Section 7C,

related to a technology migration, from its Rulebook does not impose an undue burden on

intra-market competition as the rule text will not be applied to any Member.

The Exchange's proposal to remove the language related to a technology

migration from its Rulebook does not impose an undue burden on inter-market

competition as the rule text is no longer relevant and was only subject to a technology

migration.

     C.   <u>Self-Regulatory Organization's Statement on Comments on the Proposed
Rule Change Received from Members, Participants, or Others</u>

No written comments were either solicited or received.

III.   <u>Date of Effectiveness of the Proposed Rule Change and Timing for Commission
Action</u>

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[43] and subparagraph (f)(6) of Rule 19b-4 thereunder.[44]

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:

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-ISE-2025-07 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.

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43   15 U.S.C. 78s(b)(3)(A)(iii).

44   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.

All submissions should refer to file number SR-ISE-2025-07. 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 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 a.m. and 3 p.m. Copies of the filing also 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-ISE-2025-07 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[45]

Sherry R. Haywood,

Assistant Secretary.

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[45]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq ISE, LLC Rules

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Options Rules

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Options 3 Options Trading Rules

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Section 7. Types of Orders and Order and Quote Protocols

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(d) *Stop Orders*. A stop order is an order that becomes a market order when the stop price is elected. A stop order to buy is elected when the option is bid or trades on the Nasdaq ISE at, or above, the specified stop price. A stop order to sell is elected when the option is offered or trades on the Nasdaq ISE at, or below, the specified stop price. A Stop Order shall be cancelled if it is immediately electable upon receipt. Stop Orders may only be entered through FIX or Precise. A Stop Order shall not be elected by a trade that is reported late or out of sequence or by a Complex Order trading with another Complex Order.

(e) *Stop Limit Orders*. A stop limit order is an order that becomes a limit order when the stop price is elected. A stop limit order to buy is elected when the option is bid or trades on the Nasdaq ISE at, or above, the specified stop price. A stop limit order to sell becomes a sell limit order when the option is offered or trades on the Nasdaq ISE at, or below, the specified stop price. A Stop Limit Order shall be cancelled if it is immediately electable upon receipt. Stop Limit Orders may only be entered through FIX or Precise. A Stop Limit Order shall not be elected by a trade that is reported late or out of sequence or by a Complex Order trading with another Complex Order.

* * * * *

(k) *Legging Orders*. A Legging Order is a Limit Order on the single-leg limit order book in an individual series that represents one leg of a two-legged Complex Options Order that is to buy or sell an equal quantity of two options series resting on the Exchange's Complex Order Book. Legging Orders are firm orders that are included in the Exchange's displayed best bid or offer. Legging Orders are not routable and have a TIF of Day.

The System will evaluate whether Legging Orders may be generated (1) when a Complex Options Order enters the Complex Order Book, and (2) after a time interval (to be determined by the Exchange, not to exceed 1 second) when the NBBO or Exchange best bid or offer in any component of a Complex Options Order changes. The Exchange may determine to limit the number of Legging Orders generated on an objective basis and may determine to remove

existing Legging Orders in order to maintain a fair and orderly market in times of extreme volatility or uncertainty. Legging Orders are treated as having no Priority Customer capacity on the single-leg order book, regardless of being generated from Priority Customer Complex Options Orders.

(1) *Generation of Legging Orders*. A Legging Order may be automatically generated for one or both leg(s) of a Complex Options Order resting on top of the Complex Order Book at a price: (i) that matches or improves upon the best displayed bid or offer on the single-leg limit order book; and (ii) at which the net price can be achieved when the other leg is executed against the best displayed bid or offer on the single-leg limit order book, excluding other Legging Orders. Legging Orders will be generated and executed in the minimum increment for that options series.

* * * * *

(4) *Removal of Generated Legging Orders*. A Legging Order is automatically removed from the single-leg limit order book if: (i) the price of the Legging Order is no longer at the displayed best bid or offer on the single-leg limit order book or is at a price that locks or crosses the best bid or offer of another exchange, (ii) execution of the Legging Order would no longer achieve the net price of the Complex Options Order when the other leg is executed against the best displayed bid or offer on the single-leg limit order book, excluding other Legging Orders, (iii) the Complex Options Order is executed in full or in part on the Complex Order Book, (iv) the Complex Options Order is cancelled or modified, (v) the price of the leg(s) of a Complex Options Order is outside of the price limits described in Options 3, Section 16(a), (vi) the System initiates a complex auction on either side in the Complex Options Strategy, or the System initiates a single-leg auction on either side in any component of the Complex Options Strategy, or (vii) a Legging Order is generated by a different Complex Order in the same leg at a better price or the same price for a participant with a higher price priority.

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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.

* * * * *

(3) Responses may be priced at the price of the order to be facilitated or at a better price and will only be considered up to the size of the order to be facilitated. Responses must

be entered at a price that is equal to or better than the better of the internal BBO and the NBBO: (1) on the same side of the market at the start of the auction; and (2) on the opposite side of the market at the time the Response is received.

* * * * *

(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.

* * * * *

(2) Upon entry of both orders into the Solicited Order Mechanism at a proposed execution price, a broadcast message that includes the series, price and size of the Agency Order, and whether it is to buy or sell, will be sent and Members will be given an opportunity to enter Responses with the prices and sizes at which they would be willing to participate in the execution of the Agency Order. Responses must be entered at a price that is equal to or better than the better of the internal BBO and the NBBO: (1) on the same side of the market at the start of the auction; and (2) on the opposite side of the market at the time the Response is received.

* * * * *

(e) **Complex Solicited Order Mechanism**. The Complex Solicited Order Mechanism is a process by which an Electronic Access Member can attempt to execute Complex Orders it represents as agent (the "Agency Complex Order") against contra orders that it solicited according to sub-paragraph (d) above. Each Complex Order entered into the Solicited Order Mechanism shall be designated as all-or-none, and each options leg must meet the minimum contract size requirement contained in sub-paragraph (d) above.

* * * * *

(4) Responses submitted by Members shall not be visible to other auction participants during the exposure period and can be modified or deleted before the exposure period has ended. At the end of the period given for the entry of Responses, the Agency Complex Order will be automatically executed in full pursuant to paragraphs (A) through (D) below, or cancelled.

* * * * *

(D) When executing the Agency Complex Order against other interest in accordance with Options 3, Section 14(d)(2)(ii), Priority Customer Complex Orders and Priority Customer Responses will be executed first. Non-Priority Customer Complex Orders and non-Priority Customer Responses participate next in the execution of the Agency Complex Order based upon the percentage of the total number of contracts available at the best price that is represented by the size

of the non-Priority Customer Complex Order or non-Priority Customer Response. Finally, for Complex Options Orders, bids and offers for the individual legs will be executed pursuant to Options 3, Section 1[5]0 and the Supplementary Material thereto.

* * * * *

(g) **Concurrent Complex Order and single leg auctions**. An auction in the Block Order Mechanism at Options 3, Section 11(a), Facilitation Mechanism at Options 3, Section 11(b), Solicited Order Mechanism at Options 3, Section 11(d), or Price Improvement Mechanism at Options 3, Section 13(d), respectively, for an option series may occur concurrently with a Complex Order Exposure Auction at Supplementary Material .01 to Options 3, Section 14, Complex Facilitation Auction at Options 3, Section 11(c), Complex Solicited Order Auction at Options 3, Section 11(e), or Complex Price Improvement Mechanism auction at Options [11]3, Section 13(e), respectively, for a Complex Order that includes that series. To the extent that there are concurrent Complex Order and single leg auctions involving a specific option series, each auction will be processed sequentially based on the time the auction commenced. At the time an auction concludes, including when it concludes early, the auction will be processed pursuant to Options 3, Section 11(a), (b), (d), or Section 13(a), as applicable, for the single option, or pursuant to Supplementary Material .01 to Options 3, Section 14, Options 3, Section 11(c), 11(e), Options 3, Section 13(e), as applicable, for the Complex Order[, except as provided for at Options 3, Section 13(e)(4)(vi)].

* * * * *

Section 13. Price Improvement Mechanism for Crossing Transactions

* * * * *

(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 a price that is:

   (A) $0.01 better than the NBBO and the internal BBO on the **opposite side** of the market from the Agency Order and

   (B) on the **same side** of the market as the Agency Order,

      (i) equal to or better than the NBBO and

(ii) better than any Limit Order [or quote] on the [ISE]<u>Limit O[o]</u>rder book. <u>If the Agency Order is for a Non-Priority Customer, the Agency Order must also be better than any quote on the same side of the market as the Agency Order.</u>

(2) If the Agency Order is for the account of a Priority Customer, and such 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:

(A) equal to or better than the internal BBO and NBBO on the **opposite side** of the market from the Agency Order, and

(B) on the **same side** of the market as the Agency Order,

(i) at least $0.01 better than any Limit Order [or quote]on the [ISE]<u>Limit O[o]</u>rder book, and

(ii) equal to or better than the NBBO.

* * * * *

(c) Exposure Period. Upon entry of a Crossing Transaction into the Price Improvement Mechanism, a broadcast message that includes the series, price and size of the Agency Order, and whether it is to buy or sell, will be sent to all Members. This broadcast message will not be included in the Nasdaq ISE disseminated best bid or offer and will not be disseminated through OPRA.

* * * * *

(2) Improvement Orders may be entered by all Members in one-cent increments at the same price as the Crossing Transaction or at an improved price for the Agency Order, and will only be considered up to the size of the Agency Order. <u>Improvement Orders must be entered at a price that is equal to or better than the better of the internal BBO and the NBBO: (1) on the same side of the market at the start of the PIM auction; and (2) on the opposite side of the market at the time the Response is received.</u>

* * * * *

(4) During the exposure period, responses (including the Counter-Side Order, Improvement Orders, and any changes to either) submitted by Members shall not be visible to other auction participants. <u>Multiple Improvement Orders from the same Member may be submitted during the Auction. Multiple Improvement Orders at a particular price point submitted by a Member in response to an exposure period may not exceed, in the aggregate, the size of the Crossing Transaction. However, a Member using the same badge/mnemonic may only submit a single Improvement Order per auction ID for a given auction. If an additional Improvement Order is submitted for the same auction ID from the same badge/mnemonic, then that Improvement Order will automatically replace the previous Improvement Order.</u>

* * * * *

Section 14. Complex Orders

* * * * *

(b) *Types of Complex Orders*. Unless otherwise specified, the definitions used below have the same meaning contained in Options 3, Section 7. The Exchange may determine to make certain order types and/or times-in-force available on a class or System basis. Complex Orders may be entered using the following orders or designations:

* * * * *

(20) Cancel-Replacement Complex Order. Cancel-Replacement Complex Orders shall mean a single message for the immediate cancellation of a previously received Complex Order and the replacement of that Complex Order with a new Complex Order. If the previously placed Complex Order is already filled partially or in its entirety, the replacement Complex Order is automatically canceled or reduced by the number of contracts that were executed. The replacement Complex Order will retain the priority of the cancelled Complex Order, if the order posts to the Complex Order Book, provided the price is not amended or size is not increased.

* * * * *

(c) *Applicability of Exchange Rules*. Except as otherwise provided in this Rule, complex strategies shall be subject to all other Exchange Rules that pertain to orders and quotes generally.

* * * * *

(3) Internalization. Complex Orders represented as agent may be executed (i) as principal as provided in Options 3, Section 22([d]b), or (ii) against orders solicited from Members and non-Member broker-dealers as provided in Options 3, Section 22([e]c). The exposure requirements of Options 3, Section 22([d]b) or ([e]c) must be met on the Complex Order Book unless the order is executed in one of the mechanisms described in Options 3, Sections 11, 12 and 13.

* * * * *

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

(1) The following are order risk protections on ISE:

(A) **Order Price Protection ("OPP")**. OPP is a feature of the System that prevents limit orders at prices outside of pre-set standard limits from being accepted by the System. OPP applies to all options but does not apply to Stop-Limit Orders until elected.

* * * * *

(C) **Market Wide Risk Protection**. All Members must provide parameters for the order entry and execution rate protections described in this Rule. The Exchange will also establish default values for each of these parameters that apply to Members that do not submit the required parameters, and will announce these default values in an Options Trader Alert to be distributed to Members. The System will maintain one or more counting programs for each Member that count orders entered and contracts traded on Nasdaq ISE or across both Nasdaq ISE and Nasdaq GEMX. Members can use multiple counting programs to separate risk protections for different groups established within the Member. The counting programs will maintain separate counts, over rolling time periods specified by the Member for each count, of: (1) the total number of orders entered in the regular order book; (2) the total number of [orders]Complex Option Orders entered in the complex order book [with only options legs]; (3) the total number of Stock-Option and Stock-Complex Orders entered into the complex order book; (4) the total number of contracts traded in regular orders; (5) the total number of contracts traded in Complex Options Orders[Stock-Option and Stock-Complex Orders]; and (6) the total number of contracts traded in Stock-Option and Stock-Complex Orders entered into the complex order book. The minimum and maximum duration of the applicable time period will be established by the Exchange and announced via an Options Trader Alert.

* * * * *

(iii) The Market Wide Risk Protection will remain engaged until the Member manually notifies the Exchange to enable the acceptance of new orders. For Members that still have open orders on the order book that have not been cancelled pursuant to subparagraph [(b)(1)(D)](ii) above, the System will continue to allow those Members to interact with existing orders entered before the protection was triggered, including sending cancel order messages and receiving trade executions for those orders.

* * * * *

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

(A) **Acceptable Trade Range**.

* * * * *

(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, <u>unless a Member has requested that their quotes or orders be returned if the quotes/orders would post at the outer limit of the Acceptable Trade Range (in which case, the quotes/orders will be returned)</u>. 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).

* * * * *

Section 22. Limitations on Order Entry

* * * * *

(c) Limitation on Solicitation Orders. Electronic Access Members may not execute orders they represent as agent on the Exchange against orders solicited from Members and non-Member broker-dealers to transact with such orders unless (i) the unsolicited order is first exposed on the Exchange for at least one (1) second, (ii) the Member utilizes the Solicited Order Mechanism pursuant to Options 3, Section 11<u>(d) and </u>(e), (iii) the Member utilizes the Facilitation Mechanism pursuant to Options 3, Section 11([d]<u>b) and (c)</u>; (iv) the Member utilizes the Price Improvement Mechanism for Crossing Transactions pursuant to Options 3, Section 13; (v) the Member utilizes Qualified Contingent Cross Orders pursuant to Options 3, Section 12(c) and (d); (vi) the Member utilizes a Customer Cross Order pursuant to Options 3, Sections 12(a) or (b); or (vii) the Member utilizes a Complex Order Exposure pursuant to Supplementary Material .01 to Options 3, Section 14.

* * * * *

Supplementary Material to Options 3, Section 22

* * * * *

.02 With respect to the non-displayed reserve portion of a [r]<u>R</u>eserve [o]<u>O</u>rder, the exposure requirement of paragraphs (b) and (c) are satisfied if the displayable portion of the [r]<u>R</u>eserve [o]<u>O</u>rder is displayed at its displayable price for one second.

* * * * *

Section 23. Data Feeds and Trade Information

* * * * *

(b) The following order and execution information is available to Members:

* * * * *

(3) **FIX DROP** is a real-time order and execution update message that is sent to a Member after an order <u>has</u> been received/modified or an execution has occurred and contains trade details

specific to that Member. The information includes, among other things, the following: (i) executions; (ii) cancellations; (iii) modifications to an existing order; and (iv) busts or post-trade corrections.

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Options 4A Options Index Rules

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Section 2. Definitions

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Supplementary Material to Options 4A, Section 2

.01 The reporting authorities designated by the Exchange in respect of each index underlying an index options contract traded on the Exchange are as provided in the chart below.

Underlying Index	Reporting Authority
Nasdaq 100 Index	The Nasdaq Stock Market
[Nasdaq 100 Reduced Value Index]	[The Nasdaq Stock Market]
Mini Nasdaq 100 Index	The Nasdaq Stock Market
KBW Bank Index	Keefe, Bruyette & Woods, Inc.
Nations VolDex Index	Nasdaq ISE

* * * * *

Section 6. Position Limits for Broad-Based Index Options

(a) Options 9, Section 13 generally shall govern position limits for broad-based index options, as modified by this Options 4A, Section 6. There may be no position limit for certain Specified (as provided in Options 4A, Section 1) broad-based index options contracts. Except as otherwise indicated below, the position limit for a broad-based index option shall be 25,000 contracts on the same side of the market. [Reduced-value or m]Micro index value options on broad-based security indexes for which full-value options have no position and exercise limits will similarly have no position and exercise limits. All other broad-based index options contracts shall be subject to a contract limitation fixed by the Exchange, which shall not be larger than the limits provided in the chart below.

Broad-Based Underlying Index	Standard Limit (on the same side of the market)	Restrictions
Nasdaq 100 Index	None	None
Mini Nasdaq 100 Index	None	None
Nations VolDex Index	None	None
[Nasdaq 100 Reduced Value Index]	[None]	[None]
Nasdaq 100 Micro Index Options	None	None

* * * * *

(c) Positions in [reduced-value or]micro index value index options shall be aggregated with positions in full-value indices. For such purposes, [reduced-value contracts or]micro index value will be counted consistent with their value (e.g., [5 NQX reduced-value contracts equal 1 NDX full-value contract and]one hundred XND micro index value contracts equal 1 NDX full-value contract).

* * * * *

Section 12. Terms of Index Options Contracts

(a) *General*.

* * * * *

(3) *Expiration Months and Weeks*. Index options contracts may expire at three (3)-month intervals, in consecutive weeks or in consecutive months (as specified by class below). The Exchange may list: (i) up to six (6) standard monthly expirations at any one time in a class, but will not list index options that expire more than twelve (12) months out; (ii) up to 12 standard monthly expirations at any one time for any class that the Exchange (as the Reporting Authority) uses to calculate a volatility index; and (iii) up to 12 standard (monthly) expirations in NDX options[, NQX options,] and XND options.

(4) *"European-Style Exercise."* European-style index options, some of which may be A.M.-settled as provided in paragraph (a)(5) or P.M.-settled as provided for in paragraph (a)(6), are approved for trading on the Exchange on the following indexes:

(i) Full-size Nasdaq 100 Index;

[(ii) Nasdaq 100 Reduced Value Index;]

(ii[i]) Nasdaq 100 Micro Index;

(iii[v]) Mini Nasdaq 100 Index;

(iv) KBW Bank Index; and

(v[i]) Nations VolDex Index.

* * * * *

(6) P.M. - Settled Index Options. The last day of trading for P.M.-settled index options shall be the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last business day before its expiration date. The current index value at expiration of the index is determined by the last reported sale price of each component security. In the event that the primary market for an underlying security does not open for trading on the expiration date, the price of that security shall be the last reported sale price prior to the expiration date. The following P.M.-settled index options are approved for trading on ISE:

(i) In addition to A.M.-settled Nasdaq-100 Index options approved for trading on the Exchange pursuant to Options 4A, Section 12(a)(5), the Exchange may also list options on (i) the Nasdaq-100 Index whose exercise settlement value is the closing value of the Nasdaq-100 Index on the expiration day (P.M.-settled third Friday-of-the-month NDX options series)[; and (ii) the Nasdaq 100 Reduced Value Index ("NQX") whose exercise settlement value is derived from closing prices on the expiration day ("P.M.-settled")]; and (ii) [In addition to A.M.-settled Nasdaq-100 Index options approved for trading on the Exchange pursuant to Options 4A, Section 12(a)(5), the Exchange may also list options on]the Nasdaq 100 Micro Index ("XND") whose exercise settlement value is derived from closing prices on the expiration day ("P.M.-settled").

(b) *Long-Term Index Options Series*.

* * * * *

(i) Index long term options series may be based on either the full value[, reduced value,] or micro index value of the underlying index. There may be up to ten (10) expiration months, none further out than sixty (60) months. Strike price intervals and continuity Rules shall not apply to such options series until the time to expiration is less than twelve (12) months. Bid/ask differentials for long-term options contracts are specified within Options 2, Section 4(b)(4)(i)(A).

* * * * *

(c) *Procedures for Adding and Deleting Strike Prices*.

The procedures for adding and deleting strike prices for index options are provided in Options 4, Section 5, as amended by the following:

(1) The interval between strike prices will be no less than $5.00; provided, that in the case of the following classes of index options, the interval between strike prices will be no less than $2.50:

(i) Full-size Nasdaq 100 Index, if the strike price is less than $200.00;

[(ii) Nasdaq 100 Reduced Value Index, if the strike price is less than $200.00;]

(ii[i]) Nasdaq 100 Micro Index, if the strike price is less than $200;

(ii[v]) Mini Nasdaq 100 Index, if the strike price is less than $200.00;

(iv) KBW Bank Index, if the strike price is less than $200.00; and

(v[i]) Nations VolDex Index, if the strike price is less than $200.00.

* * * * *

(5) Notwithstanding Options 4A, Section 12(c)(1), the interval between strike prices of series of Mini-Nasdaq-100 Index ("MNX" or "Mini-NDX")[, Nasdaq 100 Reduced Value Index ("NQX"),] or Nasdaq 100 Micro Index ("XND") options will be $1 or greater, subject to following conditions:

(i) Initial Series. The Exchange may list series at $1 or greater strike price intervals for Mini-NDX[, NQX,] or XND options, and will list at least two strike prices above and two strike prices below the current value of MNX[, NQX,] or XND at about the time a series is opened for trading on the Exchange. The Exchange shall list strike prices for Mini-NDX[, NQX,] or XND options that are within 5 points from the closing value of MNX[, NQX,] or XND on the preceding day.

(ii) Additional Series. Additional series of the same class of Mini-NDX[, NQX,] or XND options may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the underlying MNX[, NQX,] or XND moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing value of MNX[, NQX,] or XND. The Exchange may also open additional strike prices that are more than 30% above or below the current MNX[, NQX,] or XND value provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. In addition to the initial listed series, the Exchange may list up to sixty (60) additional series per expiration month for each series in Mini-NDX[, NQX,] or XND options.

(iii) The Exchange shall not list LEAPS on Mini-NDX[, NQX,] or XND options at intervals less than $5.

(iv)

(A) Delisting Policy. With respect to Mini-NDX[, NQX,] or XND options added pursuant to the above paragraphs, the Exchange will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current value of MNX[, NQX,] or XND, and delist series with no open interest in both the put and the call series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(B) Notwithstanding the above referenced delisting policy, Customer requests to add strikes and/or maintain strikes in Mini-NDX[, NQX,] or XND option series eligible for delisting shall be granted.

(C) In connection with the above referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other options exchanges with similar delisting policies regarding eligible series for delisting, and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed Mini-NDX[, NQX,] or XND options.

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Options 5 Order Protection and Locked and Crossed Markets

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Section 4. Order Routing

(a) The Exchange offers two routing strategies, FIND and SRCH. Each of these routing strategies will be explained in more detail below. An order may in the alternative be marked Do Not Route or "DNR". The Exchange notes that for purposes of this Rule the System will route FIND and SRCH Orders with no other contingencies. Immediate-or-Cancel ("IOC") Orders will be cancelled immediately if not executed, and will not be routed. The System checks the order book for available contracts for potential execution against the FIND or SRCH Orders. After the System checks the order book for available contracts, orders are sent to other available market centers for potential execution. When checking the order book, the System will seek to execute at the price at which it would send the order to an away market. For purposes of this Rule, a Route Timer shall not exceed one second and shall begin at the time orders are accepted into the System, and the System will consider whether an order can be routed at the conclusion of each Route Timer. Finally, for purposes of this Rule, "exposure" or "exposing" an order shall mean a notification sent to Members with the price, size, and side of interest that is available for execution. Exposure notifications will be sent to Members in accordance with the routing procedures described in Options 5, Section 4(a)(iii) below except if an incoming order is joining an already established BBO price when the ABBO is locked or crossed with the BBO, in which case such order will join the established BBO price and no exposure notification will be sent. An order exposure will be sent if the order size is modified. For purposes of this Rule, the Exchange's opening process is governed by Options 3, Section 8 and includes an opening after a trading halt ("Opening Process"). Routing options may be combined with all available order types and times-in-force, with the exception of order types and times-in-force whose terms are inconsistent with the terms of a particular routing option. The order routing process shall be available to Members from 9:30 a.m. Eastern Time until market close and shall route orders as described below. Members can designate orders as either available for routing or not available for routing. All routing of orders shall comply with Options 5, Options Order Protection and Locked and Crossed Market Rules.

* * * * *

(iii) The following order types are available:

* * * * *

(C) **SRCH Order**. A SRCH Order is routable at any time. A SRCH Order on the order book during an Opening Process (including a re-opening following a trading halt), whether it is received prior to an Opening Process or it is a <u>GTD or </u>GTC SRCH Order from a prior day, may be routed as part of an Opening Process. Orders initiate their own Route Timers and are routed in the order in which their Route Timers end.

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Options 7 Pricing Schedule

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Section 3. Regular Order Fees and Rebates

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7. For all executions in regular NDX[,]<u>and </u>XND[and NQX]orders, the applicable index options fees in Section 5 will apply.

* * * * *

Section 4. Complex Order Fees and Rebates[5] [12] [15]

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4. No Priority Customer complex order rebates will be paid for orders in NDX, XND[, NQX] or MNX.

5. For all executions in complex XND [and NQX]orders, the XND [and NQX]index options fees in Section 5 will apply.

* * * * *

Section 5. Index Options Fees and Rebates

* * * * *

B. <u>Reserved</u>[NQX Index Options Fees and Rebates for Regular and Complex Orders

Market Participant	Maker Fee	Taker Fee[1]
Market Maker	$0.25	$0.25
Market Maker (for orders sent by Electronic Access Members)	$0.25	$0.25

Non-Nasdaq ISE Market Maker (FarMM)	$0.25	$0.25
Firm Proprietary / Broker-Dealer	$0.25	$0.25
Professional Customer	$0.25	$0.25
Priority Customer	$0.00	$0.00

1. Fee will also apply to the originating and contra side of Crossing Orders and to Responses to Crossing Orders.]

* * * * *

D. Non-Priority Customer License Surcharge for Index Options

Symbols	Fee
BKX	$0.10
NDX[, NQX]	$0.25
XND	$0.10

* * * * *

Section 6. Other Options Fees and Rebates

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E. Marketing Fee

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» Marketing fees are waived NDX, XND, [NQX,]MNX and for Complex Orders in all symbols.

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Section 7. Connectivity Fees

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C. Ports and Other Services

[ISE Members will be required to transition from legacy FIX Ports, SQF Ports, SQF Purge Ports, OTTO Ports, CTI Ports and FIX DROP Ports to new FIX Ports, SQF Ports, SQF Purge

Ports, OTTO Ports, CTI Ports and FIX DROP Ports in conjunction with a technology infrastructure migration.

ISE will not assess the below port fees for any new FIX Ports, SQF Ports, SQF Purge Ports, OTTO Ports, CTI Ports and FIX DROP Ports, which are duplicative of legacy FIX Ports, SQF Ports, SQF Purge Ports, OTTO Ports, CTI Ports and FIX DROP Ports, acquired as part of the migration from August 1, 2024 through October 31, 2024 ("Transition Period").

ISE will continue to assess the below fees for legacy FIX Ports, SQF Ports, SQF Purge Ports, OTTO Ports, CTI Ports and FIX DROP Ports during the Transition Period. ISE will sunset legacy FIX Ports, SQF Ports, SQF Purge Ports, OTTO Ports, CTI Ports and FIX DROP Ports on December 20, 2024. Additionally, ISE will assess the below port fees for any new legacy FIX Ports, SQF Ports, SQF Purge Ports, OTTO Ports, CTI Ports and FIX DROP Ports acquired during the Transition Period.

As of November 1, 2024, ISE will assess Members the below fees for all ports to which they subscribe.]

The below charges are assessed by ISE for connectivity to ISE.

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