



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103950; File No. SR-ISE-2025-24]

### **Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Complex Price Improvement Mechanism**

September 11, 2025.

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 September 4, 2025, Nasdaq ISE, LLC (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the Complex Price Improvement Mechanism or “PIM” at Options 3, Section 13. Additionally, the Exchange proposes to make other amendments to Options 1, Section 1, Definitions; Options 3, Section 7, Types of Orders and Order and Quote Protocols; Options 3, Section 9, Trading Halts; Options 3, Section 10, Priority of Quotes and Orders; Options 3, Section 14, Complex Orders; Options 3, Section 16, Complex Order Risk Protections; Options 3, Section 20. Nullification and Adjustment of Options Transactions including Obvious Errors; Options 4, Section 5, Series of Options Contracts Open for Trading; Options 7, Section 1, General Provisions; and Options 7, Section 6, Other Options Fees and Rebates.

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

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

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend the Complex Price Improvement Mechanism or "PIM" at Options 3, Section 13. Additionally, the Exchange proposes to make other amendments to Options 1, Section 1, Definitions; Options 3, Section 7, Types of Orders and Order and Quote Protocols; Options 3, Section 9, Trading Halts; Options 3, Section 10, Priority of Quotes and Orders; Options 3, Section 14, Complex Orders; Options 3, Section 16, Complex Order Risk Protections; Options 3, Section 20, Nullification and Adjustment of Options Transactions including Obvious Errors; Options 4, Section 5, Series of Options Contracts Open for Trading; Options 7, Section 1, General Provisions; and Options 7, Section 6, Other Options Fees and Rebates. Each change will be described below.

**Options 3, Section 13**

The Exchange proposes to amend Options 3, Section 13, Price Improvement Mechanism for Crossing Transactions. Specifically, the Exchange proposes to amend Options 3, Section 13(e)(5)(vii) to amend the manner in which an Agency Complex Order may execute. Today, if

the Complex PIM execution price would be the same or better than a Complex Order on the Complex Order Book on the same side of the market as the Agency Complex Order, for options classes assigned to allocate in time priority or pro-rata pursuant to Options 3, Section 14(d)(2), the Agency Complex Order may be executed at a price that is equal to the resting Complex Order's limit price. The Exchange proposes to amend Options 3, Section 13(e)(5)(vii) to instead provide that the Agency Complex Order may be executed at a price that is at least one minimum price variation (as provided in Options 3, Section 14(c)(1)) better than the resting Complex Order's limit price. With this proposed change, the Exchange will require that the Agency Complex PIM Order receive one minimum price variation better than the resting Complex Order's limit price whereas today, the Agency Complex PIM Order would be permitted to execute at a price that is equal to the resting Complex Order's limit price.<sup>3</sup> The Exchange believes that this amendment will prevent a Complex PIM order from executing at a price where there is a resting Complex Order on the same side of the market while still allowing a Complex PIM order to execute and potentially receive price improvement. This amendment is identical to Phlx Options 3, Section 13(b)(8).<sup>4</sup>

In line with the amendment to Options 3, Section 13(e)(5)(vii), the Exchange also proposed to amend Options 3, Section 13(e)(5)(iv)(C), which currently states, "The exposure period will automatically terminate ...(C) upon the receipt of a non-marketable Complex Order in the same complex strategy on the same side of the market as the Agency Complex Order that would cause the execution of the Agency Complex Order to be outside of the best bid or offer on

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<sup>3</sup> Options 3, Section 14(c)(1) provides that bids and offers for Complex Options Strategies may be expressed in one cent (\$0.01) increments, and the options leg of Complex Options Strategies may be executed in one cent (\$0.01) increments, regardless of the minimum increments otherwise applicable to the individual options legs of the order. Bids and offers for Stock-Option Strategies or Stock-Complex Strategies may be expressed in any decimal price determined by the Exchange, and the stock leg of a Stock-Option Strategy or Stock-Complex Strategy may be executed in any decimal price permitted in the equity market. The options leg of a Stock-Option Strategy or Stock-Complex Strategy may be executed in one cent (\$0.01) increments, regardless of the minimum increments otherwise applicable to the individual options legs of the order.

<sup>4</sup> Phlx Options 3, Section 13(b)(8) was recently amended in SR-Phlx-2025-35. See Securities Exchange Act Release No. 103667 (August 8, 2025), 90 FR 39042 (August 13, 2025) (SR-Phlx-2025-35) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend PIXL and Adopt New Auctions).

the Complex Order Book....” The Exchange proposes to instead provide, “... upon the receipt of a non-marketable Complex Order in the same complex strategy on the same side of the market as the Agency Complex Order that would cause the execution of the Agency Complex Order to be *at or* outside of the best bid or offer on the Complex Order Book.” Specifically, the addition of “at or” to the early termination provision will allow the Complex PIM Order to execute by early terminating the auction upon the receipt of a non-marketable Complex Order in the same complex strategy on the same side of the market as the Complex PIM Order that would cause the execution of the Complex PIM Order to be at or outside of the best bid or offer on the Complex Order Book. This change aligns with the Exchange’s proposal at Options 3, Section 13(e)(5)(vii) that requires Complex PIM Orders to trade in at least one minimum price variation as provided in Options 3, Section 14(c)(1) better than the price of a Complex Order on the Complex Order Book on the same side of the market. Phlx has identical rule text at Options 3, Section 13(b)(2)(D)(2).

### **Other Rule Amendments**

The Exchange proposes to amend Options 1, Section 1(a)(13) to add the definition of conforming ratio. The term “conforming ratio” is where the ratio between the sizes of the options components of a Complex Order is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00). For example, a one-to-two (.5) ratio, a two-to-three (.667) ratio, or a two-to-one (2.00) ratio is a conforming ratio, whereas a one-to-four (.25) ratio or a four-to-one (4.0) ratio is not; where one component of the Complex Order is the underlying security, the ratio between any options component and the underlying security component must be less than or equal to eight contracts to 100 shares of the underlying security. Further, the Exchange proposes to state that only a Complex Order with a conforming ratio is accepted into the Exchange. This definition will bring greater clarity to the use of the term in Options 3, Section 14. The Exchange also proposes to re-number the remainder of Options 1, Section 1 and

update cross-citations in Options 3, Section 10(a)(1), Options 3, Section 20(a)(1) and Options 7, Section 1(c).

The Exchange proposes to amend Options 3, Section 7(v) to lowercase “Block Order” which is not capitalized in Options 3, Section 11(a). The Exchange also proposes to amend Options 3, Section 7(w) to lowercase “Facilitation Order” which is not capitalized in Options 3, Section 11(b) and to add the term “paired” as a descriptive term to signify that a facilitation order is a two-sided order. The addition of the term “paired” will distinguish a Block Order, which is not two-sided, from a paired facilitation order. Finally, the Exchange proposes to amend Options 3, Section 7(x) to lowercase “SOM Order” which is not capitalized in Options 3, Section 11(d) and also include the term “paired” to distinguish this two-sided auction. The addition of the term “paired” will distinguish a Block Order, which is not two-sided, from a paired SOM order.

The Exchange proposes to amend Options 3, Section 9(a)(2) to note that “During a halt, existing auction orders and auction responses, as well as Crossing Orders, are rejected.” Today, the ISE System will cancel auction orders, auction responses and Crossing Orders during a trading halt. ISE’s Rule is being added to make clear the current System behavior. Phlx has similar rule text in Options 3, Section 9(f).<sup>5</sup>

Additionally, the Exchange proposes to amend Options 3, Section 9(d)(2) to amend the sentence which currently states, “The Exchange shall cancel Complex Orders that are Market Orders residing in the System, if the Market Complex Order become marketable while the affected underlying is in a Limit or Straddle State.” The Exchange proposes to instead provide, “The Exchange shall cancel Complex Orders that are Market Orders residing in the System, if the Market Complex Order is about to be executed by the System while the affected underlying

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<sup>5</sup> Phlx Options 3, Section 9(f) provides, that during a halt, the Exchange will maintain existing orders on the book (but not existing quotes), except as noted in Options 5, Section 4, accept orders and quotes, and process cancels. During a halt, existing quotes are cancelled and auction orders and auction responses, as well as Crossing Orders, are rejected. ISE’s current rule text at Options 3, Section 9(a)(2) addresses the cancellation of quotes during a trading halt in the last sentence, but does not address the treatment of auction orders, auction responses and Crossing Orders during a trading halt.

is in a Limit or Straddle State.” While orders must be marketable to execute, the Exchange believes the proposed rule text makes clear this behavior. The proposed rule text aligns to the last sentence in Phlx Options 3, Section 9(d)(2) which describes trading halt behavior on Phlx.

The Exchange proposes to remove a stray “a” from Options 3, Section 14(c)(2)(i).

The Exchange proposes to amend Options 3, Section 16(a)(1) to add the words “relative to the other legs” to the rule text for additional clarification. As proposed, the sentence would state, “The System will reject orders for a complex strategy where all legs are to buy if entered at a price that is less than the minimum net price, which is calculated as the sum of the ratio on each leg *relative to the other legs* of the complex strategy multiplied by the minimum increment applicable to that leg pursuant to Options 3, Section 14(c)(1).” The Exchange believes the additional phrase brings greater clarity to the current rule text. This rule text is identical to Phlx Options 3, Section 16(a)(1).<sup>6</sup>

Finally, the Exchange proposes to amend Options 7, Section 6 to remove a sentence from the Inactive PMM Fee that states, “This fee does not apply to inactive FXPMMs.” This sentence is being removed as irrelevant because the Exchange has not offered FX products since 2018.<sup>7</sup>

### **Implementation**

The Exchange proposes to implement the proposed amendment to Options 3, Section 13(e)(5)(iv) and (vii) on or before December 20, 2026. The Exchange will issue an Options Trader Alert specifying the date of implementation. All other amendments would be effective 30 days after the date of the filing.

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<sup>6</sup> See Securities Exchange Act Release No. 102862 (April 15, 2025), 90 FR 16731 (April 21, 2025) (SR-Phlx-2025-17) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Phlx’s Complex Order Functionality). SR-Phlx-2025-17 proposed the same operative date as this rule change as they are both part of the same technology migration.

<sup>7</sup> FX options ceased trading on the Exchange upon the January 2018 expiry. See Securities Exchange Act Release No. 84516 (November 1, 2018), 83 FR 55771 (November 7, 2018) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Delete ISE Section 22 of the Rulebook Entitled “Rate- Modified Foreign Currency Options Rules).

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>8</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>9</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

### **Options 3, Section 13**

The Exchange's proposal to amend Options 3, Section 13(e)(5)(vii) is consistent with the Act because with this proposed change, the Exchange will require that the Agency Complex PIM Order receive one minimum price variation better than the resting Complex Order's limit price whereas today, the Agency Complex PIM Order would be permitted to execute at a price that is equal to the resting Complex Order's limit price. Further, this amendment will protect investors and the public interest by preventing a Complex PIM order from executing at a price where there is a resting Complex Order on the same side of the market while still allowing a Complex PIM order to execute and receive price improvement. This amendment is identical to Phlx Options 3, Section 13(b)(8).

The Exchange's amendment to Options 3, Section 13(e)(5)(iv)(C) to provide, "... upon the receipt of a non-marketable Complex Order in the same complex strategy on the same side of the market as the Agency Complex Order that would cause the execution of the Agency Complex Order to be *at or* outside of the best bid or offer on the Complex Order Book..." is consistent with the Act because it will align Options 3, Section 13(e)(5)(iv)(C) with the Exchange's proposed change to Options 3, Section 13(e)(5)(vii). This change aligns with the Exchange's proposal at Options 3, Section 13(e)(5)(vii) that requires Complex PIM Orders to

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<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

trade at least one minimum price variation better than a resting Complex Order as provided in Options 3, Section 14(c)(1). Phlx has identical rule text at Options 3, Section 13(b)(2)(C)(2).

### **Other Rule Amendments**

The Exchange's proposal to amend Options 1, Section 1(a)(13) to add the definition of conforming ratio is consistent with the Act as the definition will bring greater clarity to the use of the term in Options 3, Section 14 which defines the various types of Complex Orders.

The Exchange's proposal to amend Options 3, Section 7(v) to lowercase "Block Order," and amend Options 3, Section 7(w) and (x) to lowercase "Facilitation Order" and "SOM Order" and add the term "paired," are non-substantive amendments that are intended to provide consistency between these defined terms and the use of these terms in Options 3, Section 11(a), (b) and (d).

The Exchange's proposal to amend Options 3, Section 9(a)(2) to note that "During a halt, existing auction orders and auction responses, as well as Crossing Orders, are rejected" is consistent with the Act because during a halt the System will not execute any auction orders, auction responses and Crossing Orders received during a trading halt as that interest will most likely become stale. This amendment represents the System's current operation. The proposed rule text makes clear the treatment of auction orders, auction responses and Crossing Orders during a trading halt. The Exchange's proposal to amend Options 3, Section 9(d)(2) to amend the sentence which currently states, "The Exchange shall cancel Complex Orders that are Market Orders residing in the System, if the Market Complex Order become marketable while the affected underlying is in a Limit or Straddle State" is consistent with the Act because the proposed rule text harmonizes the text of Options 3, Section 9(d)(2) to the last sentence in Phlx Options 3, Section 9(d)(2) which describes trading halt behavior on Phlx. ISE Options 3, Section 9(d)(2) as amended will state, "The Exchange shall cancel Complex Orders that are Market Orders residing in the System, if the Market Complex Order is about to be executed by the System while the affected underlying is in a Limit or Straddle State."

The Exchange’s proposal to remove a stray “a” from Options 3, Section 14(c)(2)(i) is non-substantive.

The Exchange’s proposal to amend Options 3, Section 16(a)(1) to add the words “relative to the other legs” is consistent with the Act because the additional text brings greater clarity to the current rule text. This rule text is identical to Phlx Options 3, Section 16(a)(1).

Finally, the Exchange’s proposal to amend Options 7, Section 6 to remove a sentence from the Inactive PMM Fee that states, “This fee does not apply to inactive FXPMMs” is consistent with the Act because the sentence is irrelevant because the Exchange has not offered FX products since 2018.<sup>10</sup>

**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 not necessary or appropriate in furtherance of the purposes of the Act.

**Options 3, Section 13**

The Exchange’s proposal to amend Options 3, Section 13(e)(5)(vii) does not impose any burden on intramarket competition because any Agency Complex PIM Order will receive one minimum price variation better than the resting Complex Order’s limit price.

The Exchange’s proposal to amend Options 3, Section 13(e)(5)(vii) does not impose any burden on intermarket competition as Phlx has an identical rule at Options 3, Section 13(b)(8).

The Exchange’s amendment to Options 3, Section 13(e)(5)(iv)(C) does not impose any burden on intramarket competition because any non-marketable Complex Order in the same complex strategy on the same side of the market as the Agency Complex Order that would cause the execution of the Agency Complex Order to be at or outside of the best bid or offer on the Complex Order Book would early terminate the Complex PIM Auction.

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<sup>10</sup> FX options ceased trading on the Exchange upon the January 2018 expiry. See Securities Exchange Act Release No. 84516 (November 1, 2018), 83 FR 55771 (November 7, 2018) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Delete ISE Section 22 of the Rulebook Entitled “Rate- Modified Foreign Currency Options Rules).

The Exchange's proposal to amend Options 3, Section 13(e)(5)(iv)(C) does not impose any burden on intermarket competition as Phlx has an identical rule at Options 3, Section 13(b)(2)(D).

### **Other Rule Amendments**

The Exchange's proposal to amend Options 1, Section 1(a)(13) to add the definition of conforming ratio does not impose any burden on competition because the definition describes conforming ratios which are the only type of ratios accepted by ISE. Other options markets have the same definition.<sup>11</sup>

The Exchange's proposal to amend Options 3, Section 7(v) to lowercase "Block Order," and amend Options 3, Section 7(w) and (x) to lowercase "Facilitation Order" and "SOM Order" and add the term "paired" does not impose any burden on intramarket or intermarket competition because the proposed changes are non-substantive amendments that are intended to provide consistency between these defined terms and the use of these terms in Options 3, Section 11(a), (b) and (d).

The Exchange's proposal to amend Options 3, Section 9(a)(2) does not impose any burden on intramarket competition because the Exchange will cancel existing auction orders, auction responses and Crossing Orders for all Members. The Exchange's proposal to amend Options 3, Section 9(a)(2) does not impose any burden on intermarket competition because Phlx treats auction orders, auction responses, and Crossing Orders in a similar manner during a trading halt.<sup>12</sup>

The Exchange's proposal to amend Options 7, Section 6 does not impose any burden on intramarket competition because no Member may transaction FX Options.

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<sup>11</sup> See MIAX Rule 518(a)(8).

<sup>12</sup> See supra note 4.

The Exchange's proposal to amend Options 7, Section 6 does not impose any burden on intermarket competition because other options markets offer FX Options such as Phlx.<sup>13</sup>

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>14</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>15</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>13</sup> See Phlx Options 4C.

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>15</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-2025-24 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-2025-24. 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 also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-ISE-2025-24 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>16</sup>

**Sherry R. Haywood,**

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<sup>16</sup> 17 CFR 200.30-3(a)(12).

*Assistant Secretary.*

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