

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 31

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

File No. \* SR 2026 - \* 03

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	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pilot	Extension of Time Period for Commission Action *	Date Expires *		19b-4(f)(1)	19b-4(f)(4)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		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 BOX Spread Position Limits and other rule amendments

### 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 *	<input type="text"/>	Last Name *	<input type="text"/>
Title *	<input type="text"/>		
E-mail *	<input type="text"/>		
Telephone *	<input type="text"/>	Fax	<input type="text"/>

### 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

(Title \*)

By

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.

 Date: 2026.01.27  
15:49:31 -05'00'

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

Add Remove View

SR-ISE-2026-03 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 \***

Add Remove View

SR-ISE-2026-03 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 \***

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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-2026-03 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**

Add Remove View

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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule to amend Options 3, Section 5 (Entry and Display of Single-Leg Orders); Options 3, Section 7 (Types of Orders and Order and Quote Protocols); Options 3, Section 14 (Complex Orders); and Options 9, Section 14 (Exemptions from Position Limits).

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

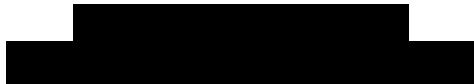
The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) The proposed rule change amends Nasdaq GEMX, LLC (“GEMX”) and Nasdaq MRX, LLC (“MRX”) Options 9, Section 14. GEMX and MRX incorporate ISE Options 9, Section 14 by reference.

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.



---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.



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 Options 3, Section 5 (Entry and Display of Single-Leg Orders); Options 3, Section 7 (Types of Orders and Order and Quote Protocols); Options 3, Section 14 (Complex Orders); and Options 9, Section 14 (Exemptions from Position Limits). Each rule change will be described below.

**Options 3, Section 5**

The Exchange proposes to amend Options 3, Section 5, Entry and Display of Single-Leg Orders, to align the rule text at Options 3, Section 5(c) with Nasdaq Phlx LLC (“Phlx”) Options 3, Section 5(c). Today, ISE Options 3, Section 5(c) states,

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

At this time, the Exchange proposes to state,

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

The amendment is non-substantive because, today, a non-displayed order on the order book will be executed at the best price on the Exchange whether that best price is displayed or non-displayed.

**Options 3, Section 7**

The Exchange proposes to amend the language of ISE Supplementary .03 to Options 3, Section 7 to align with Phlx Supplementary .03 to Options 3, Section 7. Specifically, the Exchange proposes to amend the “Financial Information eXchange” or “FIX” at Supplementary .03(a) to Options 3, Section 7 to align the rule text with Phlx Supplementary .03(a) to Options 3, Section 7 and note that the interface allows Members and their Sponsored Customers to connect, send, and receive messages related to orders and auction orders *and responses to and from* the Exchange. This amendment reflects current System operation.

Similarly, the Exchange proposes to amend the “Ouch to Trade Options” or “OTTO” at Supplementary .03(b) to Options 3, Section 7 to align the rule text with Phlx Supplementary .03(b) to Options 3, Section 7 and note that the interface allows Members and their Sponsored Customers to connect, send, and receive messages related to orders, auction orders, and auction responses to *and from* the Exchange. This amendment reflects current System operation.

Finally, the Exchange proposes to amend the “Specialized Quote Feed” or “SQF” at Supplementary .03(c) to Options 3, Section 7 to align the rule text with Phlx Supplementary .03(c) to Options 3, Section 7 and note that the interface allows Market Makers to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses to *and from* the Exchange. This amendment reflects current System operation.

**Options 3, Section 14**

The Exchange proposes to amend Options 3, Section 14(b)(5) to change

“Customer Cross Complex Order” to “Complex Customer Cross Order” so that the term conforms to the manner it is utilized in Options 3, Section 12(b). Amending Options 3, Section 14(b)(5) to change “Customer Cross Complex Order” to “Complex Customer Cross Order” is a non-substantive amendment. The Exchange also proposes to replace “Options 3, Section 12” with the word “Rule” in Options 3, Section 14(b)(13) to align with Phlx Options 3, Section 14(b)(13). The Exchange proposes to change “n” to “in” within Supplementary Material .07 to Options 3, Section 14. These technical amendments are all non-substantive.

#### **Options 9, Section 14**

ISE proposes to amend Options 9, Section 14, Exemptions from Position Limits, at subparagraph (a) which currently states,

*Equity Hedge Exemption.* The following qualified hedging transactions and positions described in paragraphs (1) through (5) and (7) below shall be exempt from established position limits as prescribed under Options 9, Section 13(d) and Supplementary Material .03 to Options 9, Section 13. Hedge transactions and positions established pursuant to paragraphs six (6) and eight (8) below are subject to a position limit equal to five (5) times the standard limit established under Options 9, Section 13(d) and Supplementary Material .03 to Options 9, Section 13. The equity hedge exemption is in addition to the standard limit and other exemptions available under Exchange Rules.<sup>3</sup>

The Exchange proposes to correct an error with respect to hedge transactions to permit box spreads to be exempt from established position limits as prescribed under Options 9, Section 13(d) and Supplementary Material .01 to Options 9, Section 13.<sup>4</sup>

---

<sup>3</sup> The current rule text of Options 9, Section 14(a) cites to Supplementary Material .03 to Options 9, Section 13. This citation is incorrect, it should be a citation to Supplementary Material .01 to Options 9, Section 13. The Exchange proposes to correct this citation with this rule proposal.

<sup>4</sup> See id.

Currently, the rule text states that hedge transactions and positions established pursuant to Options 9, Section 14(a)(6) and (8) are subject to a position limit equal to five (5) times the standard limit established under Options 9, Section 13(d) and Supplementary Material .03 to Options 9, Section 13.<sup>5</sup> Options 9, Section 14(a)(6) references a box spread<sup>6</sup> and paragraph (a)(8) references OTC options positions.<sup>7</sup>

SR-ISE-2017-20 amended this rule text to align with Nasdaq Phlx, LLC (“Phlx”) and Cboe Exchange, Inc. (“Cboe”)<sup>8</sup> Phlx filed a rule proposal making clear that the five times standard was limited to OTC options contracts,<sup>9</sup> however Phlx inadvertently cited to Options 9, Section 14(a)(6) when it relocated rules in a subsequent rule change that copied SR-Cboe-2003-30.<sup>10</sup> The five times standard should apply only to OTC options contracts as evidenced by NYSE Arca, Inc. (“NYSE Arca”) Commentary .07 to Rule 5.17-O, Commentary .09 to NYSE American LLC (“NYSE American”) Rule 904, and FINRA Rule 2360(b)(3)(A)(ii).

---

<sup>5</sup> See id.

<sup>6</sup> Options 9, Section 14(a)(6) states that a long call position accompanied by a short put position with the same strike price and a short call position accompanied by a long put position with a different strike price (“box spread”).

<sup>7</sup> Options 9, Section 14(a)(8) states that a listed option position hedged on a one-for-one basis with an over-the-counter (“OTC”) option position on the same underlying security. The strike price of the listed option position and corresponding OTC option position must be within one strike of each other and no more than one expiration month apart.

<sup>8</sup> See Securities Exchange Act Release No. 80194 (March 9, 2017), 82 FR 13908 (March 15, 2017) (SR-ISE-2017-20) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Correct a Typographical Error in Section 413 of the Exchange’s Rules).

<sup>9</sup> See Securities Exchange Act Release No. 45889 (May 9, 2002), 67 FR 34980 (May 16, 2002) (SR-Phlx-2002-33) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Eliminate Position and Exercise Limits for Certain Qualified Hedge Strategies).

<sup>10</sup> See Securities Exchange Act Release No. 51322 (March 4, 2005), 70 FR 12260 (March 11, 2005) (SR-Phlx-2005-17) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to Position Limits and Exercise Limits).

At this time, the Exchange proposes to remove the citation to Options 9, Section 14(a)(6) with respect to a position limit equal to five (5) times the standard limit. The Exchange proposes to add paragraph (a)(6) to the list of exempt transactions in the first sentence of Options 9, Section 14(a) to properly reflect that box spreads are exempt from the position limits prescribed under Options 9, Section 13(d) and Supplementary Material .01 to Options 9, Section 13.<sup>11</sup> At this time, the Exchange has been applying a stricter standard. With this change, a Member would not have a position limit for a box spread and, therefore, would not have to unwind any position as a result of this amendment.

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>12</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>13</sup> 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 5**

The Exchange's proposal to note that the System automatically executes eligible orders using the Exchange's displayed best bid and offer ("BBO") or the Exchange's non-displayed order book ("internal BBO") if there are non-displayed orders on the order book or the best bid and/or offer on the Exchange has been re-priced pursuant to subsection (d) below and Options 3, Section 4(b)(6) is consistent with the Act because,

---

<sup>11</sup> A similar change is being proposed to Nasdaq Phlx LLC's rules at Options 9, Section 13.

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

today, a non-displayed order on the order book will be executed at the best price on the Exchange whether that best price is displayed or non-displayed. This rule text aligns ISE Options 3, Section 5(c) with Phlx Options 3, Section 5(c).

### **Options 3, Section 7**

The Exchange's proposal to amend FIX at Supplementary .03(a) to Options 3, Section 7 to align the rule text with Phlx Supplementary .03(a) to Options 3, Section 7 and note that the interface allows Members and their Sponsored Customers to connect, send, and receive messages related to orders and auction orders *and responses to and from* the Exchange is consistent with the Act as the interface is designed for Members to communicate to the Exchange with responses and receive messages from the Exchange. This rule text aligns with Phlx Supplementary .03(a) to Options 3, Section 7. Similar changes are proposed for OTTO at Supplementary .03(b) to Options 3, Section 7 and SQF at Supplementary .03(c) and those changes align with Phlx Supplementary .03(b) and (c) to Options 3, Section 7. The amendments reflects current System operation.

### **Options 3, Section 14**

The Exchange's proposal to amend Options 3, Section 14(b)(5) to change "Customer Cross Complex Order" to "Complex Customer Cross Order" so that the term conforms to the manner it is utilized in Options 3, Section 12(b) is non-substantive. Replacing "Options 3, Section 12" with the word "Rule" in Options 3, Section 14(b)(13) and amending "n" to "in" within Supplementary Material .07 to Options 3, Section 14 are technical non-substantive amendments.

### **Options 9, Section 14**

ISE's proposal to amend Options 9, Section 14(a) to correct an error with respect

to hedge transactions to permit box spreads to be exempt from established position limits as prescribed under Options 9, Section 13(d) and Supplementary Material .01 to Options 9, Section 13 is consistent with the Act. Current Options 9, Section 14(a)(6) references a box spread<sup>14</sup> and current Options 9, Section 14(a)(8) references OTC options positions.<sup>15</sup> SR-ISE-2017-20 amended this rule text to align with Phlx and Cboe.<sup>16</sup> Phlx filed a rule proposal making clear that the five times standard was limited to OTC options contracts,<sup>17</sup> however Phlx inadvertently cited to Options 9, Section 14(a)(6) when it relocated rules in a subsequent rule change that copied SR-Cboe-2003-30.<sup>18</sup> Removing the citation to Options 9, Section 14(a)(6) with respect to a position limit equal to five (5) times the standard limit and adding paragraph (a)(6) to the list of exempt transactions in the first sentence of Options 9, Section 14(a) would properly reflect that box spreads are exempt from the position limits prescribed under Options 9, Section 13(d) and Supplementary Material .01 to Options 9, Section 13. At this time, the Exchange has been applying a stricter standard.<sup>19</sup>

---

<sup>14</sup> Options 9, Section 14(a)(6) states that a long call position accompanied by a short put position with the same strike price and a short call position accompanied by a long put position with a different strike price (“box spread”).

<sup>15</sup> Options 9, Section 14(a)(8) states that a listed option position hedged on a one-for-one basis with an over-the-counter (“OTC”) option position on the same underlying security. The strike price of the listed option position and corresponding OTC option position must be within one strike of each other and no more than one expiration month apart.

<sup>16</sup> See Securities Exchange Act Release No. 80194 (March 9, 2017), 82 FR 13908 (March 15, 2017) (SR-ISE-2017-20) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Correct a Typographical Error in Section 413 of the Exchange’s Rules).

<sup>17</sup> See Securities Exchange Act Release No. 45889 (May 9, 2002), 67 FR 34980 (May 16, 2002) (SR-Phlx-2002-33) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Eliminate Position and Exercise Limits for Certain Qualified Hedge Strategies).

<sup>18</sup> See Securities Exchange Act Release No. 51322 (March 4, 2005), 70 FR 12260 (March 11, 2005) (SR-Phlx-2005-17) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to Position Limits and Exercise Limits).

<sup>19</sup> A similar change is being proposed to Phlx’s rules.

Today, NYSE Arca Commentary .07 to Rule 5.17-O, Commentary .09 to NYSE American Rule 904 and FINRA Rule 2360(b)(3)(A)(ii) apply the five times standard only to OTC options contracts and exempt box spreads from their position limit rules. At this time, the Exchange has been applying a stricter standard. With this change, a Member would not have a position limit for a box spread and, therefore, would not have to unwind any position as a result of this amendment.

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 5**

Amending Options 3, Section 5(c) does not impose an undue burden on intra-market competition because the Exchange will automatically execute each transaction at the best price available on the Exchange.

Amending Options 3, Section 5(c) does not impose an undue burden on inter-market competition because all options Exchange execute at the best price available on that market regardless of the displayed price.

**Options 3, Section 7**

Amending the protocols at Supplementary .03 to Options 3, Section 7 to specify the protocols permit communications to and from the Exchange, including responses, does not impose an undue burden on intra-market competition because this is true for all Members.

Amending the protocols at Supplementary .03 to Options 3, Section 7 to specify the protocols permit communications to and from the Exchange, including responses, does not impose an undue burden on inter-market competition because other options exchange such as Phlx have identical protocols.

### **Options 3, Section 14**

The Exchange's proposal to amend Options 3, Section 14(b)(5) to change "Customer Cross Complex Order" to "Complex Customer Cross Order" is non-substantive. Also, replacing "Options 3, Section 12" with the word "Rule" in Options 3, Section 13(b)(13) and amending "n" to "in" within Supplementary Material .07 to Options 3, Section 14 are technical non-substantive amendments.

### **Options 9, Section 14**

The Exchange's proposal to amend Options 9, Section 14(a) to remove a reference to box spreads at paragraph (a)(6) so that they are exempt from position limits as prescribed under Options 9, Section 13(d) and Supplementary Material .01 to Options 9, Section 13 does not impose an undue burden on intra-market competition because all Members who transact box spreads would be exempt from position limits as prescribed under Options 9, Section 13(d) and Supplementary Material .01 to Options 9, Section 13.<sup>20</sup>

The Exchange's proposal to amend Options 9, Section 14(a) to remove a reference to box spreads at paragraph (a)(6) and note that box spreads are exempt from position limits as prescribed under Options 9, Section 13(d) and Supplementary Material .01 to Options 9, Section 13 does not impose an undue burden on inter-market

---

<sup>20</sup> A similar change is being proposed to Phlx's rules.

competition as other options exchanges<sup>21</sup> have similar position limit rules that exempt box spreads from position limits.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

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)<sup>22</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>23</sup> 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 to amend Options 3, Section 5 does not significantly affect the protection of investors or the public interest as the rule text makes clear that the Exchange would execute orders at the best price available on the Exchange. The proposal to amend Options 3, Section 7 does not significantly affect the protection of

---

<sup>21</sup> See NYSE Arca Commentary .07 to Rule 5.17-O, Commentary .09 to NYSE American Rule 904 and FINRA Rule 2360(b)(3)(A)(ii).

<sup>22</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>23</sup> 17 CFR 240.19b-4(f)(6).

investors or the public interest as the interface is designed for Members to communicate to the Exchange with responses and receive messages from the Exchange. Options 9, Section 14(a) does not significantly affect the protection of investors or the public interest as a prior rule change<sup>24</sup> permitted certain OTC transactions to have five times the position limit but not box spreads. Box spreads should be exempt from the from established position limits as prescribed under Options 9, Section 13(d) and Supplementary Material .01 to Options 9, Section 13.<sup>25</sup> Amending this rule will protect investors and the general public as the rule will reflect the correct position limits for box spreads.

Amending Options 3, Section 5(c) does not impose any significant burden on competition because the Exchange will automatically execute each transaction at the best price available on the Exchange. Amending the protocols at Supplementary .03 to Options 3, Section 7 to specify the protocols permit communications to and from the Exchange, including responses, does not impose an undue burden on intra-market competition because this is true for all Members. The proposal to amend Options 9, Section 14(a) does not impose any significant burden on competition because all Members would not be subject to five times the position limit for a box spread. The remainder of the amendments are non-substantive.

Furthermore, Rule 19b-4(f)(6)(iii)<sup>26</sup> requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that

---

<sup>24</sup> See Securities Exchange Act Release No. 45889 (May 9, 2002), 67 FR 34980 (May 16, 2002) (SR-Phlx-2002-33) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Eliminate Position and Exercise Limits for Certain Qualified Hedge Strategies).

<sup>25</sup> See supra note 5.

<sup>26</sup> 17 CFR 240.19b-4(f)(6)(iii).

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.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that it may immediately amend Options 9, Section 14(a) to reflect the appropriate position limits for box spreads. This proposed change does not raise any novel issue and would align ISE's rule with NYSE Arca Commentary .07 to Rule 5.17-O, Commentary .09 to NYSE American Rule 904 and FINRA Rule 2360(b)(3)(A)(ii). The remainder of the amendments do not raise novel issues, however, they harmonize the rules to the rules of other Nasdaq affiliated markets.

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

The amendments to ISE Options 3, Section 5(c) are identical to Phlx Options 3, Section 5(c). The amendments to ISE Supplementary .03 to Options 3, Section 7 are identical to Phlx Supplementary .03 to Options 3, Section 7.

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. 34 ; File No. SR-ISE-2026-03]****Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to amend the Position Limit for Box Spreads as well as other rule amendments**

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 27, 2026, 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 Options 3, Section 5 (Entry and Display of Single-Leg Orders); Options 3, Section 7 (Types of Orders and Order and Quote Protocols); Options 3, Section 14 (Complex Orders); and Options 9, Section 14 (Exemptions from Position Limits).

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/ise/rulefilings>, and at the principal office of the Exchange.

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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 Options 3, Section 5 (Entry and Display of Single-Leg Orders); Options 3, Section 7 (Types of Orders and Order and Quote Protocols); Options 3, Section 14 (Complex Orders); and Options 9, Section 14 (Exemptions from Position Limits). Each rule change will be described below.

**Options 3, Section 5**

The Exchange proposes to amend Options 3, Section 5, Entry and Display of Single-Leg Orders, to align the rule text at Options 3, Section 5(c) with Nasdaq Phlx LLC (“Phlx”) Options 3, Section 5(c). Today, ISE Options 3, Section 5(c) states,

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

At this time, the Exchange proposes to state,

The System automatically executes eligible orders using the Exchange’s displayed best bid and offer (“BBO”) or the Exchange’s non-displayed order book (“internal BBO”) if there are non-displayed orders on the order book or the best bid and/or offer on the Exchange has been re-priced pursuant to subsection (d) below and Options 3, Section 4(b)(6) above.

The amendment is non-substantive because, today, a non-displayed order on the order book will be executed at the best price on the Exchange whether that best price is displayed or non-displayed.

### **Options 3, Section 7**

The Exchange proposes to amend the language of ISE Supplementary .03 to Options 3, Section 7 to align with Phlx Supplementary .03 to Options 3, Section 7. Specifically, the Exchange proposes to amend the “Financial Information eXchange” or “FIX” at Supplementary .03(a) to Options 3, Section 7 to align the rule text with Phlx Supplementary .03(a) to Options 3, Section 7 and note that the interface allows Members and their Sponsored Customers to connect, send, and receive messages related to orders and auction orders *and responses to and from* the Exchange. This amendment reflects current System operation.

Similarly, the Exchange proposes to amend the “Ouch to Trade Options” or “OTTO” at Supplementary .03(b) to Options 3, Section 7 to align the rule text with Phlx Supplementary .03(b) to Options 3, Section 7 and note that the interface allows Members and their Sponsored Customers to connect, send, and receive messages related to orders, auction orders, and auction responses to *and from* the Exchange. This amendment reflects current System operation.

Finally, the Exchange proposes to amend the “Specialized Quote Feed” or “SQF” at Supplementary .03(c) to Options 3, Section 7 to align the rule text with Phlx Supplementary .03(c) to Options 3, Section 7 and note that the interface allows Market Makers to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses to *and from* the Exchange. This amendment reflects current System operation.

### **Options 3, Section 14**

The Exchange proposes to amend Options 3, Section 14(b)(5) to change “Customer Cross Complex Order” to “Complex Customer Cross Order” so that the term conforms to the manner it is utilized in Options 3, Section 12(b). Amending Options 3, Section 14(b)(5) to change “Customer Cross Complex Order” to “Complex Customer Cross Order” is a non-substantive amendment. The Exchange also proposes to replace “Options 3, Section 12” with the word “Rule” in Options 3, Section 14(b)(13) to align with Phlx Options 3, Section 14(b)(13). The Exchange proposes to change “n” to “in” within Supplementary Material .07 to Options 3, Section 14. These technical amendments are all non-substantive.

### **Options 9, Section 14**

ISE proposes to amend Options 9, Section 14, Exemptions from Position Limits, at subparagraph (a) which currently states,

*Equity Hedge Exemption.* The following qualified hedging transactions and positions described in paragraphs (1) through (5) and (7) below shall be exempt from established position limits as prescribed under Options 9, Section 13(d) and Supplementary Material .03 to Options 9, Section 13. Hedge transactions and positions established pursuant to paragraphs six (6) and eight (8) below are subject to a position limit equal to five (5) times the standard limit established under Options 9, Section 13(d) and Supplementary Material .03 to Options 9, Section 13. The equity hedge exemption is in addition to the standard limit and other exemptions available under Exchange Rules.<sup>3</sup>

The Exchange proposes to correct an error with respect to hedge transactions to permit box spreads to be exempt from established position limits as prescribed under Options 9, Section 13(d) and Supplementary Material .01 to Options 9, Section 13.<sup>4</sup>

---

<sup>3</sup> The current rule text of Options 9, Section 14(a) cites to Supplementary Material .03 to Options 9, Section 13. This citation is incorrect, it should be a citation to Supplementary Material .01 to Options 9, Section 13. The Exchange proposes to correct this citation with this rule proposal.

<sup>4</sup> See id.

Currently, the rule text states that hedge transactions and positions established pursuant to Options 9, Section 14(a)(6) and (8) are subject to a position limit equal to five (5) times the standard limit established under Options 9, Section 13(d) and Supplementary Material .03 to Options 9, Section 13.<sup>5</sup> Options 9, Section 14(a)(6) references a box spread<sup>6</sup> and paragraph (a)(8) references OTC options positions.<sup>7</sup>

SR-ISE-2017-20 amended this rule text to align with Nasdaq Phlx, LLC (“Phlx”) and Cboe Exchange, Inc. (“Cboe”)<sup>8</sup> Phlx filed a rule proposal making clear that the five times standard was limited to OTC options contracts,<sup>9</sup> however Phlx inadvertently cited to Options 9, Section 14(a)(6) when it relocated rules in a subsequent rule change that copied SR-Cboe-2003-30.<sup>10</sup> The five times standard should apply only to OTC options contracts as evidenced by NYSE Arca, Inc. (“NYSE Arca”) Commentary .07 to Rule 5.17-O, Commentary .09 to NYSE American LLC (“NYSE American”) Rule 904, and FINRA Rule 2360(b)(3)(A)(ii).

---

<sup>5</sup> See id.

<sup>6</sup> Options 9, Section 14(a)(6) states that a long call position accompanied by a short put position with the same strike price and a short call position accompanied by a long put position with a different strike price (“box spread”).

<sup>7</sup> Options 9, Section 14(a)(8) states that a listed option position hedged on a one-for-one basis with an over-the-counter (“OTC”) option position on the same underlying security. The strike price of the listed option position and corresponding OTC option position must be within one strike of each other and no more than one expiration month apart.

<sup>8</sup> See Securities Exchange Act Release No. 80194 (March 9, 2017), 82 FR 13908 (March 15, 2017) (SR-ISE-2017-20) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Correct a Typographical Error in Section 413 of the Exchange’s Rules).

<sup>9</sup> See Securities Exchange Act Release No. 45889 (May 9, 2002), 67 FR 34980 (May 16, 2002) (SR-Phlx-2002-33) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Eliminate Position and Exercise Limits for Certain Qualified Hedge Strategies).

<sup>10</sup> See Securities Exchange Act Release No. 51322 (March 4, 2005), 70 FR 12260 (March 11, 2005) (SR-Phlx-2005-17) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to Position Limits and Exercise Limits).

At this time, the Exchange proposes to remove the citation to Options 9, Section 14(a)(6) with respect to a position limit equal to five (5) times the standard limit. The Exchange proposes to add paragraph (a)(6) to the list of exempt transactions in the first sentence of Options 9, Section 14(a) to properly reflect that box spreads are exempt from the position limits prescribed under Options 9, Section 13(d) and Supplementary Material .01 to Options 9, Section 13.<sup>11</sup> At this time, the Exchange has been applying a stricter standard. With this change, a Member would not have a position limit for a box spread and, therefore, would not have to unwind any position as a result of this amendment.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>12</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>13</sup> 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 5**

The Exchange's proposal to note that the System automatically executes eligible orders using the Exchange's displayed best bid and offer ("BBO") or the Exchange's non-displayed order book ("internal BBO") if there are non-displayed orders on the order book or the best bid and/or offer on the Exchange has been re-priced pursuant to subsection (d) below and Options 3, Section 4(b)(6) is consistent with the Act because, today, a non-displayed order on the order

---

<sup>11</sup> A similar change is being proposed to Nasdaq Phlx LLC's rules at Options 9, Section 13.

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

book will be executed at the best price on the Exchange whether that best price is displayed or non-displayed. This rule text aligns ISE Options 3, Section 5(c) with Phlx Options 3, Section 5(c).

### **Options 3, Section 7**

The Exchange's proposal to amend FIX at Supplementary .03(a) to Options 3, Section 7 to align the rule text with Phlx Supplementary .03(a) to Options 3, Section 7 and note that the interface allows Members and their Sponsored Customers to connect, send, and receive messages related to orders and auction orders *and responses to and from* the Exchange is consistent with the Act as the interface is designed for Members to communicate to the Exchange with responses and receive messages from the Exchange. This rule text aligns with Phlx Supplementary .03(a) to Options 3, Section 7. Similar changes are proposed for OTTO at Supplementary .03(b) to Options 3, Section 7 and SQF at Supplementary .03(c) and those changes align with Phlx Supplementary .03(b) and (c) to Options 3, Section 7. The amendments reflects current System operation.

### **Options 3, Section 14**

The Exchange's proposal to amend Options 3, Section 14(b)(5) to change "Customer Cross Complex Order" to "Complex Customer Cross Order" so that the term conforms to the manner it is utilized in Options 3, Section 12(b) is non-substantive. Replacing "Options 3, Section 12" with the word "Rule" in Options 3, Section 14(b)(13) and amending "n" to "in" within Supplementary Material .07 to Options 3, Section 14 are technical non-substantive amendments.

### **Options 9, Section 14**

ISE's proposal to amend Options 9, Section 14(a) to correct an error with respect to

hedge transactions to permit box spreads to be exempt from established position limits as prescribed under Options 9, Section 13(d) and Supplementary Material .01 to Options 9, Section 13 is consistent with the Act. Current Options 9, Section 14(a)(6) references a box spread<sup>14</sup> and current Options 9, Section 14(a)(8) references OTC options positions.<sup>15</sup> SR-ISE-2017-20 amended this rule text to align with Phlx and Cboe.<sup>16</sup> Phlx filed a rule proposal making clear that the five times standard was limited to OTC options contracts,<sup>17</sup> however Phlx inadvertently cited to Options 9, Section 14(a)(6) when it relocated rules in a subsequent rule change that copied SR-Cboe-2003-30.<sup>18</sup> Removing the citation to Options 9, Section 14(a)(6) with respect to a position limit equal to five (5) times the standard limit and adding paragraph (a)(6) to the list of exempt transactions in the first sentence of Options 9, Section 14(a) would properly reflect that box spreads are exempt from the position limits prescribed under Options 9, Section 13(d) and Supplementary Material .01 to Options 9, Section 13. At this time, the Exchange has been applying a stricter standard.<sup>19</sup>

---

<sup>14</sup> Options 9, Section 14(a)(6) states that a long call position accompanied by a short put position with the same strike price and a short call position accompanied by a long put position with a different strike price (“box spread”).

<sup>15</sup> Options 9, Section 14(a)(8) states that a listed option position hedged on a one-for-one basis with an over-the-counter (“OTC”) option position on the same underlying security. The strike price of the listed option position and corresponding OTC option position must be within one strike of each other and no more than one expiration month apart.

<sup>16</sup> See Securities Exchange Act Release No. 80194 (March 9, 2017), 82 FR 13908 (March 15, 2017) (SR-ISE-2017-20) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Correct a Typographical Error in Section 413 of the Exchange’s Rules).

<sup>17</sup> See Securities Exchange Act Release No. 45889 (May 9, 2002), 67 FR 34980 (May 16, 2002) (SR-Phlx-2002-33) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Eliminate Position and Exercise Limits for Certain Qualified Hedge Strategies).

<sup>18</sup> See Securities Exchange Act Release No. 51322 (March 4, 2005), 70 FR 12260 (March 11, 2005) (SR-Phlx-2005-17) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to Position Limits and Exercise Limits).

<sup>19</sup> A similar change is being proposed to Phlx’s rules.

Today, NYSE Arca Commentary .07 to Rule 5.17-O, Commentary .09 to NYSE American Rule 904 and FINRA Rule 2360(b)(3)(A)(ii) apply the five times standard only to OTC options contracts and exempt box spreads from their position limit rules. At this time, the Exchange has been applying a stricter standard. With this change, a Member would not have a position limit for a box spread and, therefore, would not have to unwind any position as a result of this amendment.

**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 5**

Amending Options 3, Section 5(c) does not impose an undue burden on intra-market competition because the Exchange will automatically execute each transaction at the best price available on the Exchange.

Amending Options 3, Section 5(c) does not impose an undue burden on inter-market competition because all options Exchange execute at the best price available on that market regardless of the displayed price.

**Options 3, Section 7**

Amending the protocols at Supplementary .03 to Options 3, Section 7 to specify the protocols permit communications to and from the Exchange, including responses, does not impose an undue burden on intra-market competition because this is true for all Members.

Amending the protocols at Supplementary .03 to Options 3, Section 7 to specify the protocols permit communications to and from the Exchange, including responses, does not impose an undue burden on inter-market competition because other options exchange such as Phlx have identical protocols.

### **Options 3, Section 14**

The Exchange's proposal to amend Options 3, Section 14(b)(5) to change "Customer Cross Complex Order" to "Complex Customer Cross Order" is non-substantive. Also, replacing "Options 3, Section 12" with the word "Rule" in Options 3, Section 13(b)(13) and amending "n" to "in" within Supplementary Material .07 to Options 3, Section 14 are technical non-substantive amendments.

### **Options 9, Section 14**

The Exchange's proposal to amend Options 9, Section 14(a) to remove a reference to box spreads at paragraph (a)(6) so that they are exempt from position limits as prescribed under Options 9, Section 13(d) and Supplementary Material .01 to Options 9, Section 13 does not impose an undue burden on intra-market competition because all Members who transact box spreads would be exempt from position limits as prescribed under Options 9, Section 13(d) and Supplementary Material .01 to Options 9, Section 13.<sup>20</sup>

The Exchange's proposal to amend Options 9, Section 14(a) to remove a reference to box spreads at paragraph (a)(6) and note that box spreads are exempt from position limits as prescribed under Options 9, Section 13(d) and Supplementary Material .01 to Options 9, Section 13 does not impose an undue burden on inter-market competition as other options exchanges<sup>21</sup> have similar position limit rules that exempt box spreads from position limits.

#### **C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

No written comments were either solicited or received.

---

<sup>20</sup> A similar change is being proposed to Phlx's rules.

<sup>21</sup> See NYSE Arca Commentary .07 to Rule 5.17-O, Commentary .09 to NYSE American Rule 904 and FINRA Rule 2360(b)(3)(A)(ii).

### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

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<sup>22</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>23</sup>

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](mailto:rule-comments@sec.gov). Please include file number

---

<sup>22</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>23</sup> 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.

SR-ISE-2026-03 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.

All submissions should refer to file number SR-ISE-2026-03. 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 filing 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-2026-03 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.<sup>24</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

---

<sup>24</sup>

17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

*New text is underlined; deleted text is in brackets.*

**Nasdaq ISE, LLC Rules**

\* \* \* \* \*

**Options Rules**

\* \* \* \* \*

**Options 3 Options Trading Rules**

\* \* \* \* \*

**Section 5. Entry and Display of Single-Leg Orders**

\* \* \* \* \*

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

\* \* \* \* \*

**Section 7. Types of Orders and Order and Quote Protocols**

\* \* \* \* \*

**Supplementary Material to Options 3, Section 7**

\* \* \* \* \*

.03 The Exchange offers Members the following protocols for entering orders and quotes respectively:

(a) "**Financial Information eXchange**" or "**FIX**" is an interface that allows Members and their Sponsored Customers to connect, send, and receive messages related to orders and auction orders and responses to and from the Exchange. Features include the following: (1) execution messages; (2) order messages; (3) risk protection triggers and cancel notifications; and (4) post trade allocation messages.

(b) "**Ouch to Trade Options**" or "**OTTO**" is an interface that allows Members and their Sponsored Customers to connect, send, and receive messages related to orders, auction orders, and auction responses to and from the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying and complex instruments); (2) System event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) order messages; (6) risk protection triggers

and cancel notifications; (7) auction notifications; (8) auction responses; and (9) post trade allocation messages.

(c) “**Specialized Quote Feed**” or “**SQF**” is an interface that allows Market Makers to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses to and from the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying and complex instruments); (2) System event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge requests from the Market Maker. Market Makers may only enter interest into SQF in their assigned options series. Immediate-or-Cancel Orders entered into SQF are not subject to the (i) Order Price Protection, Market Order Spread Protection, and Size Limitation Protection in Options 3, Section 15(a)(1)(A), (1)(B), and (2)(B) respectively, for single leg orders, or (ii) Complex Order Price Protection as defined in Options 3, Section 16(c)(1) for Complex Orders.

\* \* \* \* \*

## 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:

\* \* \* \* \*

(5) Complex Customer Cross [Complex ]Order. A Complex Customer Cross [Complex ] Order is comprised of a Priority Customer Complex Order to buy and a Priority Customer Complex Order to sell at the same price and for the same quantity. Such orders will trade in accordance with Options 3, Section 12(b).

\* \* \* \* \*

(13) Exposure Complex Order. An Exposure Complex Order is an order that will be exposed upon entry as provided in Supplementary Material .01 to this Rule[Options 3, Section 12] if eligible, or entered on the Complex Order Book if not eligible. Any unexecuted balance of an Exposure Complex Order remaining upon the completion of the exposure process will be entered on the Complex Order Book.

\* \* \* \* \*

## Supplementary Material to Options 3, Section 14

\* \* \* \* \*

**.07 Qualified Contingent Trade Exemption.** Members may only submit Complex Orders in Stock-Option Strategies and Stock-Complex Strategies if such Complex Orders comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS under the Exchange Act. Members submitting Complex Orders in Stock-Option Strategies and Stock-Complex Strategies represent that they comply with the Qualified Contingent Trade Exemption. Members of FINRA or The Nasdaq Stock Market (“Nasdaq”) are required to have a Uniform Service Bureau/Executing Broker Agreement (“AGU”) with Nasdaq Execution Services, LLC (“NES”) in order to trade Complex Orders in Stock-Option Strategies and Stock-Complex Strategies; firms that are not members of FINRA or Nasdaq are required to have a Qualified Special Representative (“QSR”) arrangement with NES in order to trade Complex Orders in Stock-Option Strategies and Stock-Complex Strategies. In addition, the stock leg of a stock-option order must be marked “buy,” “sell,” “sell short,” or “sell short exempt” in compliance with Regulation SHO under the Exchange Act.

\* \* \* \* \*

## **Options 9 Business Conduct**

\* \* \* \* \*

### **Section 14. Exemptions from Position Limits**

(a) *Equity Hedge Exemption.* The following qualified hedging transactions and positions described in paragraphs (1) through [(5) and ](7) below shall be exempt from established position limits as prescribed under Options 9, Section 13(d) and Supplementary Material .0[3]1 to Options 9, Section 13. Hedge transactions and positions established pursuant to paragraph[s six (6) and] eight (8) below are subject to a position limit equal to five (5) times the standard limit established under Options 9, Section 13(d) and Supplementary Material .0[3]1 to Options 9, Section 13. The equity hedge exemption is in addition to the standard limit and other exemptions available under Exchange Rules.

\* \* \* \* \*