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

File No. \* SR 2026 - \* 05

Amendment No. (req. for Amendments \*) 2

Filing by Nasdaq MRX, LLC

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

Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
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Rule

<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
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Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>
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Exhibit 2 Sent As Paper Document <input type="checkbox"/>
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Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**

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

[Redacted description area]

**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 *	[Redacted]
Title *	[Redacted]
E-mail *	[Redacted]
Telephone *	[Redacted]

**Signature**

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

Date 04/08/2026


(Title \*)

By John A. Zecca

(Name \*)

EVP and Chief Legal Officer

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: 2026.04.08 11:21:35 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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SR-MRX-2026-05 A-2 19-4.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-MRX-2026-05 A-2 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**

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SR-MRX-2026-05 A-2 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 MRX, LLC (“MRX” 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 list and trade Outcome-Related Options or “OROs.” This Amendment No. 2 supersedes the original filing in its entirety and proposes to amend various aspects of the filing to augment the rule text, add a defined term for the exercise settlement value and otherwise provide more context around the options rules that will be applicable.

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.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors (the “Board”) on February 5, 2026. No other action is necessary for the filing of the rule change.

[REDACTED]

[REDACTED]

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<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’s proposal adopts rules at new Options 3B to govern the listing and trading of standardized, cash-settled, European-style binary options<sup>3</sup> on broad-based security indexes referred to as Outcome-Related Options or “OROs.” The Exchange proposes to list and trade OROs on the Nasdaq-100<sup>®</sup> Index<sup>4</sup> as “Nasdaq-100<sup>®</sup> OROs.” The Exchange also proposes to list and trade OROs on the Nasdaq-100 Micro Index<sup>®5</sup> as “XND OROs.”

OROs on NDX and XND are distinguishable from traditional NDX options and XND options. OROs would entitle the buyer to receive, or the seller to pay, a fixed settlement amount at expiration<sup>6</sup> based on whether the settlement value of the underlying

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<sup>3</sup> The characteristics of standardized binary options are described in The Options Disclosure Document or ODD and would apply to OROs. See <https://www.theocc.com/getcontentasset/a151a9ae-d784-4a15-bdeb-23a029f50b70/dfc3d011-8f63-43f6-9ed8-4b444333a1d0/riskstoc.pdf>.

<sup>4</sup> The Nasdaq-100 Index is a modified market capitalization-weighted index that includes 100 of the largest non-financial companies listed on The Nasdaq Stock Market LLC, based on market capitalization. It does not contain securities of financial companies, including investment companies. Security types generally eligible for the Nasdaq-100 Index include common stocks, ordinary shares, American Depository Receipts, and tracking stocks. Security or company types not included in the Nasdaq-100 Index are closed-end funds, convertible debentures, exchange traded funds, limited liability companies, limited partnership interests, preferred stocks, rights, shares or units of beneficial interest, warrants, units and other derivative securities. A description of the Nasdaq-100 Index is available on Nasdaq’s website at [https://indexes.nasdaqomx.com/docs/methodology\\_NDX.pdf](https://indexes.nasdaqomx.com/docs/methodology_NDX.pdf). The Nasdaq-100 Index is a broad-based index, as defined in Options 4A, Section 3. See also: [https://www.nasdaq.com/NDX\\_NDXP\\_Factsheet](https://www.nasdaq.com/NDX_NDXP_Factsheet).

<sup>5</sup> The Nasdaq-100 Micro Index or XND is designed to reflect 1/100th the value of the Nasdaq-100 Index. See [https://www.nasdaq.com/docs/2023/08/14/XND\\_FactSheet.pdf](https://www.nasdaq.com/docs/2023/08/14/XND_FactSheet.pdf).

<sup>6</sup> Rules for binary return options products currently exist on NYSE American LLC (“NYSE American”) and Cboe Exchange, Inc. (“Cboe”). See Securities Exchange Act Release Nos. 55843 (June 1, 2007), 72 FR 31636 (June 7, 2007) (Notice); 56251 (August 14, 2007), 72 FR 46523 (August 20, 2007) (Approval) (SR-Amex-2004-27); 57642 (April 9, 2008), 73 FR 20985 (April 17, 2008) (Notice); 57850 (May 22, 2008), 73 FR 31169 (May 30, 2008) (Approval) (SR-CBOE-2006-105). See also Cboe Exchange, Inc. Rules related to Binary Options as described at Rule 4.16 and NYSE American LLC Rules related to ByRDs at Section 17 of NYSE American’s Rules.

broad-based index is at, above, or below a predetermined exercise price at expiration. Unlike traditional NDX options and XND options, OROs will pay a fixed sum at expiration regardless of the magnitude of the difference between the settlement value and the option's exercise price.

OROs will provide investors with the ability to transact options that pay a fixed sum at expiration on a listed exchange market subject to the benefits of a centralized forum for price discovery; pre- and post-trade transparency; standardized contract specifications; real-time surveillance; and clearing guaranteed by The Options Clearing Corporation ("OCC").

As proposed, new Options 3B, would be titled "Outcome-Related Options."

### **General Provisions**

The Exchange proposes to title Section 1 "General Provisions." The trading of OROs will be subject to all rules applicable to options on the Exchange, including, without limitation, trading rules, listing rules and business conduct rules. The Exchange proposes new Options 3B to address rule differences that are unique to the trading of OROs while maintaining the applicability of the broader rulebook.

Pursuant to Options 3B, Section 1(a), titled "Applicability of Exchange Rules," Options 3B Rules will apply only to Outcome-Related Options or "OROs." Further, the trading of OROs will be subject to all other Rules applicable to the trading of options on the Exchange, including the trading rules and functionality in Options 3, unless the context otherwise requires or otherwise provided in this Options 3B.<sup>7</sup> For example, the Opening Process at Options 3, Section 8; Trading Halts at Options 3, Section 9; simple,

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<sup>7</sup> See proposed Options 3B, Section 1(a).

complex and optional risk protections at Options 3, Sections 15 and 28; and Market Maker appointments at Options 2, Section 3 and obligations at Options 2, Sections 4 and 5 shall all apply to the trading of OROs as they apply to the trading of other options on the Exchange.

The Exchange proposes the following definitions at Options 3B, Section 1(b), titled “Definitions,” that would apply to Options 3B rules:

- The term “**contract multiplier**” as used in reference to OROs means the multiple applied to the exercise settlement value to arrive at the total exercise settlement amount per contract. The contract multiplier for OROs shall be 100.<sup>8</sup>
- The term “**exercise price**” as used in reference to OROs means the value to which the settlement value of the underlying broad-based index is compared to determine whether the holder of an ORO is entitled to an exercise settlement amount on the option contract.<sup>9</sup>
- The term “**exercise settlement amount**” as used in reference to OROs means the amount of cash that a holder will receive upon exercise of the contract. The exercise settlement amount is \$100 which is the exercise settlement value multiplied by the contract multiplier.<sup>10</sup>
- The term “**exercise settlement value**” as used in reference to OROs means the value of the ORO. The exercise settlement value for OROs shall be \$1.<sup>11</sup>
- The term “**OROs**” represents cash-settled, P.M.-settled, European-Style binary options on broad-based indexes with a fixed settlement amount.<sup>12</sup>
- The term “**ORO Order**” means an order submitted in an ORO pursuant to Options 3B.<sup>13</sup>
- The term “**settlement value**” is the value of the underlying broad-based index that is used to determine whether an ORO is in, at or out of the

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<sup>8</sup> See proposed Options 3B, Section 1(b)(1).

<sup>9</sup> See proposed Options 3B, Section 1(b)(2).

<sup>10</sup> See proposed Options 3B, Section 1(b)(3).

<sup>11</sup> See proposed Options 3B, Section 1(b)(4).

<sup>12</sup> See proposed Options 3B, Section 1(b)(5).

<sup>13</sup> See proposed Options 3B, Section 1(b)(6).

money. OROs that are “at-the-money,” “in-the-money,” or “out-of-the-money” are a function of the settlement value of the underlying broad-based index in relation to the type of ORO (i.e., put or call) and the exercise price. OROs shall be paid out if the settlement value of the underlying broad-based index equals, exceeds or is less than the exercise price, depending on the type of option (i.e., call or put).<sup>14</sup>

- OROs that are call option contracts would return an exercise settlement amount if the settlement value of the underlying broad-based index is at or above the exercise price at expiration (i.e., at or in-the-money).<sup>15</sup>

- OROs that are put option contracts would return an exercise settlement amount if the settlement value of the underlying broad-based index is below the exercise price at expiration (i.e., in-the-money).<sup>16</sup>

- The term “**underlying**” means the broad-based index that the Clearing Corporation<sup>17</sup> shall utilize to determine whether an ORO is in, at or out of the money.<sup>18</sup>

ORO contracts would have an exercise settlement value of \$1.<sup>19</sup> The contract multiplier for OROs shall be 100.<sup>20</sup> Therefore, OROs would have a fixed exercise settlement amount of \$100 (exercise settlement value multiplied by the contract multiplier) that is established at the creation of the option.<sup>21</sup> OROs would be paid out if the settlement value of the broad-based index equals, exceeds or is less than the exercise price, depending on the type of option (i.e., call or put).<sup>22</sup> As proposed, a call option on

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<sup>14</sup> See proposed Options 3B, Section 1(b)(7).

<sup>15</sup> See proposed Options 3B, Section 1(b)(7)(a).

<sup>16</sup> See proposed Options 3B, Section 1(b)(7)(b).

<sup>17</sup> The term “Clearing Corporation” means The Options Clearing Corporation. u General 1, Section 1(a)(3).

<sup>18</sup> See proposed Options 3B, Section 1(b)(8).

<sup>19</sup> See proposed Options 3B, Section 1(b)(4).

<sup>20</sup> See proposed Options 3B, Section 1(b)(1).

<sup>21</sup> See proposed Options 3B, Section 1(b)(3).

<sup>22</sup> See proposed Options 3B, Section 1(b)(7).

OROs would pay the exercise settlement amount of \$100 if the settlement value is at or above the exercise price at expiration.<sup>23</sup> Conversely, a put option on OROs would pay the exercise settlement amount of \$100 if the settlement value is below the exercise price at expiration.<sup>24</sup> There would be no payout if the ORO Option expires out-of-the money. The “settlement value” for OROs shall be the value of the underlying broad-based index that is used to determine whether an ORO is in, at or out of the money.<sup>25</sup> The underlying is the broad-based index that the Clearing Corporation shall utilize to determine whether an ORO is in, at or out of the money.<sup>26</sup> An ORO Order would mean an order submitted in an ORO pursuant to Options 3B.<sup>27</sup>

### **Hours of Business**

Section 2 of Options 3B would be titled “Hours of Business.” Pursuant to proposed Options 3B, Section 1(c), the trading hours for OROs would be the same as the trading hours as set forth in Options 3, Section 1.<sup>28</sup>

### **Units of Trading and Premium**

Section 3 of Options 3B would be titled “Units of Trading and Premium.” Pursuant to proposed Options 3B, Section 3(a), bids and offers for OROs must be

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<sup>23</sup> See proposed Options 3B, Section 1(b)(7)(a).

<sup>24</sup> See proposed Options 3B, Section 1(b)(7)(b).

<sup>25</sup> See proposed Options 3B, Section 1(b)(7)(b).

<sup>26</sup> See *id.*

<sup>27</sup> See proposed Options 3B, Section 1(b)(6).

<sup>28</sup> Options 3, Section 1(d) provides that options on a broad-based index, as defined in Options 4A, Section 2 may be traded on the Exchange until 4:15 p.m. each business day.

expressed in U.S. dollars.<sup>29</sup> Pursuant to proposed Options 3B, Section 3(b), OROs may have a premium range<sup>30</sup> from \$0.01 to \$1.00.<sup>31</sup>

### **Minimum Trading Increment**

Section 4 of Options 3B would be titled “Minimum Trading Increments.”

Pursuant to proposed Options 3B, Section 4(a), OROs on broad-based indexes may be entered in a minimum increment of \$0.01. Today, NDX options trade in \$0.05 and \$0.10 increments pursuant to Options 3, Section 3(a). The Exchange proposes a minimum increment of \$0.01, identical to Cboe Rule 5.4(c)(1).<sup>32</sup> Today, XND options trade in \$0.01 increments.<sup>33</sup>

The Exchange notes that MRX Options 4A Rules incorporate by reference Nasdaq ISE, LLC (“ISE”) Options 4A Rules. At this time, the Exchange proposes to add rule text to MRX Supplementary Material .04 to Options 3, Section 3, Minimum Trading Increments, which is identical to ISE Supplementary Material .04 to Options 3, Section 3 to make clear that XND trades in a \$0.01 increment. This rule change will be explained further below in greater detail.

### **Listings**

Section 5 of Options 3B would be titled “Listings.” Pursuant to proposed Options 3B, Section 5(a), titled “ORO Classes,” the Exchange authorizes OROs on the Nasdaq-

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<sup>29</sup> See proposed Options 3B, Section 3(a).

<sup>30</sup> The premium is the price paid or received when entering an ORO Order.

<sup>31</sup> See proposed Options 3B, Section 3(b).

<sup>32</sup> Cboe Rule 5.4(c)(1) states that the exchange establishes the minimum increment for bids and offers on orders for binary options on a class-by-class basis, which may not be less than \$0.01.

<sup>33</sup> See ISE Supplementary Material .04 to Options 3, Section 3. Specifically, ISE Supplementary Material .04 to Options 3, Section 3 states that, Options on the Nasdaq 100 Micro Index (XND) (as long as QQQ options (“QQQ”) participate in the Penny Interval Program) shall have a minimum increment of \$.01.

100 Index (“Nasdaq-100 OROs”) and on the Nasdaq-100 Micro Index (“XND OROs”). The listing of Nasdaq-100 OROs and XND OROs would be subject to Options 4A Rules,<sup>34</sup> including but not limited to P.M.-Settlement pursuant to Options 4A, Section 12(a)(6), the Nonstandard Expirations Program pursuant to Supplementary Material .07 to Options 4A, Section 12, the Short Term Series Options Program pursuant to Supplementary Material .01 to Options 4A, Section 12, the Quarterly Options Series Program pursuant to Supplementary Material .02 to Options 4A, Section 12, and the Monthly Options Series Program pursuant to Supplementary Material .06 to Options 4A, Section 12, unless otherwise specified. Nasdaq-100 OROs and XND OROs will trade independently of and in addition to other standard options on NDX or XND, respectively.

Like NDX and XND options,<sup>35</sup> Nasdaq-100 OROs and XND OROs will be P.M.-settled.<sup>36</sup> Options 3B, Section 5(a)(1) would be titled “P.M.-Settled” and state, that the Exchange authorizes P.M.-Settled Nasdaq-100 OROs and XND OROs pursuant to Options 4A, Section 12(a)(6). A.M.-Settled Nasdaq-100 OROs and XND OROs pursuant to Options 4A, Section 12(a)(5) are not authorized. As a result, exercise will result in delivery of cash on the business day following expiration.<sup>37</sup>

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<sup>34</sup> As noted above, MRX incorporates ISE Options 4A Rules by reference.

<sup>35</sup> Today, the Exchange authorizes P.M.-Settled NDX and XND options pursuant to Options 4A, Section 12(a)(6)(i).

<sup>36</sup> See proposed Options 3B, Section 5(a)(1). Of note, Nasdaq-100 OROs and XND OROs would not trade A.M.-Settled. Today, NDX options trade A.M.-Settled.

<sup>37</sup> 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. See Options 4A, Section 12(a)(6).

Like NDX options and XND options,<sup>38</sup> Nasdaq-100 OROs and XND OROs may be P.M.-Settled on the third Friday-of-the-month.<sup>39</sup>

As proposed in Options 3B, Section 5(a)(3), the reporting authority for Nasdaq-100 OROs and XND OROs shall be The Nasdaq Stock Market. Options 3B, Section 5(a)(3) would be titled “Reporting Authority.”

Pursuant to proposed Options 3B, Section 5(b), titled “Permissible Series,” Nasdaq-100 OROs and XND OROs each would be separate classes and separate from other options overlying the Nasdaq-100 Index and the Nasdaq-100 Micro Index.

Like NDX and XND options,<sup>40</sup> Nasdaq-100 OROs and XND OROs may expire at three (3)-month intervals, in consecutive weeks or in consecutive months and may list up to 12 standard (monthly) expirations.<sup>41</sup> Like NDX and XND options,<sup>42</sup> Nasdaq-100 OROs and XND OROs shall be European-style exercise.<sup>43</sup>

The initial and continued listing standards will apply to OROs as they apply to other broad-based index options. Nasdaq-100 OROs and XND OROs would be subject to the provisions of Options 4A with respect to weekly expirations provided, however, that weekly expirations would only be P.M.-Settled.<sup>44</sup> New series in weekly expirations on Nasdaq-100 OROs and XND OROs may be added up to and including on the

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<sup>38</sup> Today, NDX options and XND options may be P.M.-Settled on the third Friday-of-the-month. See Options 4A, Section 12(a)(6)(i).

<sup>39</sup> See proposed Options 3B, Section 5(a)(2). The Exchange proposes to add a titled “Third Friday-of-the-Month” to proposed Options 3B, Section 5(a)(2).

<sup>40</sup> See Options 4A, Section 12(a)(3).

<sup>41</sup> See proposed Options 3B, Section 5(b)(1).

<sup>42</sup> See Options 4A, Section 12(a)(4).

<sup>43</sup> See proposed Options 3B, Section 5(b)(2).

<sup>44</sup> Today, NDX options are both A.M.-Settled and P.M.-Settled.

expiration date for an expiring weekly expiration. Further, the Exchange may open for trading end of month (EOM) expirations on Nasdaq-100 OROs and XND OROs to expire on last trading day of the month. EOMs on OROs would be subject to all provisions of Options 4A, except that EOMs on Nasdaq-100 OROs and XND OROs shall only be P.M.-Settled. New series in EOMs on Nasdaq-100 OROs and XND OROs may be added up to and including on the expiration date for an expiring EOM. Finally, the Exchange may list long term index options series (“LEAPS”) on Nasdaq-100 OROs and XND OROs that expire from twelve (12) to sixty (60) months from the date of issuance.<sup>45</sup>

Proposed Options 3B, Section 5(c), titled “Terms,” provides the terms for submitting an ORO Order for a OROs series to the System, the submitting Member must include one of each of the following terms in the ORO Order: (1) underlying broad-based index (the contract multiplier is 100); (2) type of option (i.e., put or call); (3) expiration date; and (4) exercise price.<sup>46</sup>

Proposed Options 3B, Section 5(d), titled “Determination of Settlement Value,” provides the determination for settlement value. For Nasdaq-100 OROs, the settlement value shall be the value of the Nasdaq-100 Index as reported by Nasdaq at the conclusion of the Nasdaq Closing Cross pursuant to Nasdaq Equity 4, Rule 4757. The settlement value for XND OROs shall be the value of the Nasdaq-100 Micro Index as reported by Nasdaq at the conclusion of the Nasdaq Closing Cross pursuant to Nasdaq Equity 4, Rule 4757.

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<sup>45</sup> See Options 4A, Section 12(b)(2) and (3).

<sup>46</sup> See proposed Options 3B, Section 5(c).

Proposed Options 3B, Section 5(e), titled “Adjustment,” provides the manner in which adjustments will be handled. OROs contracts are subject to adjustment only in accordance with and to the extent specified in the By-Laws and Rules of the Clearing Corporation. When any such adjustment has been determined, an announcement shall be made by the Exchange and shall become effective as of the time specified in such announcement.

Proposed Options 3B, Section 5(f), titled “Position Limits,” states that the position limits in Options 4A, Section 6, Position Limits for broad-based index options, shall not apply to OROs, rather the position limits for OROs shall be equal to 25,000 contracts on the same side of the market. Position limits in OROs shall not be aggregated with other options contracts for the underlying broad-based index. OROs shall not be subject to the exemptions from position limits in Options 4A, Section 9, Exemptions from Position Limits.

Further, proposed Options 3B, Section 5(f)(1), titled “Reporting of Position Limits,” states that with respect to positions in OROs, the minimum position in an account which must be reported shall be 200 contracts.<sup>47</sup> Pursuant to Options 3B, Section 5(f)(1)(a), titled “Market Side,” for purposes of the position limits set forth in subparagraph (f) of this Rule, long positions in put OROs and short positions in call OROs shall be considered to be on the same side of the market; and short positions in put OROs and long positions in call OROs shall be considered to be on the same side of the market.

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<sup>47</sup> See proposed Options 3B, Section 5(f)(1).

Proposed Options 3B, Section 5(g), would be titled “Exercise Limits.” The exercise limits specified in Options 4A, Section 10, Exercise Limits, shall not apply to OROs. OROs will automatically be exercised at expiration if the settlement value of the underlying broad-based index is equal to or greater than the exercise price of call OROs or less than the exercise price in the case of put OROs. Therefore, OROs on broad-based indexes are not subject to the rules in: (i) Options 6B, Exercises and Deliveries; and (ii) Options 9, Section 19, Other Restrictions on Options Transactions and Exercise, as that Section 19 relates to exercises.

### **Types of Orders; Order and Quote Protocols**

Options 3B, Section 6 shall be titled “Types of Orders; Order and Quote Protocols.” The Exchange may determine to make any eligible order types and times-in-force, respectively, in Options 3, Section 7, Types of Orders and Order and Quote Protocols, available on a class or System basis to be submitted as ORO Orders. Eligible ORO Orders shall include all order types in Options 3, Section 7 except for: (1) Market Orders<sup>48</sup> at Options 3, Section 7(a); (2) Stop Orders<sup>49</sup> at Options 3, Section 7(d); and (3)

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<sup>48</sup> A Market Order is an order to buy or sell a stated number of options contracts that is to be executed at the best price obtainable when the order reaches the Exchange. Members can designate that their Market Orders not executed after a pre-established period of time, as established by the Exchange, will be cancelled back to the Member once an options series has opened for trading. Market Orders on the order book would be immediately cancelled if an options series is halted, provided the Member designated the cancellation of Market Orders. See Options 3, Section 7(a).

<sup>49</sup> 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 Exchange at, or above, the specified stop price. A stop order to sell is elected when the option is offered or trades on the Exchange 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. 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. See Options 3, Section 7(d).

Stop Limit Orders<sup>50</sup> at Options 3, Section 7(e) because a Market Order does not specify a price and Stop Orders and Stop Limit Orders require a price to be elected.

Pursuant to Options 3B, Section 6(b), all order and quote protocols in Supplementary Material .03 to Options 3, Section 7 are available for OROs.

Pursuant to Options 3B, Section 6(c), ORO Orders may be submitted in both simple and complex order books. ORO Orders may be entered as complex orders as specified in Options 3, Section 14, except that a Stock-Complex Strategy<sup>51</sup> as defined in Options 3, Section 14(a)(3) is not permitted because the underlying to the ORO would be a broad-based index and stock-tied orders are not applicable to broad based indexes. ORO Orders may be submitted into any of the auction mechanisms specified in Options 3, Sections 11 (Auction Mechanisms) or 13 (Price Improvement Mechanism for Crossing Transactions). ORO Orders may be submitted as Crossing Orders, as specified in Options 3, Section 12, except that ORO Orders may not be submitted as a Qualified Contingent Cross Order or a Complex Qualified Contingent Cross Order subject to Options 3, Section 12(c) and (d), respectively.

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<sup>50</sup> 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 Exchange 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 Exchange 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. 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. See Options 3, Section 7(e).

<sup>51</sup> 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).

**Risk Protections**

Options 3B, Section 7 shall be titled “Risk Protections.” Pursuant to Options 3B, Section 7(a), for purposes of ORO Orders, the simple order risk protections in Options 3, Section 15 and the optional risk protections in Options 3, Section 28 will apply to ORO Orders. Further, the complex order risk protections in Options 3, Section 16 will apply to ORO Orders except for the Strategy Protections in Options 3, Section 16(b). The Strategy Protections at Options 3, Section 16(b) include a Vertical Spread Protection, a Calendar Spread Protection, a Butterfly Spread Protection and a Box Spread Protection. Strategy Protections (Vertical, Calendar, Butterfly, and Box) are not applicable to OROs because unlike standard options, OROs do not have intrinsic value as they are “all-or-nothing” contracts that pay out a fixed amount if they settle in-the-money.

**Obvious Errors**

Options 3B, Section 8 shall be titled “Obvious Error.” Pursuant to Options 3B, Section 8(a), for purposes of ORO Orders, the Obvious Error provisions in Options 3, Section 20, Nullification and Adjustment of Options Transactions including Obvious Errors, shall apply except that with respect to Options 3, Section 20(c), the adjusted price (including any applicable adjustment under subparagraph (c)(4)(A) for Non-Customer transactions) shall not exceed the applicable exercise settlement value for OROs, which is \$1.

**Margin**

Options 6C, Section 3, Margin Requirements, provides at subparagraph (a) that a Member must elect to be bound by the initial and maintenance margin requirements of either the Chicago Board of Options Exchange or the New York Stock Exchange as the

same may be in effect from time to time.<sup>52</sup> The Exchange proposes to elect Cboe's margin requirements with respect to OROs.

### **Suitability and Risk Disclosures**

Since OROs are standardized options, market participants that elect to transact in OROs must receive a copy of the ODD from their broker-dealer.<sup>53</sup> The ODD explains the risks inherent in standardized options trading including binary options.<sup>54</sup> Broker-dealers must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer.<sup>55</sup> Suitability rules are intended to distinguish the trading of customers from those of professional traders who are likely to have distinct risk/reward profiles, risk tolerance and capital.

### **Surveillance**

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply those same program procedures to OROs that it applies to the Exchange's other options products.<sup>56</sup> Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. Further, the Exchange has a Regulatory Services Agreement ("RSA") with the Financial Industry Regulatory

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<sup>52</sup> MRX's Options 6C rules incorporate by reference to ISE's Options 6C rules.

<sup>53</sup> See FINRA Rule 2360(b)(16)(A).

<sup>54</sup> See *supra* note 3.

<sup>55</sup> See FINRA Rule 2111.

<sup>56</sup> The surveillance program includes real-time patterns for price and volume movements and post-trade surveillance patterns (e.g., spoofing, marking the close, ping-pong, phishing).

Authority (“FINRA”). Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillance that are common to rules of all options exchanges. The Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading OROs.

### **Capacity**

The Exchange represents that it has the necessary systems capacity to support trading OROs. Further, the Exchange has confirmed that the Options Price Reporting Authority or “OPRA” has the necessary systems capacity to handle the additional traffic associated with the listing of OROs series. Because the proposal is limited to two classes, the Exchange believes any additional traffic that may be generated from the introduction of Nasdaq-100 OROs and XND OROs will be manageable.

### **Other Amendments**

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

MRX Options 4A Rules incorporate by reference Nasdaq ISE, LLC (“ISE”) Options 4A. As a result, today, MRX may list and trade XND Options pursuant to Options 4A Rules. However, the rule proposal<sup>57</sup> which permitted ISE to list and trade XND Options in a minimum increment of \$0.01 also amended ISE Supplementary Material .04 to Options 3, Section 3, a section that is not incorporated by reference and, therefore, unlike Options 4A Rules, does not apply to MRX. To correct this discrepancy,

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<sup>57</sup> See Securities Exchange Act Release No. 98886 (November 8, 2023), 88 FR 78417 (November 15, 2023) (SR-ISE-2023-24) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Permit the Listing and Trading of XND Options).

the Exchange proposes to add rule text at MRX Supplementary Material .04 to Options 3, Section 3 that is identical to ISE Supplementary Material .04 to Options 3, Section 3, to codify the minimum increment for XND Options to accompany the Options 4A listing rules for XND Options. The Exchange proposes to state at MRX Supplementary Material .04 to Options 3, Section 3 that, “Options on the Nasdaq 100 Micro Index (XND) (as long as QQQ options (“QQQ”) participate in the Penny Interval Program) shall have a minimum increment of \$.01.” The proposed rule text is consistent with the manner in which XND Options trade today on ISE, in \$0.01 minimum increments.

While MRX currently does not list options on XND, the Exchange proposes to codify the minimum increments for XND standard options which trade in the same increment as proposed for XND OROs.

### **Options 6C, Section 3**

Options 6C, Section 3 references the Chicago Board of Options exchange. The Exchange proposes to update the reference to this exchange from “Chicago Board of Options” to “Cboe Exchange, Inc.” This amendment is a technical non-substantive amendment.

#### **b. Statutory Basis**

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>58</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>59</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

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<sup>58</sup> 15 U.S.C. 78f(b).

<sup>59</sup> 15 U.S.C. 78f(b)(5).

national market system, and, in general to protect investors and the public interest.

OROs will provide investors with the ability to transact options that pay a fixed sum at expiration on a listed exchange market subject to the benefits of a centralized forum for price discovery; pre- and post-trade transparency; standardized contract specifications; real-time surveillance; and the centralized clearing guaranteed by OCC, thereby promoting just and equitable principles of trade. Further, the introduction of OROs will provide advantages to the investing public that are not provided for by other options overlying the Nasdaq-100 Index and the Nasdaq-100 Micro Index. OROs offer investors a relatively low risk security where the risk reduction results from knowing the maximum risk exposure when the contract is written. The maximum exercise settlement amount is set at listing, therefore, the maximum risk is limited and known at listing. Also, as proposed, the trading of OROs will be subject to all other Rules applicable to the trading of options on the Exchange, including, without limitation, the trading rules, listing rules and business conduct rules, unless the context otherwise requires or otherwise provided in Options 3B.<sup>60</sup>

The Exchange proposes a minimum increment of \$0.01 for Nasdaq-100 OROs and XND OROs. Today, NDX options trade in \$0.05 and \$0.10 increments<sup>61</sup> and XND options trade in \$0.01 increments.<sup>62</sup> The proposed minimum increment, which is

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<sup>60</sup> See proposed Options 3B, Section 1(a). For example, the Opening Process at Options 3, Section 8; Trading Halts at Options 3, Section 9; simple, complex and optional risk protections at Options 3, Sections 15 and 28; and Market Maker appointments at Options 2, Section 3 and obligations at Option 2, Section 5 shall all apply to the trading of OROs as they apply to the trading of other options on the Exchange.

identical to Cboe's increment for binary options,<sup>63</sup> will permit OROs to trade in intervals like other index products in Cboe's rules.

The remainder of the proposed rules permit trading in Nasdaq-100 OROs and XND OROs in an identical manner to the trading of NDX options and XND options, respectively. The listing of Nasdaq-100 OROs and XND OROs shall be subject to Options 4A Rules, including but not limited to P.M.-Settlement pursuant to Options 4A, Section 12(a)(6), the Nonstandard Expirations Program pursuant to Supplementary Material .07 to Options 4A, Section 12, the Short Term Series Options Program pursuant to Supplementary Material .01 to Options 4A, Section 12, the Quarterly Options Series Program pursuant to Supplementary Material .02 to Options 4A, Section 12, and the Monthly Options Series Program pursuant to Supplementary Material .06 to Options 4A, Section 12, unless otherwise specified. Like NDX options and XND options,<sup>64</sup> Nasdaq-100 OROs and XND OROs will be P.M.-settled.<sup>65</sup> Like NDX options,<sup>66</sup> Nasdaq-100 OROs and XND OROs may be P.M.-Settled on the third Friday-of-the-month.<sup>67</sup> Like NDX options and XND options,<sup>68</sup> Nasdaq-100 OROs and XND OROs may expire at three (3)-month intervals, in consecutive weeks or in consecutive months and may list up to 12 standard (monthly) expirations.<sup>69</sup>

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<sup>64</sup> Today, the Exchange authorizes P.M.-Settled NDX options and XND options pursuant to Options 4A, Section 12(a)(6).

<sup>65</sup> See proposed Options 3B, Section 5(a)(1).

<sup>66</sup> See Options 4A, Section 12(a)(6)(i).

<sup>67</sup> See proposed Options 3B, Section 5(a)(2)(a).

<sup>68</sup> See Options 4A, Section 12(a)(3).

<sup>69</sup> See proposed Options 3B, Section 5(b)(1).

The Exchange's proposed position limit for the OROs of 25,000 contracts on the same side<sup>70</sup> promotes just and equitable principles of trade. Also, the proposed position limit of 25,000 contracts reasonably balances the promotion of a free and open market for these securities with minimization of incentives for market manipulation. A position limit of 25,000 contracts is the lowest position limit available in the options industry and conservative given the size and liquidity of Nasdaq-100 Index constituents, thereby substantially reducing the feasibility of price distortion. Further the price of each constituent in the Nasdaq-100 Index is independently formed, therefore there is no single price input that determines the index, rather the various market prices are aggregated. Finally, the Nasdaq-100 Index value reflects continuous market pricing of its constituents. As proposed the settlement value of the Nasdaq-100 Index is based on the closing price of its components in the Nasdaq Closing Cross, a robust auction mechanism with significant volume and oversight and the highest-volume trading event of the day for securities comprising the Nasdaq-100 Index that make it difficult to manipulate. Therefore, the Exchange believes that the proposed position limit is consistent with the Act as it addresses concerns related to manipulation and protection of investors because the position limit is extremely conservative and more than appropriate.

The proposal to not apply the Strategy Protections at Options 3, Section 16(b)<sup>71</sup> to OROs is consistent with the Act because Strategy Protections (Vertical, Calendar, Butterfly, and Box) are not applicable to OROs. Unlike standard options, OROs do not

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<sup>70</sup> Position limits in OROs would not be aggregated with other options contracts where the overlying is the Nasdaq-100 Index. OROs shall not be subject to the exemptions from position limits in Options 4A, Section 9.

<sup>71</sup> See Options 3B, Section 7.

have intrinsic value as they are “all-or-nothing” contracts that pay out a fixed amount if they settle in-the-money. The Exchange notes that other complex order risk protections in Options 3, Section 16, the simple order risk protections in Options 3, Section 15, and the optional risk protections in Options 3, Section 28 will apply to ORO Orders.

The proposed adjustments to OROs with respect to the Obvious Error provisions<sup>72</sup> are designed to promote just and equitable principles of trade, and to remove impediments to and perfect the mechanism of a free and open market and a national market system, as the proposal would ensure that ORO Orders that are deemed Obvious Errors are appropriately adjusted given the nature of these contracts.

The margin requirements specified in Options 6C, Section 3 will apply to OROs in an identical manner to all other options in that Cboe’s margin requirements will govern.

Further, since OROs are standardized options, market participants that elect to transact in OROs must receive a copy of the ODD from their broker-dealer.<sup>73</sup> The ODD explains the risks inherent in standardized options trading including binary options.<sup>74</sup> Broker-dealers must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer.<sup>75</sup> Suitability rules are intended to distinguish the trading of customers from those of professional traders who are likely to have distinct risk/reward profiles, risk tolerance and capital. These measures are all designed to protect investors and the public interest.

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<sup>72</sup> See Options 3B, Section 8.

<sup>73</sup> See FINRA Rule 2360(b)(16)(A).

<sup>74</sup> See *supra* note 3.

<sup>75</sup> See FINRA Rule 2111.

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply those same program procedures to OROs that apply to the Exchange's other options products.<sup>76</sup> Additionally, the Exchange is a member of ISG under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition, the Exchange has an RSA with the FINRA. Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillance that are common to rules of all options exchanges. The Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading OROs.

Finally, the Exchange represents that it has the necessary systems capacity to support trading OROs. Further, the Exchange has confirmed that OPRA has the necessary systems capacity to handle the additional traffic associated with the listing of OROs series. Because the proposal is limited to two classes, the Exchange believes any additional traffic that may be generated from the introduction of Nasdaq-100 OROs and XND OROs will be manageable.

### **Other Amendments**

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

Adding rule text at MRX Supplementary Material .04 to Options 3, Section 3 that is identical to ISE Supplementary Material .04 to Options 3, Section 3 is consistent with

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<sup>76</sup> The surveillance program includes real-time patterns for price and volume movements and post-trade surveillance patterns (e.g., spoofing, marking the close, ping-pong, phishing).

the Act because it will make clear that standard options on XND trade in a \$0.01 increment.<sup>77</sup>

### **Options 6C, Section 3**

The amendment to Options 6C, Section C to change Cboe's name is a non-substantive technical 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.

The Exchange's proposal to list Nasdaq-100 OROs and XND OROs does not impose an undue burden on intra-market competition as any Member may transact OROs. The Exchange notes that Nasdaq-100 OROs and XND OROs are proprietary indexes and as such not subject to an intra-market burden on competition.

The Exchange's proposal to list Nasdaq-100 OROs and XND OROs does not impose an undue burden on inter-market competition as competitors have rules for similar products.<sup>78</sup> Today, Cboe<sup>79</sup> and NYSE American<sup>80</sup> both have the ability to list options that pay a fixed sum at expiration.

### **Other Amendments**

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

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<sup>77</sup> Proposed MRX Supplementary Material .04 to Options 3, Section 3 would state that, Options on the Nasdaq 100 Micro Index (XND) (as long as QQQ options ("QQQ") participate in the Penny Interval Program) shall have a minimum increment of \$.01.

<sup>78</sup> See Cboe Rule 4.16. See also NYSE American related to ByRDs at Section 17 of NYSE American's Rules.

<sup>79</sup> See Cboe Rule 4.16.

<sup>80</sup> See NYSE American Section 17 describes ByRDs listed on NYSE American.

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. The Exchange's proposal to codify the minimum increments for standard XND Options at MRX Supplementary Material .04 to Options 3, Section 3 is consistent with ISE's rule proposal<sup>81</sup> to list and trade XND Options and ISE Supplementary Material .04 to Options 3, Section 3 and, therefore, does not impose an undue burden on intra-market or inter-market competition.

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 Exchange requests accelerated effectiveness pursuant to Section 19(b)(2) of the Act.<sup>82</sup> The Exchange's proposal to adopt listing and trading rules for OROs, while not identical to the rules of another options exchange, are not novel. Today, other options markets have listing rules that permit them to trade binary options like those proposed by the Exchange. Cboe<sup>83</sup> and NYSE American<sup>84</sup> both have the ability to list options that pay a fixed sum at expiration. While the Exchange is seeking approval for a product that

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<sup>81</sup> MRX Options 4A Rules are incorporated by reference to ISE Options 4A.

<sup>82</sup> 15 U.S.C. 78s(b)(2).

<sup>83</sup> See Cboe Rule 4.16.

<sup>84</sup> See NYSE American Section 17 describes ByRDs listed on NYSE American.

has characteristics that are not identical to the Cboe or NYSE American offerings, the Commission has issued approval orders permitting the listing and trading of binary options on competing options markets. The Commission previously noted that it believes that FROs<sup>85</sup> will provide investors with “a potentially useful investment choice.”<sup>86</sup> Further, the Commission noted that the proposal, “... will extend to certain binary options the benefits of a listed exchange market, which include: A centralized forum for price discovery; pre- and post-trade transparency; standardized contract specifications; and the guarantee of the OCC.”<sup>87</sup>

Binary options are securities<sup>88</sup> that would trade subject to all other Rules applicable to the trading of options on the Exchange, including, without limitation, the trading rules, listing rules and business conduct rules, unless the context otherwise requires or otherwise provided in Options 3B as noted in this proposal. Since OROs are standardized options, market participants that elect to transact in OROs must receive a copy of the ODD from their broker-dealer.<sup>89</sup> The ODD explains the risks inherent in standardized options trading including binary options.<sup>90</sup> Broker-dealers must have a reasonable basis to believe that a recommended transaction or investment strategy

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<sup>85</sup> Fixed Return Options or FROs were rebranded in 2014 as Binary Return Derivatives or ByRDS by NYSE American.

<sup>86</sup> See Securities Exchange Act Release No. 56251 (August 14, 2007), 72 FR 46523, 46524 (August 20, 2007) (SR-Amex-2004-27) (Notice of Filing of Amendment No. 4 to a Proposed Rule Change and Order Granting Accelerated Approval to a Proposed Rule Change, as Modified by Amendment Nos. 2, 3, and 4 Thereto, Relating to the Listing and Trading of Fixed Return Options).

<sup>87</sup> See id.

<sup>88</sup> See 15 U.S.C. § 78c(a)(10).

<sup>89</sup> See FINRA Rule 2360(b)(16)(A).

<sup>90</sup> See supra note 3.

involving a security or securities is suitable for the customer.<sup>91</sup> Suitability rules are intended to distinguish the trading of customers from those of professional traders who are likely to have distinct risk/reward profiles, risk tolerance and capital. Finally, the benefit of a centralized forum provides Members with investor protections when trading these contracts.

Accordingly, the Exchange believes that no regulatory purpose would be served by delaying implementation of the proposal beyond the close of the period for public comment on the proposed rule change.

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

Not applicable.

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.

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<sup>91</sup> See FINRA Rule 2111.



## 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’s proposal adopts rules at new Options 3B to govern the listing and trading of standardized, cash-settled, European-style binary options<sup>3</sup> on broad-based security indexes referred to as Outcome-Related Options or “OROs.” The Exchange proposes to list and trade OROs on the Nasdaq-100<sup>®</sup> Index<sup>4</sup> as “Nasdaq-100<sup>®</sup> OROs.” The Exchange also proposes to list and trade OROs on the Nasdaq-100 Micro Index<sup>®5</sup> as “XND OROs.”

OROs on NDX and XND are distinguishable from traditional NDX options and XND options. OROs would entitle the buyer to receive, or the seller to pay, a fixed settlement amount

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<sup>3</sup> The characteristics of standardized binary options are described in The Options Disclosure Document or ODD and would apply to OROs. See <https://www.theocc.com/getcontentasset/a151a9ac-d784-4a15-bdeb-23a029f50b70/dfc3d011-8f63-43f6-9ed8-4b444333a1d0/riskstoc.pdf>.

<sup>4</sup> The Nasdaq-100 Index is a modified market capitalization-weighted index that includes 100 of the largest non-financial companies listed on The Nasdaq Stock Market LLC, based on market capitalization. It does not contain securities of financial companies, including investment companies. Security types generally eligible for the Nasdaq-100 Index include common stocks, ordinary shares, American Depository Receipts, and tracking stocks. Security or company types not included in the Nasdaq-100 Index are closed-end funds, convertible debentures, exchange traded funds, limited liability companies, limited partnership interests, preferred stocks, rights, shares or units of beneficial interest, warrants, units and other derivative securities. A description of the Nasdaq-100 Index is available on Nasdaq’s website at [https://indexes.nasdaqomx.com/docs/methodology\\_NDX.pdf](https://indexes.nasdaqomx.com/docs/methodology_NDX.pdf). The Nasdaq-100 Index is a broad-based index, as defined in Options 4A, Section 3. See also: [https://www.nasdaq.com/NDX\\_NDXP\\_Factsheet](https://www.nasdaq.com/NDX_NDXP_Factsheet).

<sup>5</sup> The Nasdaq-100 Micro Index or XND is designed to reflect 1/100th the value of the Nasdaq-100 Index. See [https://www.nasdaq.com/docs/2023/08/14/XND\\_FactSheet.pdf](https://www.nasdaq.com/docs/2023/08/14/XND_FactSheet.pdf).

at expiration<sup>6</sup> based on whether the settlement value of the underlying broad-based index is at, above, or below a predetermined exercise price at expiration. Unlike traditional NDX options and XND options, OROs will pay a fixed sum at expiration regardless of the magnitude of the difference between the settlement value and the option's exercise price.

OROs will provide investors with the ability to transact options that pay a fixed sum at expiration on a listed exchange market subject to the benefits of a centralized forum for price discovery; pre- and post-trade transparency; standardized contract specifications; real-time surveillance; and clearing guaranteed by The Options Clearing Corporation ("OCC").

As proposed, new Options 3B, would be titled "Outcome-Related Options."

### **General Provisions**

The Exchange proposes to title Section 1 "General Provisions." The trading of OROs will be subject to all rules applicable to options on the Exchange, including, without limitation, trading rules, listing rules and business conduct rules. The Exchange proposes new Options 3B to address rule differences that are unique to the trading of OROs while maintaining the applicability of the broader rulebook.

Pursuant to Options 3B, Section 1(a), titled "Applicability of Exchange Rules," Options 3B Rules will apply only to Outcome-Related Options or "OROs." Further, the trading of OROs will be subject to all other Rules applicable to the trading of options on the Exchange, including the trading rules and functionality in Options 3, unless the context otherwise requires or

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<sup>6</sup> Rules for binary return options products currently exist on NYSE American LLC ("NYSE American") and Cboe Exchange, Inc. ("Cboe"). See Securities Exchange Act Release Nos. 55843 (June 1, 2007), 72 FR 31636 (June 7, 2007) (Notice); 56251 (August 14, 2007), 72 FR 46523 (August 20, 2007) (Approval) (SR-Amex-2004-27); 57642 (April 9, 2008), 73 FR 20985 (April 17, 2008) (Notice); 57850 (May 22, 2008), 73 FR 31169 (May 30, 2008) (Approval) (SR-CBOE-2006-105). See also Cboe Exchange, Inc. Rules related to Binary Options as described at Rule 4.16 and NYSE American LLC Rules related to ByRDs at Section 17 of NYSE American's Rules.

otherwise provided in this Options 3B.<sup>7</sup> For example, the Opening Process at Options 3, Section 8; Trading Halts at Options 3, Section 9; simple, complex and optional risk protections at Options 3, Sections 15 and 28; and Market Maker appointments at Options 2, Section 3 and obligations at Options 2, Sections 4 and 5 shall all apply to the trading of OROs as they apply to the trading of other options on the Exchange.

The Exchange proposes the following definitions at Options 3B, Section 1(b), titled “Definitions,” that would apply to Options 3B rules:

- The term “**contract multiplier**” as used in reference to OROs means the multiple applied to the exercise settlement value to arrive at the total exercise settlement amount per contract. The contract multiplier for OROs shall be 100.<sup>8</sup>
- The term “**exercise price**” as used in reference to OROs means the value to which the settlement value of the underlying broad-based index is compared to determine whether the holder of an ORO is entitled to an exercise settlement amount on the option contract.<sup>9</sup>
- The term “**exercise settlement amount**” as used in reference to OROs means the amount of cash that a holder will receive upon exercise of the contract. The exercise settlement amount is \$100 which is the exercise settlement value multiplied by the contract multiplier.<sup>10</sup>
- The term “**exercise settlement value**” as used in reference to OROs means the value of the ORO. The exercise settlement value for OROs shall be \$1.<sup>11</sup>
- The term “**OROs**” represents cash-settled, P.M.-settled, European-Style binary options on broad-based indexes with a fixed settlement amount.<sup>12</sup>
- The term “**ORO Order**” means an order submitted in an ORO pursuant to Options 3B.<sup>13</sup>

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<sup>7</sup> See proposed Options 3B, Section 1(a).

<sup>8</sup> See proposed Options 3B, Section 1(b)(1).

<sup>9</sup> See proposed Options 3B, Section 1(b)(2).

<sup>10</sup> See proposed Options 3B, Section 1(b)(3).

<sup>11</sup> See proposed Options 3B, Section 1(b)(4).

<sup>12</sup> See proposed Options 3B, Section 1(b)(5).

<sup>13</sup> See proposed Options 3B, Section 1(b)(6).

▪ The term “**settlement value**” is the value of the underlying broad-based index that is used to determine whether an ORO is in, at or out of the money. OROs that are “at-the-money,” “in-the-money,” or “out-of-the-money” are a function of the settlement value of the underlying broad-based index in relation to the type of ORO (i.e., put or call) and the exercise price. OROs shall be paid out if the settlement value of the underlying broad-based index equals, exceeds or is less than the exercise price, depending on the type of option (i.e., call or put).<sup>14</sup>

○ OROs that are call option contracts would return an exercise settlement amount if the settlement value of the underlying broad-based index is at or above the exercise price at expiration (i.e., at or in-the-money).<sup>15</sup>

○ OROs that are put option contracts would return an exercise settlement amount if the settlement value of the underlying broad-based index is below the exercise price at expiration (i.e., in-the-money).<sup>16</sup>

▪ The term “**underlying**” means the broad-based index that the Clearing Corporation<sup>17</sup> shall utilize to determine whether an ORO is in, at or out of the money.<sup>18</sup>

ORO contracts would have an exercise settlement value of \$1.<sup>19</sup> The contract multiplier for OROs shall be 100.<sup>20</sup> Therefore, OROs would have a fixed exercise settlement amount of \$100 (exercise settlement value multiplied by the contract multiplier) that is established at the creation of the option.<sup>21</sup> OROs would be paid out if the settlement value of the broad-based index equals, exceeds or is less than the exercise price, depending on the type of option (i.e., call or put).<sup>22</sup> As proposed, a call option on OROs would pay the exercise settlement amount of \$100 if the settlement value is at or above the exercise price at expiration.<sup>23</sup> Conversely, a put

<sup>14</sup> See proposed Options 3B, Section 1(b)(7).

<sup>15</sup> See proposed Options 3B, Section 1(b)(7)(a).

<sup>16</sup> See proposed Options 3B, Section 1(b)(7)(b).

<sup>17</sup> The term “Clearing Corporation” means The Options Clearing Corporation. u General 1, Section 1(a)(3).

<sup>18</sup> See proposed Options 3B, Section 1(b)(8).

<sup>19</sup> See proposed Options 3B, Section 1(b)(4).

<sup>20</sup> See proposed Options 3B, Section 1(b)(1).

<sup>21</sup> See proposed Options 3B, Section 1(b)(3).

<sup>22</sup> See proposed Options 3B, Section 1(b)(7).

<sup>23</sup> See proposed Options 3B, Section 1(b)(7)(a).

option on OROs would pay the exercise settlement amount of \$100 if the settlement value is below the exercise price at expiration.<sup>24</sup> There would be no payout if the ORO Option expires out-of-the money. The “settlement value” for OROs shall be the value of the underlying broad-based index that is used to determine whether an ORO is in, at or out of the money.<sup>25</sup> The underlying is the broad-based index that the Clearing Corporation shall utilize to determine whether an ORO is in, at or out of the money.<sup>26</sup> An ORO Order would mean an order submitted in an ORO pursuant to Options 3B.<sup>27</sup>

### **Hours of Business**

Section 2 of Options 3B would be titled “Hours of Business.” Pursuant to proposed Options 3B, Section 1(c), the trading hours for OROs would be the same as the trading hours as set forth in Options 3, Section 1.<sup>28</sup>

### **Units of Trading and Premium**

Section 3 of Options 3B would be titled “Units of Trading and Premium.” Pursuant to proposed Options 3B, Section 3(a), bids and offers for OROs must be expressed in U.S. dollars.<sup>29</sup> Pursuant to proposed Options 3B, Section 3(b), OROs may have a premium range<sup>30</sup> from \$0.01 to \$1.00.<sup>31</sup>

### **Minimum Trading Increment**

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<sup>24</sup> See proposed Options 3B, Section 1(b)(7)(b).

<sup>25</sup> See proposed Options 3B, Section 1(b)(7)(b).

<sup>26</sup> See *id.*

<sup>27</sup> See proposed Options 3B, Section 1(b)(6).

<sup>28</sup> Options 3, Section 1(d) provides that options on a broad-based index, as defined in Options 4A, Section 2 may be traded on the Exchange until 4:15 p.m. each business day.

<sup>29</sup> See proposed Options 3B, Section 3(a).

<sup>30</sup> The premium is the price paid or received when entering an ORO Order.

<sup>31</sup> See proposed Options 3B, Section 3(b).

Section 4 of Options 3B would be titled “Minimum Trading Increments.” Pursuant to proposed Options 3B, Section 4(a), OROs on broad-based indexes may be entered in a minimum increment of \$0.01. Today, NDX options trade in \$0.05 and \$0.10 increments pursuant to Options 3, Section 3(a). The Exchange proposes a minimum increment of \$0.01, identical to Cboe Rule 5.4(c)(1).<sup>32</sup> Today, XND options trade in \$0.01 increments.<sup>33</sup>

The Exchange notes that MRX Options 4A Rules incorporate by reference Nasdaq ISE, LLC (“ISE”) Options 4A Rules. At this time, the Exchange proposes to add rule text to MRX Supplementary Material .04 to Options 3, Section 3, Minimum Trading Increments, which is identical to ISE Supplementary Material .04 to Options 3, Section 3 to make clear that XND trades in a \$0.01 increment. This rule change will be explained further below in greater detail.

### **Listings**

Section 5 of Options 3B would be titled “Listings.” Pursuant to proposed Options 3B, Section 5(a), titled “OROs Classes,” the Exchange authorizes OROs on the Nasdaq-100 Index (“Nasdaq-100 OROs”) and on the Nasdaq-100 Micro Index (“XND OROs”). The listing of Nasdaq-100 OROs and XND OROs would be subject to Options 4A Rules,<sup>34</sup> including but not limited to P.M.-Settlement pursuant to Options 4A, Section 12(a)(6), the Nonstandard Expirations Program pursuant to Supplementary Material .07 to Options 4A, Section 12, the Short Term Series Options Program pursuant to Supplementary Material .01 to Options 4A, Section 12, the Quarterly Options Series Program pursuant to Supplementary Material .02 to

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<sup>32</sup> Cboe Rule 5.4(c)(1) states that the exchange establishes the minimum increment for bids and offers on orders for binary options on a class-by-class basis, which may not be less than \$0.01.

<sup>33</sup> See ISE Supplementary Material .04 to Options 3, Section 3. Specifically, ISE Supplementary Material .04 to Options 3, Section 3 states that, Options on the Nasdaq 100 Micro Index (XND) (as long as QQQ options (“QQQ”) participate in the Penny Interval Program) shall have a minimum increment of \$.01.

<sup>34</sup> As noted above, MRX incorporates ISE Options 4A Rules by reference.

Options 4A, Section 12, and the Monthly Options Series Program pursuant to Supplementary Material .06 to Options 4A, Section 12, unless otherwise specified. Nasdaq-100 OROs and XND OROs will trade independently of and in addition to other standard options on NDX or XND, respectively.

Like NDX and XND options,<sup>35</sup> Nasdaq-100 OROs and XND OROs will be P.M.-settled.<sup>36</sup> Options 3B, Section 5(a)(1) would be titled “P.M.-Settled” and state, that the Exchange authorizes P.M.-Settled Nasdaq-100 OROs and XND OROs pursuant to Options 4A, Section 12(a)(6). A.M.-Settled Nasdaq-100 OROs and XND OROs pursuant to Options 4A, Section 12(a)(5) are not authorized. As a result, exercise will result in delivery of cash on the business day following expiration.<sup>37</sup>

Like NDX options and XND options,<sup>38</sup> Nasdaq-100 OROs and XND OROs may be P.M.-Settled on the third Friday-of-the-month.<sup>39</sup>

As proposed in Options 3B, Section 5(a)(3), the reporting authority for Nasdaq-100 OROs and XND OROs shall be The Nasdaq Stock Market. Options 3B, Section 5(a)(3) would be titled “Reporting Authority.”

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<sup>35</sup> Today, the Exchange authorizes P.M.-Settled NDX and XND options pursuant to Options 4A, Section 12(a)(6)(i).

<sup>36</sup> See proposed Options 3B, Section 5(a)(1). Of note, Nasdaq-100 OROs and XND OROs would not trade A.M.-Settled. Today, NDX options trade A.M.-Settled.

<sup>37</sup> 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. See Options 4A, Section 12(a)(6).

<sup>38</sup> Today, NDX options and XND options may be P.M.-Settled on the third Friday-of-the-month. See Options 4A, Section 12(a)(6)(i).

<sup>39</sup> See proposed Options 3B, Section 5(a)(2). The Exchange proposes to add a titled “Third Friday-of-the-Month” to proposed Options 3B, Section 5(a)(2).

Pursuant to proposed Options 3B, Section 5(b), titled “Permissible Series,” Nasdaq-100 OROs and XND OROs each would be separate classes and separate from other options overlying the Nasdaq-100 Index and the Nasdaq-100 Micro Index.

Like NDX and XND options,<sup>40</sup> Nasdaq-100 OROs and XND OROs may expire at three (3)-month intervals, in consecutive weeks or in consecutive months and may list up to 12 standard (monthly) expirations.<sup>41</sup> Like NDX and XND options,<sup>42</sup> Nasdaq-100 OROs and XND OROs shall be European-style exercise.<sup>43</sup>

The initial and continued listing standards will apply to OROs as they apply to other broad-based index options. Nasdaq-100 OROs and XND OROs would be subject to the provisions of Options 4A with respect to weekly expirations provided, however, that weekly expirations would only be P.M.-Settled.<sup>44</sup> New series in weekly expirations on Nasdaq-100 OROs and XND OROs may be added up to and including on the expiration date for an expiring weekly expiration. Further, the Exchange may open for trading end of month (EOM) expirations on Nasdaq-100 OROs and XND OROs to expire on last trading day of the month. EOMs on OROs would be subject to all provisions of Options 4A, except that EOMs on Nasdaq-100 OROs and XND OROs shall only be P.M.-Settled. New series in EOMs on Nasdaq-100 OROs and XND OROs may be added up to and including on the expiration date for an expiring EOM. Finally, the Exchange may list long term index options series (“LEAPS”) on Nasdaq-100 OROs and XND OROs that expire from twelve (12) to sixty (60) months from the date of issuance.<sup>45</sup>

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<sup>40</sup> See Options 4A, Section 12(a)(3).

<sup>41</sup> See proposed Options 3B, Section 5(b)(1).

<sup>42</sup> See Options 4A, Section 12(a)(4).

<sup>43</sup> See proposed Options 3B, Section 5(b)(2).

<sup>44</sup> Today, NDX options are both A.M.-Settled and P.M.-Settled.

<sup>45</sup> See Options 4A, Section 12(b)(2) and (3).

Proposed Options 3B, Section 5(c), titled “Terms,” provides the terms for submitting an ORO Order for a OROs series to the System, the submitting Member must include one of each of the following terms in the ORO Order: (1) underlying broad-based index (the contract multiplier is 100); (2) type of option (i.e., put or call); (3) expiration date; and (4) exercise price.<sup>46</sup>

Proposed Options 3B, Section 5(d), titled “Determination of Settlement Value,” provides the determination for settlement value. For Nasdaq-100 OROs, the settlement value shall be the value of the Nasdaq-100 Index as reported by Nasdaq at the conclusion of the Nasdaq Closing Cross pursuant to Nasdaq Equity 4, Rule 4757. The settlement value for XND OROs shall be the value of the Nasdaq-100 Micro Index as reported by Nasdaq at the conclusion of the Nasdaq Closing Cross pursuant to Nasdaq Equity 4, Rule 4757.

Proposed Options 3B, Section 5(e), titled “Adjustment,” provides the manner in which adjustments will be handled. OROs contracts are subject to adjustment only in accordance with and to the extent specified in the By-Laws and Rules of the Clearing Corporation. When any such adjustment has been determined, an announcement shall be made by the Exchange and shall become effective as of the time specified in such announcement.

Proposed Options 3B, Section 5(f), titled “Position Limits,” states that the position limits in Options 4A, Section 6, Position Limits for broad-based index options, shall not apply to OROs, rather the position limits for OROs shall be equal to 25,000 contracts on the same side of the market. Position limits in OROs shall not be aggregated with other options contracts for the underlying broad-based index. OROs shall not be subject to the exemptions from position limits in Options 4A, Section 9, Exemptions from Position Limits.

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<sup>46</sup> See proposed Options 3B, Section 5(c).

Further, proposed Options 3B, Section 5(f)(1), titled “Reporting of Position Limits,” states that with respect to positions in OROs, the minimum position in an account which must be reported shall be 200 contracts.<sup>47</sup> Pursuant to Options 3B, Section 5(f)(1)(a), titled “Market Side,” for purposes of the position limits set forth in subparagraph (f) of this Rule, long positions in put OROs and short positions in call OROs shall be considered to be on the same side of the market; and short positions in put OROs and long positions in call OROs shall be considered to be on the same side of the market.

Proposed Options 3B, Section 5(g), would be titled “Exercise Limits.” The exercise limits specified in Options 4A, Section 10, Exercise Limits, shall not apply to OROs. OROs will automatically be exercised at expiration if the settlement value of the underlying broad-based index is equal to or greater than the exercise price of call OROs or less than the exercise price in the case of put OROs. Therefore, OROs on broad-based indexes are not subject to the rules in: (i) Options 6B, Exercises and Deliveries; and (ii) Options 9, Section 19, Other Restrictions on Options Transactions and Exercise, as that Section 19 relates to exercises.

### **Types of Orders; Order and Quote Protocols**

Options 3B, Section 6 shall be titled “Types of Orders; Order and Quote Protocols.” The Exchange may determine to make any eligible order types and times-in-force, respectively, in Options 3, Section 7, Types of Orders and Order and Quote Protocols, available on a class or System basis to be submitted as ORO Orders. Eligible ORO Orders shall include all order types in Options 3, Section 7 except for: (1) Market Orders<sup>48</sup> at Options 3, Section 7(a); (2) Stop

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<sup>47</sup> See proposed Options 3B, Section 5(f)(1).

<sup>48</sup> A Market Order is an order to buy or sell a stated number of options contracts that is to be executed at the best price obtainable when the order reaches the Exchange. Members can designate that their Market Orders not executed after a pre-established period of time, as established by the Exchange, will be cancelled back to the Member once an options series has opened for trading. Market Orders on the order

Orders<sup>49</sup> at Options 3, Section 7(d); and (3) Stop Limit Orders<sup>50</sup> at Options 3, Section 7(e) because a Market Order does not specify a price and Stop Orders and Stop Limit Orders require a price to be elected.

Pursuant to Options 3B, Section 6(b), all order and quote protocols in Supplementary Material .03 to Options 3, Section 7 are available for OROs.

Pursuant to Options 3B, Section 6(c), ORO Orders may be submitted in both simple and complex order books. ORO Orders may be entered as complex orders as specified in Options 3, Section 14, except that a Stock-Complex Strategy<sup>51</sup> as defined in Options 3, Section 14(a)(3) is not permitted because the underlying to the ORO would be a broad-based index and stock-tied orders are not applicable to broad based indexes. ORO Orders may be submitted into any of the auction mechanisms specified in Options 3, Sections 11 (Auction Mechanisms) or 13 (Price Improvement Mechanism for Crossing Transactions). ORO Orders may be submitted as

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book would be immediately cancelled if an options series is halted, provided the Member designated the cancellation of Market Orders. See Options 3, Section 7(a).

<sup>49</sup> 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 Exchange at, or above, the specified stop price. A stop order to sell is elected when the option is offered or trades on the Exchange 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. 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. See Options 3, Section 7(d).

<sup>50</sup> 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 Exchange 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 Exchange 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. 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. See Options 3, Section 7(e).

<sup>51</sup> 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).

Crossing Orders, as specified in Options 3, Section 12, except that ORO Orders may not be submitted as a Qualified Contingent Cross Order or a Complex Qualified Contingent Cross Order subject to Options 3, Section 12(c) and (d), respectively.

### **Risk Protections**

Options 3B, Section 7 shall be titled “Risk Protections.” Pursuant to Options 3B, Section 7(a), for purposes of ORO Orders, the simple order risk protections in Options 3, Section 15 and the optional risk protections in Options 3, Section 28 will apply to ORO Orders. Further, the complex order risk protections in Options 3, Section 16 will apply to ORO Orders except for the Strategy Protections in Options 3, Section 16(b). The Strategy Protections at Options 3, Section 16(b) include a Vertical Spread Protection, a Calendar Spread Protection, a Butterfly Spread Protection and a Box Spread Protection. Strategy Protections (Vertical, Calendar, Butterfly, and Box) are not applicable to OROs because unlike standard options, OROs do not have intrinsic value as they are “all-or-nothing” contracts that pay out a fixed amount if they settle in-the-money.

### **Obvious Errors**

Options 3B, Section 8 shall be titled “Obvious Error.” Pursuant to Options 3B, Section 8(a), for purposes of ORO Orders, the Obvious Error provisions in Options 3, Section 20, Nullification and Adjustment of Options Transactions including Obvious Errors, shall apply except that with respect to Options 3, Section 20(c), the adjusted price (including any applicable adjustment under subparagraph (c)(4)(A) for Non-Customer transactions) shall not exceed the applicable exercise settlement value for OROs, which is \$1.

### **Margin**

Options 6C, Section 3, Margin Requirements, provides at subparagraph (a) that a

Member must elect to be bound by the initial and maintenance margin requirements of either the Chicago Board of Options Exchange or the New York Stock Exchange as the same may be in effect from time to time.<sup>52</sup> The Exchange proposes to elect Cboe's margin requirements with respect to OROs.

### **Suitability and Risk Disclosures**

Since OROs are standardized options, market participants that elect to transact in OROs must receive a copy of the ODD from their broker-dealer.<sup>53</sup> The ODD explains the risks inherent in standardized options trading including binary options.<sup>54</sup> Broker-dealers must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer.<sup>55</sup> Suitability rules are intended to distinguish the trading of customers from those of professional traders who are likely to have distinct risk/reward profiles, risk tolerance and capital.

### **Surveillance**

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply those same program procedures to OROs that it applies to the Exchange's other options products.<sup>56</sup> Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. Further, the Exchange has a Regulatory Services Agreement

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<sup>52</sup> MRX's Options 6C rules incorporate by reference to ISE's Options 6C rules.

<sup>53</sup> See FINRA Rule 2360(b)(16)(A).

<sup>54</sup> See supra note 3.

<sup>55</sup> See FINRA Rule 2111.

<sup>56</sup> The surveillance program includes real-time patterns for price and volume movements and post-trade surveillance patterns (e.g., spoofing, marking the close, pinging, phishing).

(“RSA”) with the Financial Industry Regulatory Authority (“FINRA”). Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillance that are common to rules of all options exchanges. The Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading OROs.

### **Capacity**

The Exchange represents that it has the necessary systems capacity to support trading OROs. Further, the Exchange has confirmed that the Options Price Reporting Authority or “OPRA” has the necessary systems capacity to handle the additional traffic associated with the listing of OROs series. Because the proposal is limited to two classes, the Exchange believes any additional traffic that may be generated from the introduction of Nasdaq-100 OROs and XND OROs will be manageable.

### **Other Amendments**

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

MRX Options 4A Rules incorporate by reference Nasdaq ISE, LLC (“ISE”) Options 4A. As a result, today, MRX may list and trade XND Options pursuant to Options 4A Rules. However, the rule proposal<sup>57</sup> which permitted ISE to list and trade XND Options in a minimum increment of \$0.01 also amended ISE Supplementary Material .04 to Options 3, Section 3, a section that is not incorporated by reference and, therefore, unlike Options 4A Rules, does not apply to MRX. To correct this discrepancy, the Exchange proposes to add rule text at MRX

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<sup>57</sup> See Securities Exchange Act Release No. 98886 (November 8, 2023), 88 FR 78417 (November 15, 2023) (SR-ISE-2023-24) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Permit the Listing and Trading of XND Options).

Supplementary Material .04 to Options 3, Section 3 that is identical to ISE Supplementary Material .04 to Options 3, Section 3, to codify the minimum increment for XND Options to accompany the Options 4A listing rules for XND Options. The Exchange proposes to state at MRX Supplementary Material .04 to Options 3, Section 3 that, “Options on the Nasdaq 100 Micro Index (XND) (as long as QQQ options (“QQQ”) participate in the Penny Interval Program) shall have a minimum increment of \$.01.” The proposed rule text is consistent with the manner in which XND Options trade today on ISE, in \$0.01 minimum increments.

While MRX currently does not list options on XND, the Exchange proposes to codify the minimum increments for XND standard options which trade in the same increment as proposed for XND OROs.

### **Options 6C, Section 3**

Options 6C, Section 3 references the Chicago Board of Options exchange. The Exchange proposes to update the reference to this exchange from “Chicago Board of Options” to “Cboe Exchange, Inc.” This amendment is a technical non-substantive amendment.

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>58</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>59</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.

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<sup>58</sup> 15 U.S.C. 78f(b).

<sup>59</sup> 15 U.S.C. 78f(b)(5).

OROs will provide investors with the ability to transact options that pay a fixed sum at expiration on a listed exchange market subject to the benefits of a centralized forum for price discovery; pre- and post-trade transparency; standardized contract specifications; real-time surveillance; and the centralized clearing guaranteed by OCC, thereby promoting just and equitable principles of trade. Further, the introduction of OROs will provide advantages to the investing public that are not provided for by other options overlying the Nasdaq-100 Index and the Nasdaq-100 Micro Index. OROs offer investors a relatively low risk security where the risk reduction results from knowing the maximum risk exposure when the contract is written. The maximum exercise settlement amount is set at listing, therefore, the maximum risk is limited and known at listing. Also, as proposed, the trading of OROs will be subject to all other Rules applicable to the trading of options on the Exchange, including, without limitation, the trading rules, listing rules and business conduct rules, unless the context otherwise requires or otherwise provided in Options 3B.<sup>60</sup>

The Exchange proposes a minimum increment of \$0.01 for Nasdaq-100 OROs and XND OROs. Today, NDX options trade in \$0.05 and \$0.10 increments<sup>61</sup> and XND options trade in \$0.01 increments.<sup>62</sup> The proposed minimum increment, which is identical to Cboe's increment for binary options,<sup>63</sup> will permit OROs to trade in intervals like other index products in Cboe's rules.

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<sup>60</sup> See proposed Options 3B, Section 1(a). For example, the Opening Process at Options 3, Section 8; Trading Halts at Options 3, Section 9; simple, complex and optional risk protections at Options 3, Sections 15 and 28; and Market Maker appointments at Options 2, Section 3 and obligations at Option 2, Section 5 shall all apply to the trading of OROs as they apply to the trading of other options on the Exchange.

The remainder of the proposed rules permit trading in Nasdaq-100 OROs and XND OROs in an identical manner to the trading of NDX options and XND options, respectively. The listing of Nasdaq-100 OROs and XND OROs shall be subject to Options 4A Rules, including but not limited to P.M.-Settlement pursuant to Options 4A, Section 12(a)(6), the Nonstandard Expirations Program pursuant to Supplementary Material .07 to Options 4A, Section 12, the Short Term Series Options Program pursuant to Supplementary Material .01 to Options 4A, Section 12, the Quarterly Options Series Program pursuant to Supplementary Material .02 to Options 4A, Section 12, and the Monthly Options Series Program pursuant to Supplementary Material .06 to Options 4A, Section 12, unless otherwise specified. Like NDX options and XND options,<sup>64</sup> Nasdaq-100 OROs and XND OROs will be P.M.-settled.<sup>65</sup> Like NDX options,<sup>66</sup> Nasdaq-100 OROs and XND OROs may be P.M.-Settled on the third Friday-of-the-month.<sup>67</sup> Like NDX options and XND options,<sup>68</sup> Nasdaq-100 OROs and XND OROs may expire at three (3)-month intervals, in consecutive weeks or in consecutive months and may list up to 12 standard (monthly) expirations.<sup>69</sup>

The Exchange's proposed position limit for the OROs of 25,000 contracts on the same side<sup>70</sup> promotes just and equitable principles of trade. Also, the proposed position limit of 25,000 contracts reasonably balances the promotion of a free and open market for these

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<sup>64</sup> Today, the Exchange authorizes P.M.-Settled NDX options and XND options pursuant to Options 4A, Section 12(a)(6).

<sup>65</sup> See proposed Options 3B, Section 5(a)(1).

<sup>66</sup> See Options 4A, Section 12(a)(6)(i).

<sup>67</sup> See proposed Options 3B, Section 5(a)(2)(a).

<sup>68</sup> See Options 4A, Section 12(a)(3).

<sup>69</sup> See proposed Options 3B, Section 5(b)(1).

<sup>70</sup> Position limits in OROs would not be aggregated with other options contracts where the overlying is the Nasdaq-100 Index. OROs shall not be subject to the exemptions from position limits in Options 4A, Section 9.

securities with minimization of incentives for market manipulation. A position limit of 25,000 contracts is the lowest position limit available in the options industry and conservative given the size and liquidity of Nasdaq-100 Index constituents, thereby substantially reducing the feasibility of price distortion. Further the price of each constituent in the Nasdaq-100 Index is independently formed, therefore there is no single price input that determines the index, rather the various market prices are aggregated. Finally, the Nasdaq-100 Index value reflects continuous market pricing of its constituents. As proposed the settlement value of the Nasdaq-100 Index is based on the closing price of its components in the Nasdaq Closing Cross, a robust auction mechanism with significant volume and oversight and the highest-volume trading event of the day for securities comprising the Nasdaq-100 Index that make it difficult to manipulate. Therefore, the Exchange believes that the proposed position limit is consistent with the Act as it addresses concerns related to manipulation and protection of investors because the position limit is extremely conservative and more than appropriate.

The proposal to not apply the Strategy Protections at Options 3, Section 16(b)<sup>71</sup> to OROs is consistent with the Act because Strategy Protections (Vertical, Calendar, Butterfly, and Box) are not applicable to OROs. Unlike standard options, OROs do not have intrinsic value as they are “all-or-nothing” contracts that pay out a fixed amount if they settle in-the-money. The Exchange notes that other complex order risk protections in Options 3, Section 16, the simple order risk protections in Options 3, Section 15, and the optional risk protections in Options 3, Section 28 will apply to ORO Orders.

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<sup>71</sup> See Options 3B, Section 7.

The proposed adjustments to OROs with respect to the Obvious Error provisions<sup>72</sup> are designed to promote just and equitable principles of trade, and to remove impediments to and perfect the mechanism of a free and open market and a national market system, as the proposal would ensure that ORO Orders that are deemed Obvious Errors are appropriately adjusted given the nature of these contracts.

The margin requirements specified in Options 6C, Section 3 will apply to OROs in an identical manner to all other options in that Cboe's margin requirements will govern.

Further, since OROs are standardized options, market participants that elect to transact in OROs must receive a copy of the ODD from their broker-dealer.<sup>73</sup> The ODD explains the risks inherent in standardized options trading including binary options.<sup>74</sup> Broker-dealers must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer.<sup>75</sup> Suitability rules are intended to distinguish the trading of customers from those of professional traders who are likely to have distinct risk/reward profiles, risk tolerance and capital. These measures are all designed to protect investors and the public interest.

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply those same program procedures to OROs that apply to the Exchange's other options products.<sup>76</sup> Additionally, the Exchange is a member of ISG under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and

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<sup>72</sup> See Options 3B, Section 8.

<sup>73</sup> See FINRA Rule 2360(b)(16)(A).

<sup>74</sup> See *supra* note 3.

<sup>75</sup> See FINRA Rule 2111.

<sup>76</sup> The surveillance program includes real-time patterns for price and volume movements and post-trade surveillance patterns (e.g., spoofing, marking the close, pinging, phishing).

investigative information sharing in the stock, options, and futures markets. In addition, the Exchange has an RSA with the FINRA. Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillance that are common to rules of all options exchanges. The Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading OROs.

Finally, the Exchange represents that it has the necessary systems capacity to support trading OROs. Further, the Exchange has confirmed that OPRA has the necessary systems capacity to handle the additional traffic associated with the listing of OROs series. Because the proposal is limited to two classes, the Exchange believes any additional traffic that may be generated from the introduction of Nasdaq-100 OROs and XND OROs will be manageable.

### **Other Amendments**

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

Adding rule text at MRX Supplementary Material .04 to Options 3, Section 3 that is identical to ISE Supplementary Material .04 to Options 3, Section 3 is consistent with the Act because it will make clear that standard options on XND trade in a \$0.01 increment.<sup>77</sup>

#### **Options 6C, Section 3**

The amendment to Options 6C, Section C to change Cboe's name is a non-substantive technical 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

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<sup>77</sup> Proposed MRX Supplementary Material .04 to Options 3, Section 3 would state that, Options on the Nasdaq 100 Micro Index (XND) (as long as QQQ options ("QQQ") participate in the Penny Interval Program) shall have a minimum increment of \$.01.

competition that is not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange's proposal to list Nasdaq-100 OROs and XND OROs does not impose an undue burden on intra-market competition as any Member may transact OROs. The Exchange notes that Nasdaq-100 OROs and XND OROs are proprietary indexes and as such not subject to an intra-market burden on competition.

The Exchange's proposal to list Nasdaq-100 OROs and XND OROs does not impose an undue burden on inter-market competition as competitors have rules for similar products.<sup>78</sup>

Today, Cboe<sup>79</sup> and NYSE American<sup>80</sup> both have the ability to list options that pay a fixed sum at expiration.

### **Other Amendments**

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

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. The Exchange's proposal to codify the minimum increments for standard XND Options at MRX Supplementary Material .04 to Options 3, Section 3 is consistent with ISE's rule proposal<sup>81</sup> to list and trade XND Options and ISE Supplementary Material .04 to Options 3, Section 3 and, therefore, does not impose an undue burden on intra-market or inter-market competition.

#### **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.

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<sup>78</sup> See Cboe Rule 4.16. See also NYSE American related to ByRDs at Section 17 of NYSE American's Rules.

<sup>79</sup> See Cboe Rule 4.16.

<sup>80</sup> See NYSE American Section 17 describes ByRDs listed on NYSE American.

<sup>81</sup> MRX Options 4A Rules are incorporated by reference to ISE Options 4A.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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 SR-MRX-2026-05 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-MRX-2026-05. 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-MRX-2026-05 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>82</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>82</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 4**

*Exhibit 4 displays changes proposed in SR-MRX-2026-05 Amendment No. 2 as compared to the SR-MRX-2026-05 Amendment No. 1. Proposed additions from the original filing are double underlined and bolded and proposed deletions from the original filing appear as a strikethrough.*

**Nasdaq MRX, LLC Rules**

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**Options Rules**

\* \* \* \* \*

**Options 3 Options Trading Rules**

\* \* \* \* \*

**Section 3. Minimum Trading Increments**

\* \* \* \* \*

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

\* \* \* \* \*

.04 Options on the Nasdaq 100 Micro Index (XND) (as long as QQQ options (“QQQ”) participate in the Penny Interval Program) shall have a minimum increment of \$.01.

\* \* \* \* \*

**Options 3B Outcome-Related Options****Section 1. General Provisions**

(a) **Applicability of Exchange Rules.** Options 3B Rules will apply only to Outcome-Related Options or “OROs” (defined below). The trading of OROs will be subject to all other Rules applicable to the trading of options on the Exchange, including the trading rules and functionality in Options 3, unless the context otherwise requires or otherwise provided in this Options 3B.

(b) **Definitions.** The following terms will have the meanings specified in Options 3B:

(1) The term “**contract multiplier**” as used in reference to OROs means the multiple applied to the exercise settlement value to arrive at the total exercise settlement amount per contract. The contract multiplier for OROs shall be \$100.

(2) The term “**exercise price**” as used in reference to OROs means the value to which the settlement value of the underlying **broad-based index** is compared to determine whether the holder of an ORO is entitled to a pay out **an exercise settlement amount** on the option contract.

(3) The term “**exercise settlement amount**” as used in reference to OROs means the amount of cash that a holder will receive upon exercise of the contract. The exercise settlement amount is \$100. ~~The underlying is used to determine whether a binary option is in, at or out of the money. which is the exercise settlement value multiplied by the contract multiplier.~~

(4) The term “**exercise settlement value**” as used in reference to OROs means the value of the ORO. The exercise settlement value for OROs shall be \$1.

(45) The term “**OROs**” represents **cash-settled, P.M.-settled, European-Style** binary options on ~~the underlying~~ **broad-based indexes with a fixed settlement amount.**

(56) The term “**OROs Order**” means an order submitted in an ORO pursuant to Options 3B.

(67) The term “**settlement value**” is the value of the underlying **broad-based index** that is used to determine whether an ORO is in, at or out of the money. OROs that are “at-the-money,” “in-the-money,” or “out-of-the-money” are a function of the settlement value of the underlying **broad-based index** in relation to the type of ORO (i.e., put or call) and the exercise price. OROs shall be paid out if the settlement value of the underlying **broad-based index** equals, exceeds or is less than the exercise price, depending on the type of option (i.e., call or put).

(a) OROs that are call option contracts would return an exercise settlement amount if the settlement value of the underlying **broad-based index** is at or above the exercise price at expiration (i.e., ~~in or~~ at **or in**-the-money).

(b) OROs that are put option contracts would return an exercise settlement amount if the settlement value of the underlying **broad-based index** is below the exercise price at expiration (i.e., in-the-money).

(78) The term “**underlying**” means the ~~security~~-**broad-based index** that the Clearing Corporation shall utilize to determine whether an ORO is in, at or out of the money. ~~With respect to an index, the underlying shall mean any of the securities that are the basis for the calculation of the index.~~

## Section 2. Hours of Business.

(a) The trading hours for OROs are the same as the trading hours as set forth in Options 3, Section 1.

## Section 3. Units of Trading and Premium

(a) Bids and offers for OROs must be expressed in U.S. dollars.

(b) OROs may have a premium range from \$0.01 to \$1.00.

#### **Section 4. Minimum Trading Increment**

(a) OROs may be entered in a minimum increment of \$0.01.

#### **Section 5. Listings**

(a) OROs Classes. The Exchange authorizes OROs on the Nasdaq-100<sup>®</sup> Index ~~or NDX<sup>®</sup>~~ (“Nasdaq-100 OROs”) and on the Nasdaq-100 Micro Index<sup>®</sup> ~~or XND<sup>®</sup>~~ (“XND OROs”). The listing of Nasdaq-100 OROs and XND OROs shall be subject to Options 4A Rules, **including but not limited to P.M.-Settlement pursuant to Options 4A, Section 12(a)(6), the Nonstandard Expirations Program pursuant to Supplementary Material .07 to Options 4A, Section 12, the Short Term Series Options Program pursuant to Supplementary Material .01 to Options 4A, Section 12, the Quarterly Options Series Program pursuant to Supplementary Material .02 to Options 4A, Section 12, and the Monthly Options Series Program pursuant to Supplementary Material .06 to Options 4A, Section 12,** unless otherwise specified.

(1) P.M.-Settled. The Exchange authorizes P.M.-Settled Nasdaq-100 OROs and XND OROs pursuant to Options 4A, Section 12(a)(~~5~~6). **A.M.-Settled Nasdaq-100 OROs and XND OROs pursuant to Options 4A, Section 12(a)(5) are not authorized.**

(2) Nonstandard Expirations Program. ~~Nasdaq 100 OROs and XND OROs shall be subject to the Nonstandard Expirations Program pursuant to Supplementary Material .07 to Options 4A, Section 12.~~ **Third-Friday-of-the-Month. Nasdaq-100 OROs and XND OROs may be P.M.-Settled on the third Friday-of-the-month.**

(a) The Exchange may also list: (i) Nasdaq 100 OROs whose settlement value is the price of the Nasdaq 100 Index as reported by The Nasdaq Stock Market, LLC (“Nasdaq”) at the conclusion of the Nasdaq Closing Cross pursuant to Nasdaq Equity 4, Rule 4757 (P.M.- Settled third Friday of the month); and (ii) XND OROs whose settlement value is derived from the price of the Nasdaq 100 Index as reported by Nasdaq at the conclusion of the Nasdaq Closing Cross pursuant to Nasdaq Equity 4, Rule 4757 (P.M.- Settled).

(3) Reporting Authority. The reporting authority for Nasdaq-100 OROs and XND OROs shall be The Nasdaq Stock Market.

(b) Permissible Series. ~~The Exchange approves Nasdaq 100 OROs and XND OROs for listing and trading pursuant to Options 3B.~~ Nasdaq-100 OROs and XND OROs are **each a separate classes and are separate** class from other options overlying the Nasdaq-100 Index **and the Nasdaq-100 Micro Index.**

(1) Expiration Months and Weeks. OROs contracts may expire at three (3)-month intervals, in consecutive weeks or in consecutive months and may list up to 12 standard (monthly) expirations.

(2) *European-Style Exercise.* OROs shall be European-style.

(c) **Terms.** When submitting an ORO Order for an OROs series to the System, the submitting Member must include one of each of the following terms in the OROs Order:

(1) underlying **broad-based** index (the contract multiplier is 100);

(2) type of option (i.e., put or call);

(3) expiration date; and

(4) exercise price.

(d) **Determination of Settlement Value.** The settlement value for Nasdaq-100 OROs shall be the ~~price~~value of the Nasdaq-100 Index as reported by Nasdaq at the conclusion of the Nasdaq Closing Cross pursuant to Nasdaq Equity 4, Rule 4757. The settlement value for XND OROs shall be a ~~price that is derived from the price~~value of the Nasdaq-100 **Micro** Index as reported by Nasdaq at the conclusion of the Nasdaq Closing Cross pursuant to Nasdaq Equity 4, Rule 4757.

(e) **Adjustment.** OROs contracts are subject to adjustment only in accordance with and to the extent specified in the By-Laws and Rules of the Clearing Corporation. When any such adjustment has been determined, an announcement shall be made by the Exchange and shall become effective as of the time specified in such announcement.

(f) **Position Limits.** The position limits ~~for OROs~~ in Options 4A, Section 6 shall not apply ~~to OROs~~, rather the position limits shall be equal to 25,000 contracts on the same side of the market. Position limits in OROs shall not be aggregated with other option contracts for the underlying. OROs shall not be subject to the exemptions from position limits in Options 4A, Section 9.

(1) *Reporting of Position Limits.* With respect to positions in OROs, the minimum position in an account which must be reported shall be 200 contracts.

(a) *Market Side.* For purposes of the position limits set forth ~~in~~ in subparagraph (f) of this Rule, long positions in put OROs and short positions in call OROs shall be considered to be on the same side of the market; and short positions in put OROs and long positions in call OROs shall be considered to be on the same side of the market.

(g) **Exercise Limits.** The exercise limits specified in Options 4A, Section 10 shall not apply to OROs. OROs will automatically be exercised at expiration if the settlement value of the underlying is equal to or greater than the exercise price of call OROs or less than the exercise price in the case of put OROs. Further, OROs **on broad-based indexes** are not subject to the rules in: (i) Options 6B, Exercises and Deliveries; and (ii) Options 9, Section 109, Other Restrictions on Options Transactions and Exercise, as that Section 109 relates to exercises.

**Section 6. Types of Orders; Order and Quote Protocols**

(a) The Exchange may determine to make any eligible order types and times-in-force, respectively, in Options 3, Section 7, Types of Orders and Order and Quote Protocols, available on a class or System basis to be submitted as OROs Orders. Eligible OROs Orders shall include all order types in Options 3, Section 7 except for:

- (1) Market Orders at Options 3, Section 7(a);
- (2) Stop Orders at Options 3, Section 7(d); and
- (3) Stop Limit Orders at Options 3, Section 7(e).

(b) All order and quote protocols in Supplementary Material .03 to Options 3, Section 7 are available for OROs.

(c) OROs Orders may be submitted in both simple and complex order books. OROs Orders may be entered as complex orders as specified in Options 3, Section 14, except that a Stock-Complex Order as defined in Options 3, Section 14(a)(3) is not permitted. OROs Orders may be submitted into any of the auction mechanisms specified in Options 3, Sections 11 (Auction Mechanisms) or 13 (Price Improvement Mechanism for Crossing Transactions). OROs Orders may be submitted as a Crossing Orders, as specified in Options 3, Section 12, except that OROs Orders may not be submitted as a Qualified Contingent Cross Order or a Complex Qualified Contingent Cross Order subject to Options 3, Section 12(c) and (d), respectively.

**Section 7. Risk Protections**

(a) The simple order risk protections in Options 3, Section 15 and the optional risk protections in Options 3, Section 28 will apply to ORO Orders. The complex order risk protections in Options 3, Section 16 will apply to ORO Orders except for the Strategy Protections in Options 3, Section 16(b).

**Section [7]8. Obvious Errors**

(a) For purposes of OROs Orders, the Obvious Error provisions in Options 3, Section 20, Nullification and Adjustment of Options Transactions including Obvious Errors, shall apply except that with respect to Options 3, Section 20(c), the adjusted price (including any applicable adjustment under subparagraph (c)(4)(A) for Non-Customer transactions) shall not exceed the applicable exercise settlement amount~~value~~ for OROs, which is \$1.

\* \* \* \* \*

**Options 6C Margins**

\* \* \* \* \*

**Section 3. Margin Requirements**

(a) A Member must elect to be bound by the initial and maintenance margin requirements of either the ~~Chicago Board of Options~~ **Choe Exchange, Inc.** or the New York Stock Exchange as the same may be in effect from time to time.

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**EXHIBIT 5**

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

**Nasdaq MRX, LLC Rules**

\* \* \* \* \*

**Options Rules**

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**Options 3 Options Trading Rules**

\* \* \* \* \*

**Section 3. Minimum Trading Increments**

\* \* \* \* \*

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

\* \* \* \* \*

.04 Options on the Nasdaq 100 Micro Index (XND) (as long as QQQ options (“QQQ”) participate in the Penny Interval Program) shall have a minimum increment of \$.01.

\* \* \* \* \*

**Options 3B Outcome-Related Options****Section 1. General Provisions**

(a) **Applicability of Exchange Rules.** Options 3B Rules will apply only to Outcome-Related Options or “OROs” (defined below). The trading of OROs will be subject to all other Rules applicable to the trading of options on the Exchange, including the trading rules and functionality in Options 3, unless the context otherwise requires or otherwise provided in this Options 3B.

(b) **Definitions.** The following terms will have the meanings specified in Options 3B:

(1) The term “**contract multiplier**” as used in reference to OROs means the multiple applied to the exercise settlement value to arrive at the total exercise settlement amount per contract. The contract multiplier for OROs shall be 100.

(2) The term “**exercise price**” as used in reference to OROs means the value to which the settlement value of the underlying broad-based index is compared to determine whether the holder of an ORO is entitled to an exercise settlement amount on the option contract.

(3) The term “**exercise settlement amount**” as used in reference to OROs means the amount of cash that a holder will receive upon exercise of the contract. The exercise

settlement amount is \$100 which is the exercise settlement value multiplied by the contract multiplier.

(4) The term “**exercise settlement value**” as used in reference to OROs means the value of the ORO. The exercise settlement value for OROs shall be \$1.

(5) The term “**ORO**” represents cash-settled, P.M.-settled, European-Style binary options on broad-based indexes with a fixed settlement amount.

(6) The term “**ORO Order**” means an order submitted in an ORO pursuant to Options 3B.

(7) The term “**settlement value**” is the value of the underlying broad-based index that is used to determine whether an ORO is in, at or out of the money. OROs that are “at-the-money,” “in-the-money,” or “out-of-the-money” are a function of the settlement value of the underlying broad-based index in relation to the type of ORO (i.e., put or call) and the exercise price. OROs shall be paid out if the settlement value of the underlying broad-based index equals, exceeds or is less than the exercise price, depending on the type of option (i.e., call or put).

(a) OROs that are call option contracts would return an exercise settlement amount if the settlement value of the underlying broad-based index is at or above the exercise price at expiration (i.e., at or in-the-money).

(b) OROs that are put option contracts would return an exercise settlement amount if the settlement value of the underlying broad-based index is below the exercise price at expiration (i.e., in-the-money).

(8) The term “**underlying**” means the broad-based index that the Clearing Corporation shall utilize to determine whether an ORO is in, at or out of the money.

## **Section 2. Hours of Business.**

(a) The trading hours for OROs are the same as the trading hours as set forth in Options 3, Section 1.

## **Section 3. Units of Trading and Premium**

(a) Bids and offers for OROs must be expressed in U.S. dollars.

(b) OROs may have a premium range from \$0.01 to \$1.00.

## **Section 4. Minimum Trading Increment**

(a) OROs may be entered in a minimum increment of \$0.01.

## **Section 5. Listings**

**(a) OROs Classes.** The Exchange authorizes OROs on the Nasdaq-100<sup>®</sup> Index (“Nasdaq-100 OROs”) and on the Nasdaq-100 Micro Index<sup>®</sup> (“XND OROs”). The listing of Nasdaq-100 OROs and XND OROs shall be subject to Options 4A Rules, including but not limited to P.M.-Settlement pursuant to Options 4A, Section 12(a)(6), the Nonstandard Expirations Program pursuant to Supplementary Material .07 to Options 4A, Section 12, the Short Term Series Options Program pursuant to Supplementary Material .01 to Options 4A, Section 12, the Quarterly Options Series Program pursuant to Supplementary Material .02 to Options 4A, Section 12, and the Monthly Options Series Program pursuant to Supplementary Material .06 to Options 4A, Section 12, unless otherwise specified.

**(1) P.M.-Settled.** The Exchange authorizes P.M.-Settled Nasdaq-100 OROs and XND OROs pursuant to Options 4A, Section 12(a)(6). A.M.-Settled Nasdaq-100 OROs and XND OROs pursuant to Options 4A, Section 12(a)(5) are not authorized.

**(2) Third-Friday-of-the Month.** Nasdaq-100 OROs and XND OROs may be P.M.-Settled on the third Friday-of-the-month.

**(3) Reporting Authority.** The reporting authority for Nasdaq-100 OROs and XND OROs shall be The Nasdaq Stock Market.

**(b) Permissible Series.** Nasdaq-100 OROs and XND OROs are each separate classes and are separate from other options overlying the Nasdaq-100 Index and the Nasdaq-100 Micro Index.

**(1) Expiration Months and Weeks.** OROs contracts may expire at three (3)-month intervals, in consecutive weeks or in consecutive months and may list up to 12 standard (monthly) expirations.

**(2) European-Style Exercise.** OROs shall be European-style.

**(c) Terms.** When submitting an ORO Order for an OROs series to the System, the submitting Member must include one of each of the following terms in the ORO Order:

**(1) underlying broad-based index (the contract multiplier is 100);**

**(2) type of option (i.e., put or call);**

**(3) expiration date; and**

**(4) exercise price.**

**(d) Determination of Settlement Value.** The settlement value for Nasdaq-100 OROs shall be the value of the Nasdaq-100 Index as reported by Nasdaq at the conclusion of the Nasdaq Closing Cross pursuant to Nasdaq Equity 4, Rule 4757. The settlement value for XND OROs shall be the value of the Nasdaq-100 Micro Index as reported by Nasdaq at the conclusion of the Nasdaq Closing Cross pursuant to Nasdaq Equity 4, Rule 4757.

(e) **Adjustment.** OROs contracts are subject to adjustment only in accordance with and to the extent specified in the By-Laws and Rules of the Clearing Corporation. When any such adjustment has been determined, an announcement shall be made by the Exchange and shall become effective as of the time specified in such announcement.

(f) **Position Limits.** The position limits in Options 4A, Section 6 shall not apply to OROs, rather the position limits shall be equal to 25,000 contracts on the same side of the market. Position limits in OROs shall not be aggregated with other option contracts for the underlying. OROs shall not be subject to the exemptions from position limits in Options 4A, Section 9.

(1) *Reporting of Position Limits.* With respect to positions in OROs, the minimum position in an account which must be reported shall be 200 contracts.

(a) *Market Side.* For purposes of the position limits set forth in subparagraph (f) of this Rule, long positions in put OROs and short positions in call OROs shall be considered to be on the same side of the market; and short positions in put OROs and long positions in call OROs shall be considered to be on the same side of the market.

(g) **Exercise Limits.** The exercise limits specified in Options 4A, Section 10 shall not apply to OROs. OROs will automatically be exercised at expiration if the settlement value of the underlying is equal to or greater than the exercise price of call OROs or less than the exercise price in the case of put OROs. Further, OROs on broad-based indexes are not subject to the rules in: (i) Options 6B, Exercises and Deliveries; and (ii) Options 9, Section 19, Other Restrictions on Options Transactions and Exercise, as that Section 19 relates to exercises.

## **Section 6. Types of Orders; Order and Quote Protocols**

(a) The Exchange may determine to make any eligible order types and times-in-force, respectively, in Options 3, Section 7, Types of Orders and Order and Quote Protocols, available on a class or System basis to be submitted as ORO Orders. Eligible ORO Orders shall include all order types in Options 3, Section 7 except for:

(1) Market Orders at Options 3, Section 7(a);

(2) Stop Orders at Options 3, Section 7(d); and

(3) Stop Limit Orders at Options 3, Section 7(e).

(b) All order and quote protocols in Supplementary Material .03 to Options 3, Section 7 are available for OROs.

(c) ORO Orders may be submitted in both simple and complex order books. ORO Orders may be entered as complex orders as specified in Options 3, Section 14, except that a Stock-Complex Order as defined in Options 3, Section 14(a)(3) is not permitted. ORO Orders may be submitted into any of the auction mechanisms specified in Options 3, Sections 11 (Auction Mechanisms) or

13 (Price Improvement Mechanism for Crossing Transactions). ORO Orders may be submitted as Crossing Orders, as specified in Options 3, Section 12, except that ORO Orders may not be submitted as a Qualified Contingent Cross Order or a Complex Qualified Contingent Cross Order subject to Options 3, Section 12(c) and (d), respectively.

**Section 7. Risk Protections**

(a) The simple order risk protections in Options 3, Section 15 and the optional risk protections in Options 3, Section 28 will apply to ORO Orders. The complex order risk protections in Options 3, Section 16 will apply to ORO Orders except for the Strategy Protections in Options 3, Section 16(b).

**Section 8. Obvious Errors**

(a) For purposes of ORO Orders, the Obvious Error provisions in Options 3, Section 20, Nullification and Adjustment of Options Transactions including Obvious Errors, shall apply except that with respect to Options 3, Section 20(c), the adjusted price (including any applicable adjustment under subparagraph (c)(4)(A) for Non-Customer transactions) shall not exceed the applicable exercise settlement value for OROs, which is \$1.

\* \* \* \* \*

**Options 6C Margins**

\* \* \* \* \*

**Section 3. Margin Requirements**

(a) A Member must elect to be bound by the initial and maintenance margin requirements of either the [Chicago Board of Options]Cboe Exchange, Inc. or the New York Stock Exchange as the same may be in effect from time to time.

\* \* \* \* \*