

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 21

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

File No. \* SR 2024 - \* 39

Amendment No. (req. for Amendments \*)

Filing by Nasdaq ISE, LLC

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

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| Initial *<br><input checked="" type="checkbox"/> | Amendment *<br><input type="checkbox"/> | Withdrawal<br><input type="checkbox"/> | Section 19(b)(2) *<br><input type="checkbox"/> | Section 19(b)(3)(A) *<br><input checked="" type="checkbox"/> | Section 19(b)(3)(B) *<br><input type="checkbox"/> |
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| Pilot<br><input type="checkbox"/> | Extension of Time Period for Commission Action *<br><input type="checkbox"/> | Date Expires *<br><input type="text"/> | Rule<br><input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4)<br><input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5)<br><input type="checkbox"/> 19b-4(f)(3) <input checked="" type="checkbox"/> 19b-4(f)(6) |  |  |
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| Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) *<br><input type="checkbox"/> | Section 806(e)(2) *<br><input type="checkbox"/> | Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) *<br><input type="checkbox"/> |
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| Exhibit 2 Sent As Paper Document<br><input type="checkbox"/> | Exhibit 3 Sent As Paper Document<br><input type="checkbox"/> |
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**Description**

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

Amend Complex Order Risk Protections

**Contact Information**

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

First Name \* Angela    Last Name \* Dunn

Title \* Principal Associate General Counsel

E-mail \* angela.dunn@nasdaq.com

Telephone \* (215) 496-5692    Fax

**Signature**

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

Date 08/09/2024    (Title \*)

By John Zecca    EVP and Chief Legal Officer  
(Name \*)

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

 Date: 2024.08.09 14:44:56 -04'00'

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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-ISE-2024-39 19b-4.docx

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

**Exhibit 1 - Notice of Proposed Rule Change \***

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SR-ISE-2024-39 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-ISE-2024-39 Exhibit 5.docx

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

**Partial Amendment**

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

1. Text of the Proposed Rule Change

(a) Nasdaq ISE, LLC (“ISE” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule to amend Options 3, Section 16, Complex Order Risk Protections.

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 senior management of the Exchange pursuant to authority delegated by the Board of Directors (the “Board”). Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

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

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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 proposes to amend Options 3, Section 16, Complex Order Risk Protections. Specifically, the Exchange proposes to amend Options 3, Section 16(b), Strategy Protections, to provide that the protections in Options 3, Section 16(b) would not apply to a Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg.

The Exchange received approval to permit the listing and trading of p.m.-settled Nasdaq-100 Index® options<sup>3</sup> with a third-Friday-of-the-month expiration.<sup>4</sup> With this amendment, Options 4A, Section 12 was amended to permit the listing of p.m.-settled third-Friday-of-the-month Expiration Dates under the trading symbol “NDXP.” Therefore, ISE may list third-Friday-of-the-month expirations on Nasdaq-100 Index options that are both a.m.-settled and p.m.-settled on the same day.<sup>5</sup>

Pursuant to Options 3, Section 14(a)(1), a Complex Options Strategy is the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. Only those Complex Options Strategies with no more

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<sup>3</sup> Nasdaq-100 Index options trade under the symbol (“NDX”).

<sup>4</sup> See Securities Exchange Act Release No. 98935 (November 14, 2023), 88 FR 80792 (November 20, 2023) (SR-ISE-2023-20) (Order Approving a Proposed Rule Change To Permit the Listing and Trading of P.M.-Settled Nasdaq-100 Index® Options With a Third-Friday-of-the-Month Expiration) (“SR-ISE-2023-20”). The Exchange has not yet listed a Third-Friday-of-the-Month P.M. expiration.

<sup>5</sup> The conditions for listing p.m.-settled third-Friday-of-the-month expirations on Nasdaq-100 Index options will be similar to those for a.m.-settled third-Friday-of-the-month expirations on Nasdaq-100 Index options.

than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing.<sup>6</sup> Pursuant to Options 3, Section 16(b), Vertical Spread Protections,<sup>7</sup> Calendar Spread Protections,<sup>8</sup> Butterfly Spread Protections<sup>9</sup> and BOX Spread Protections<sup>10</sup> apply throughout the trading day to Complex Orders, including pre-market, during the Opening Process and during a trading halt.<sup>11</sup>

With the approval of SR-ISE-2023-20, a Complex Options Strategy may consist of legs with different expirations based on settlement (a.m. or p.m.-settled). The Exchange proposes to provide at Options 3, Section 16(b) that the complex risk protections would not apply to a Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg. The last day of trading for A.M.-settled index options shall be the business day preceding the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day

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<sup>6</sup> The term “complex strategy” includes Complex Options Strategies, Stock-Option Strategies, and Stock-Complex Strategies. See Options 3, Section 14(a)(4).

<sup>7</sup> A vertical spread is an order to buy a call (put) option and to sell another call (put) option in the same security with the same expiration but at a higher (lower) strike price. See Options 3, Section 16(b)(1).

<sup>8</sup> A calendar spread is an order to buy a call (put) option with a longer expiration and to sell another call (put) option with a shorter expiration in the same security at the same strike price. See Options 3, Section 16(b)(2).

<sup>9</sup> A butterfly spread is a three legged Complex Order with the following: (1) two legs to buy (sell) the same number of calls (puts); (2) one leg to sell (buy) twice the number of calls (puts) with a strike price at mid-point of the two legs to buy (sell); (3) all legs have the same expiration; and (4) each leg strike price is equidistant from the next sequential strike price. See Options 3, Section 16(b)(3).

<sup>10</sup> A box spread is a four legged Complex Order with the following: (1) one pair of legs with the same strike price with one leg to buy a call (put) and one leg to sell a put (call); (2) a second pair of legs with a different strike price from the pair described in (1) with one leg to sell a call (put) and one leg to buy a put (call); (3) all legs have the same expiration; and (4) all legs have equal volume. See Options 3, Section 16(b)(4).

<sup>11</sup> The protections do not apply to Complex Orders being auctioned and auction responses in the Facilitation Mechanism, Solicited Order Mechanism within Options 3, Section 11, and Price Improvement Mechanism within Options 3, Section 13 and do not apply to Customer Cross Orders pursuant to Options 3, Section 12. See Options 3, Section 16(b).

preceding the last day of trading in the underlying securities prior to the expiration date.<sup>12</sup> In contrast, 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.<sup>13</sup>

At this time, the Exchange proposes to not apply the strategy protections in Options 3, Section 16(b) to a Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg.<sup>14</sup> A Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg would not qualify as a Vertical Spread, Butterfly Spread, Calendar Spread or BOX Spread because the P.M.-settled leg and the A.M.-settled leg would have different expirations. The System considers these Complex Orders to be different products, as well as customized Complex Orders, so System limitations would prevent the application of the Strategy Price Protections to these Complex Orders. The Exchange notes that the Vertical Spread Protections, Butterfly Spread Protections and BOX Spread Protections all have the same expirations unlike a Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg. The Exchange also notes that the System considers a Calendar Spread to have all legs in the same product, unlike a Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg. A Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg would still be subject to the price limits for Complex Orders in Options 3, Section 16(a) and the price protections in Options 3, Section 16(c), namely the Complex Order Price Protection, Size Limitation and Price

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<sup>12</sup> See Options 4A, Section 12(a)(5).

<sup>13</sup> See Options 4A, Section 12(a)(6).

<sup>14</sup> The a.m. expiration and p.m. expiration would have different settlement days.

Level Protection.

Implementation

The Exchange intends to begin implementation of the proposed rule change by Q1 2025. The Exchange will announce the date to Members in an Options Trader Alert.

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>15</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>16</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.

The Exchange's proposal to exclude a Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg<sup>17</sup> from the strategy protections in Options 3, Section 16(b) removes impediments to and perfect the mechanism of a free and open market because it would not qualify as a Vertical Spread, Butterfly Spread, Calendar Spread, or BOX Spread because the P.M.-settled leg and the A.M.-settled leg would have different expirations. The System considers these Complex Orders to be different products, as well as customized Complex Orders, so System limitations would prevent the application of the Strategy Price Protections to these Complex Orders. The Exchange notes that the Vertical Spread Protections, Butterfly Spread Protections and BOX Spread Protections all have the same expirations unlike a Complex Order that

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

<sup>16</sup> 15 U.S.C. 78f(b)(5).

<sup>17</sup> The a.m. expiration and p.m. expiration would have different settlement days.

includes at least one P.M.-settled leg and at least one A.M.-settled leg. The Exchange also notes that the System considers a Calendar Spread to have all legs in the same product, unlike a Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg. A Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg would still be subject to the price limits for Complex Orders in Options 3, Section 16(a) and the price protections in Options 3, Section 16(c), namely the Complex Order Price Protection, Size Limitation and Price Level Protection. Finally, the Exchange's proposal informs Members that the strategy protections would not apply in those cases where the Member elected to utilize a combination of A.M.-Settled and P.M.-Settled leg expirations in the Complex Order.

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 does not impose an undue burden on intra-market competition because the proposed changes are going to apply equally to all Members. The Exchange's proposal does not impose an undue burden on inter-market competition as other exchanges that utilize third-Friday of-the-month P.M.-Settled Options could also adopt a similar rule.

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

No written comments were either solicited or received.



6. Extension of Time Period for Commission Action

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)<sup>18</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>19</sup> in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The proposal does not significantly affect the protection of investors or the public interest because a Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg would not qualify as a Vertical Spread, Butterfly Spread, Calendar Spread or BOX Spread because the P.M.-settled leg and the A.M.-settled leg would have different expirations. The System considers these Complex Orders to be different products, as well as customized Complex Orders, so System limitations would prevent the application of the Strategy Price Protections to these Complex Orders. Vertical Spread Protections, Butterfly Spread Protections and BOX Spread Protections all have the same expirations unlike a Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg while the System considers a Calendar Spread to have

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<sup>18</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>19</sup> 17 CFR 240.19b-4(f)(6).

all legs in the same product. A Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg would still be subject to the price limits for Complex Orders in Options 3, Section 16(a) and the price protections in Options 3, Section 16(c), namely the Complex Order Price Protection, Size Limitation and Price Level Protection. The Exchange's proposal does not impose any significant burden on competition because the proposed changes would uniformly apply to all Members when that submit these types of complex order strategies.

Furthermore, Rule 19b-4(f)(6)(iii)<sup>20</sup> requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

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<sup>20</sup> 17 CFR 240.19b-4(f)(6)(iii).

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.
5. Text of the proposed rule change.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-ISE-2024-39)

August \_\_, 2024

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing of Proposed Rule Change to Amend Complex Order Risk Protections

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 9, 2024, Nasdaq ISE, LLC (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange to amend Options 3, Section 16, Complex Order Risk Protections.

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at

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

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

the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend Options 3, Section 16, Complex Order Risk Protections. Specifically, the Exchange proposes to amend Options 3, Section 16(b), Strategy Protections, to provide that the protections in Options 3, Section 16(b) would not apply to a Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg.

The Exchange received approval to permit the listing and trading of p.m.-settled Nasdaq-100 Index® options<sup>3</sup> with a third-Friday of-the-month expiration.<sup>4</sup> With this amendment, Options 4A, Section 12 was amended to permit the listing of p.m.-settled third-Friday-of-the-month Expiration Dates under the trading symbol “NDXP.” Therefore, ISE may list third-Friday-of-the-month expirations on Nasdaq-100 Index options that are both a.m.-settled and p.m.-settled on the same day.<sup>5</sup>

Pursuant to Options 3, Section 14(a)(1), a Complex Options Strategy is the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-

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<sup>3</sup> Nasdaq-100 Index options trade under the symbol (“NDX”).

<sup>4</sup> See Securities Exchange Act Release No. 98935 (November 14, 2023), 88 FR 80792 (November 20, 2023) (SR-ISE-2023-20) (Order Approving a Proposed Rule Change To Permit the Listing and Trading of P.M.-Settled Nasdaq-100 Index® Options With a Third-Friday-of-the-Month Expiration) (“SR-ISE-2023-20”). The Exchange has not yet listed a Third-Friday-of-the-Month P.M. expiration.

<sup>5</sup> The conditions for listing p.m.-settled third-Friday-of-the-month expirations on Nasdaq-100 Index options will be similar to those for a.m.-settled third-Friday-of-the-month expirations on Nasdaq-100 Index options.

three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. Only those Complex Options Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing.<sup>6</sup> Pursuant to Options 3, Section 16(b), Vertical Spread Protections,<sup>7</sup> Calendar Spread Protections,<sup>8</sup> Butterfly Spread Protections<sup>9</sup> and BOX Spread Protections<sup>10</sup> apply throughout the trading day to Complex Orders, including pre-market, during the Opening Process and during a trading halt.<sup>11</sup>

With the approval of SR-ISE-2023-20, a Complex Options Strategy may consist of legs with different expirations based on settlement (a.m. or p.m.-settled). The Exchange proposes to provide at Options 3, Section 16(b) that the complex risk protections would not apply to a Complex Order that includes at least one P.M.-settled

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<sup>6</sup> The term “complex strategy” includes Complex Options Strategies, Stock-Option Strategies, and Stock-Complex Strategies. See Options 3, Section 14(a)(4).

<sup>7</sup> A vertical spread is an order to buy a call (put) option and to sell another call (put) option in the same security with the same expiration but at a higher (lower) strike price. See Options 3, Section 16(b)(1).

<sup>8</sup> A calendar spread is an order to buy a call (put) option with a longer expiration and to sell another call (put) option with a shorter expiration in the same security at the same strike price. See Options 3, Section 16(b)(2).

<sup>9</sup> A butterfly spread is a three legged Complex Order with the following: (1) two legs to buy (sell) the same number of calls (puts); (2) one leg to sell (buy) twice the number of calls (puts) with a strike price at mid-point of the two legs to buy (sell); (3) all legs have the same expiration; and (4) each leg strike price is equidistant from the next sequential strike price. See Options 3, Section 16(b)(3).

<sup>10</sup> A box spread is a four legged Complex Order with the following: (1) one pair of legs with the same strike price with one leg to buy a call (put) and one leg to sell a put (call); (2) a second pair of legs with a different strike price from the pair described in (1) with one leg to sell a call (put) and one leg to buy a put (call); (3) all legs have the same expiration; and (4) all legs have equal volume. See Options 3, Section 16(b)(4).

<sup>11</sup> The protections do not apply to Complex Orders being auctioned and auction responses in the Facilitation Mechanism, Solicited Order Mechanism within Options 3, Section 11, and Price Improvement Mechanism within Options 3, Section 13 and do not apply to Customer Cross Orders pursuant to Options 3, Section 12. See Options 3, Section 16(b).

leg and at least one A.M.-settled leg. The last day of trading for A.M.-settled index options shall be the business day preceding the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day preceding the last day of trading in the underlying securities prior to the expiration date.<sup>12</sup> In contrast, 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.<sup>13</sup>

At this time, the Exchange proposes to not apply the strategy protections in Options 3, Section 16(b) to a Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg.<sup>14</sup> A Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg would not qualify as a Vertical Spread, Butterfly Spread, Calendar Spread or BOX Spread because the P.M.-settled leg and the A.M.-settled leg would have different expirations. The System considers these Complex Orders to be different products, as well as customized Complex Orders, so System limitations would prevent the application of the Strategy Price Protections to these Complex Orders. The Exchange notes that the Vertical Spread Protections, Butterfly Spread Protections and BOX Spread Protections all have the same expirations unlike a Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg. The Exchange also notes that the System considers a Calendar Spread to have all legs in the same product, unlike a Complex Order that includes at least one P.M.-settled

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<sup>12</sup> See Options 4A, Section 12(a)(5).

<sup>13</sup> See Options 4A, Section 12(a)(6).

<sup>14</sup> The a.m. expiration and p.m. expiration would have different settlement days.

leg and at least one A.M.-settled leg. A Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg would still be subject to the price limits for Complex Orders in Options 3, Section 16(a) and the price protections in Options 3, Section 16(c), namely the Complex Order Price Protection, Size Limitation and Price Level Protection.

### Implementation

The Exchange intends to begin implementation of the proposed rule change by Q1 2025. The Exchange will announce the date to Members in an Options Trader Alert.

### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>15</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>16</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.

The Exchange's proposal to exclude a Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg<sup>17</sup> from the strategy protections in Options 3, Section 16(b) removes impediments to and perfect the mechanism of a free and open market because it would not qualify as a Vertical Spread, Butterfly Spread, Calendar Spread, or BOX Spread because the P.M.-settled leg and the A.M.-settled leg would have different expirations. The System considers these Complex Orders to be

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

<sup>16</sup> 15 U.S.C. 78f(b)(5).

<sup>17</sup> The a.m. expiration and p.m. expiration would have different settlement days.



different products, as well as customized Complex Orders, so System limitations would prevent the application of the Strategy Price Protections to these Complex Orders. The Exchange notes that the Vertical Spread Protections, Butterfly Spread Protections and BOX Spread Protections all have the same expirations unlike a Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg. The Exchange also notes that the System considers a Calendar Spread to have all legs in the same product, unlike a Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg. A Complex Order that includes at least one P.M.-settled leg and at least one A.M.-settled leg would still be subject to the price limits for Complex Orders in Options 3, Section 16(a) and the price protections in Options 3, Section 16(c), namely the Complex Order Price Protection, Size Limitation and Price Level Protection. Finally, the Exchange's proposal informs Members that the strategy protections would not apply in those cases where the Member elected to utilize a combination of A.M.-Settled and P.M.-Settled leg expirations in the Complex Order.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange's proposal does not impose an undue burden on intra-market competition because the proposed changes are going to apply equally to all Members. The Exchange's proposal does not impose an undue burden on inter-market competition as other exchanges that utilize third-Friday of-the-month P.M.-Settled Options could also adopt a similar rule.

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.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>18</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>19</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

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<sup>18</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>19</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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-ISE-2024-39 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-ISE-2024-39. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or

subject to copyright protection. All submissions should refer to file number SR-ISE-2024-39 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>20</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>20</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

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

**Nasdaq ISE, LLC Rules**

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**Options Rules**

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**Options 3 Options Trading Rules**

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**Section 16. Complex Order Risk Protections**

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(b) Strategy Protections. The following protections will apply throughout the trading day, including pre-market, during the Opening Process and during a trading halt. The protections will not apply to Complex Orders being auctioned and auction responses in the Facilitation Mechanism, Solicited Order Mechanism within Options 3, Section 11, and Price Improvement Mechanism within Options 3, Section 13 and will not apply to Customer Cross Orders pursuant to Options 3, Section 12. Additionally, the following protections will not apply when a Complex Order includes at least one P.M.-settled leg and at least one A.M.-settled leg.

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