



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104645; File No. SR-CboeBZX-2026-007]

### **Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Short Term Option Series Program in Rule 19.6, Interpretation and Policy .05**

January 21, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 16, 2026, Cboe BZX Exchange, Inc. (“Exchange” or “BZX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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**

Cboe BZX Exchange, Inc. (the “Exchange” or “Cboe BZX Options”) proposes to amend the Short Term Option Series Program in Rule 19.6, Interpretation and Policy .05. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Commission’s website (<https://www.sec.gov/rules/sro.shtml>), the Exchange’s website ([https://www.cboe.com/us/equities/regulation/rule\\_filings/bzx/](https://www.cboe.com/us/equities/regulation/rule_filings/bzx/)), and at the principal office of the Exchange.

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

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

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

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

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 Short Term Option Series Program in Rule 19.6, Interpretation and Policy .05. Specifically, the Exchange proposes to permit the listing of up to two Monday and Wednesday expirations for options on certain individual stocks or exchange-traded funds (“Fund Shares”) (as defined in Rule 19.3(i)) (collectively, “Qualifying Securities”). This is a competitive filing based on a similar proposal submitted by Nasdaq ISE, LLC (“ISE”),<sup>5</sup> which was recently approved by the Securities and Exchange Commission (the “Commission”).<sup>6</sup>

Currently, as set forth in Rule 19.6, Interpretation and Policy .05(h), after an option class has been approved for listing and trading on the Exchange as a Short Term Option Series pursuant to Rule 19.6, Interpretation and Policy .05, the Exchange may open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on that class that expire at the close of business on each of the next five Fridays that are business days and are not Fridays in which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire (“Friday Short Term Option Expiration Dates”). The Exchange may have no more than a total of five Short Term Option Expiration Dates (“Short Term Option Weekly Expirations”).

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<sup>5</sup> See Securities Exchange Act Release No. 103434 (July 10, 2025), 90 FR 31716 (July 15, 2025) (SR-ISE-2025-15) (“ISE Amendment No. 1”).

<sup>6</sup> See Securities Exchange Act Release No. 104624 (January 16, 2026) (SR-ISE-2025-15) (“ISE Approval”).

Further, if the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date for Short Term Option Weekly Expirations will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date for Short Term Option Weekly Expirations will be the first business day immediately prior to that Friday.

Additionally, the Exchange may open for trading series of options on the symbols provided in Table 1 of Rule 19.6, Interpretation and Policy .05(h) that expire at the close of business on each of the next two Mondays, Tuesdays, Wednesdays, and Thursdays, respectively, that are business days beyond the current week and are not business days in which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire (“Short Term Option Daily Expirations”).<sup>7</sup> For those symbols listed in Table 1, the Exchange may have no more than a total of two Short Term Option Daily Expirations beyond the current week for each of Monday, Tuesday, Wednesday, and Thursday expirations, as applicable, at one time.

The Exchange proposes to expand the Short Term Option Series Program to permit certain Qualifying Securities to list up to two Monday and Wednesday expirations in addition to the Friday weekly expiration. The Exchange proposes to define Qualifying Securities as eligible individual stocks or Fund Shares, which are separate and apart from the symbols listed in Table 1, that have received approval to list additional expiries on specific symbols, that meet the following criteria on a quarterly basis:

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<sup>7</sup> As set forth in Table 1 of Rule 19.6, Interpretation and Policy .05(h), the Exchange currently permits expirations in SPY, IWM, QQQ on Mondays, Tuesdays, Wednesdays and Thursdays. Also, the Exchange permits expirations in GLD, SLV and TLT on Mondays and Wednesdays. Finally, the Exchange permits expirations in USO and UNG on Wednesdays. The Exchange proposes to update the introductory paragraph of Rule 19.6, Interpretation and Policy .05(h) to capitalize the term “Monthly Option Series” (as that is a defined term in Rule 19.6, Interpretation and Policy .08) and add in “standard expiration options series, to conform to the introductory language in Rule 19.6, Interpretation and Policy .05. While standard expiration options series generally expire on a Friday, if the Exchange is not open for business on a Friday, the standard expiration will fall on another day of the week, generally Thursday. This clarification provides that series that may be opened under the Short Term Option Series Program with expirations on these other days will not be opened if the standard expiration options series happens to fall on a day other than Friday.

(1) an underlying security, as measured on the last day of the prior calendar quarter, must have:

(A) a market capitalization of greater than 700 billion dollars for an individual stock based on the closing price,<sup>8</sup> or

(B) Assets under Management (“AUM”) greater than 50 billion dollars for a Fund Share based on net asset value (“NAV”);

(2) monthly options volume, as measured by sides traded in the last month preceding the quarter end, of greater than 10 million options;

(3) a position limit of at least 250,000 contracts; and

(4) participate in the Penny Interval Program.

Each calendar quarter, the Exchange will apply the above criteria to individual stocks and Fund Shares to determine eligibility for the following quarter as a Qualifying Security. Beginning on the second trading day in the first month of each calendar quarter, the market capitalization of individual stocks shall be calculated based on the closing price established on the primary exchange on the last trading day of the prior calendar quarter and the AUM for Fund Shares shall be calculated based on the NAV established on the primary exchange on the last trading day of the prior calendar quarter. The data establishing the volume thresholds will be established by using data from the last month of the prior calendar quarter from The Options Clearing Corporation. For options listed on the first trading day of a given calendar quarter, the volume shall be calculated using the last month of the quarter prior to that calendar quarter.<sup>9</sup> The Exchange will make the list of Qualifying Securities available by close of business on the first trading day of the quarter.<sup>10</sup>

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<sup>8</sup> The closing price and the opening price shall be that of the primary exchange where the security is listed.

<sup>9</sup> OCC data becomes available for the end of a quarter on the first trading day of a new quarter. For example, if the Exchange were to list Qualifying Securities in Q1 of 2026, the Exchange would look at the volume, measured in sides, for the last month of Q4 of 2025 (or December 2025).

<sup>10</sup> The Exchange will make this information available on its website. This information will be freely accessible to the public.

Eligible Qualifying Securities would be permitted to list two Short Term Option Expiration Dates beyond the current week for each Monday and Wednesday expiration at one time. For Qualifying Securities, the Exchange would not list an expiry on a day when there will be an Earnings Announcement<sup>11</sup> that takes place after market close. For purposes of this rule proposal, earnings announcements shall include official public quarterly or yearly earnings filed with the Commission (“Earnings Announcement”).<sup>12</sup> Not listing an expiry for a Qualifying Security on a day where there is an Earnings Announcement that takes place after market close will avoid permitting an additional expiry on a day where post-close price volatility may be impacted due to the Earnings Announcement.

Qualifying Securities that do not continue to meet the above criteria would no longer be permitted to list Monday and Wednesday expiries beginning on the second day of the following quarter.<sup>13</sup>

The proposed Monday Qualifying Securities expirations will be similar to the current Monday Expirations in SPY, QQQ, and IWM (among other symbols that may list a Monday Expiration) in Short Term Option Daily Expirations set forth in Rule 19.6, Interpretation and Policy .05(h), such that the Exchange may open for trading on any Friday or Monday that is a business day (beyond the current week) series of options on Qualifying Securities to expire on any Monday of the month that is a business day and is not a Monday in which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire, provided that Monday expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration (“Monday Qualifying Securities Expirations”).<sup>14</sup> In the event Qualifying Securities

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<sup>11</sup> An Earnings Announcement is an official public statement of a company’s profitability for a specific period, typically a quarter or a year.

<sup>12</sup> For purposes of this rule proposal, pre-announcements or “guidance” shall not be considered an Earnings Announcement.

<sup>13</sup> The Exchange has noted the additional expiries in a proposed Table 2 in Rule 19.6, Interpretation and Policy .05(h) along with the criteria for a Qualifying Security.

<sup>14</sup> They may also trade on Fridays, as is the case for all options series in the Short Term Option Series Program.

expire on a Monday and that Monday is the same day that a standard expiration options series, Monthly Options Series, or Quarterly Options Series expires, the Exchange would skip that week's listing and instead list the following week; the two weeks would therefore not be consecutive. Today, Monday expirations in SPY, QQQ, and IWM similarly skip the weekly listing in the event the weekly listing expires on the same day in the same class as a standard expiration options series, Monthly Options Series, or Quarterly Options Series.

The proposed Wednesday Qualifying Securities expirations will be similar to the current Wednesday SPY, QQQ, and IWM (among other symbols that may list a Wednesday Expiration) in Short Term Option Daily Expirations, as set forth in Rule 19.6, Interpretation and Policy .05(h), such that the Exchange may open for trading on any Tuesday or Wednesday that is a business day (beyond the current week) series of options on Qualifying Securities to expire on any Wednesday of the month that is a business day and is not a Wednesday in which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire ("Wednesday Qualifying Securities Expirations").<sup>15</sup> In the event Qualifying Securities expire on a Wednesday and that Wednesday is the same day that a standard expiration options series, Monthly Options Series, or Quarterly Options Series expires, the Exchange would skip that week's listing and instead list the following week; the two weeks would therefore not be consecutive. Today, Wednesday expirations in SPY, QQQ, and IWM similarly skip the weekly listing in the event the weekly listing expires on the same day in the same class as a standard expiration options series, Monthly Options Series, or Quarterly Options Series.

The interval between strike prices for the proposed Monday and Wednesday Qualifying Securities Expirations will be the same as those currently applicable for SPY, QQQ, and IWM Monday and Wednesday Expirations (among other symbols that may list a Monday or Wednesday Expiration) in the Short Term Option Series Program.<sup>16</sup> Specifically, the Monday and Wednesday

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<sup>15</sup> See id.

<sup>16</sup> See Rule 19.6, Interpretation and Policy .05(e). The Exchange notes that equity options which have an expiration of more than 21 days from the listing date would also be subject to the intervals as noted within

Qualifying Securities Expirations will have a strike interval of (i) \$0.50 or greater for strike prices below \$100, and \$1 or greater for strike prices between \$100 and \$150 for all option classes that participate in the Short Term Option Series Program, (ii) \$0.50 for option classes that trade in one dollar increments and are in the Short Term Option Series Program, or (iii) \$2.50 or greater for strike prices above \$150.<sup>17</sup> As is the case with other equity options series listed pursuant to the Short Term Option Series Program, the Monday and Wednesday Qualifying Securities Expirations series will be P.M.-settled.

Pursuant to Rule 19.6, Interpretation and Policy .05(h), with respect to the Short Term Option Series Program, if a Monday is not a business day, the series shall expire on the first business day immediately following that Monday, and a Wednesday expiration series shall expire on the first business day immediately prior to that Wednesday, e.g., Tuesday of that week if the Wednesday is not a business day. Currently, for each option class eligible for participation in the Short Term Option Series Program, the Exchange is limited to opening thirty (30) series for each expiration date for the specific class.<sup>18</sup> The thirty (30) series restriction does not include series that are open by other securities exchanges under their respective weekly rules; the Exchange may list these additional series that are listed by other options exchanges.<sup>19</sup> With the proposed changes, this thirty (30) series restriction would apply to Monday and Wednesday Qualifying Securities Expirations as well. In addition, the Exchange will be able to list series that are listed by other exchanges, assuming they file similar rules with the Commission to list Monday and Wednesday Qualifying Securities Expirations.

With this proposal, Monday and Wednesday Qualifying Securities Expirations would be treated similar to existing SPY, QQQ, and IWM Monday and Wednesday Expirations. With respect to standard expiration option series, Monday and Wednesday Qualifying Securities

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Rule 19.6, Interpretation and Policy .05(f).

<sup>17</sup> See Rule 19.6, Interpretation and Policy .05(e).

<sup>18</sup> See Rule 19.6, Interpretation and Policy .05(c).

<sup>19</sup> See 19.6, Interpretation and Policy .05(a).

Expirations will be permitted to expire in the same week in which standard expiration option series on the same class expire.<sup>20</sup> Not listing Monday and Wednesday Qualifying Securities Expirations for one week every month because there was a standard options series on that same class on the Friday of that week would create investor confusion.

Further, as with SPY, QQQ, and IWM Monday and Wednesday Expirations, the Exchange would not permit Monday and Wednesday Qualifying Securities Expirations to expire on a business day in which standard expiration option series, Monthly Options Series, or Quarterly Options Series expire.<sup>21</sup> Therefore, all Monday and Wednesday Qualifying Securities Expirations would expire at the close of business on each of the next two Mondays and Wednesdays, respectively, that are business days and are not business days in which standard expiration option series, Monthly Options Series, or Quarterly Options Series expire. The Exchange believes that it is reasonable to not permit two expirations on the same day in which a standard expiration option series, Monthly Options Series, a Quarterly Options Series would expire because those options would be duplicative of each other. The Exchange does not believe that any market disruptions will be encountered with the introduction of Monday and Wednesday Qualifying Securities Expirations. The Exchange currently trades P.M.-settled Short Term Option Series that expire Monday, Tuesday, Wednesday and Thursday on several symbols<sup>22</sup> and has not experienced any market disruptions nor issues with capacity. Today, the Exchange has surveillance programs in place to support and properly monitor trading in Short Term Option Series that expire Monday, Tuesday, Wednesday and Thursday on several symbols.<sup>23</sup> The Exchange believes that it has the necessary capacity and surveillance

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<sup>20</sup> See Rule 19.6, Interpretation and Policy .05(h).

<sup>21</sup> See id.

<sup>22</sup> Abandoning an option means electing not to take delivery of stock that would occur through Auto Exercise at The Options Clearing Corporation (“OCC”). “Auto-exercise” or “automatic exercise” in options trading refers to the procedure where a long option (either a call or a put) that is in-the-money at the time of expiration is automatically exercised on the holder’s behalf by OCC.

<sup>23</sup> See id.

programs in place to support and properly monitor trading in the proposed Monday and Wednesday Qualifying Securities Expirations.

In ISE Amendment No. 1, ISE presented data demonstrating that listings in the Short Term Option Series Program comprise a significant part of the standard listings in the options market based on data ISE sourced from OCC.<sup>24</sup> The percentage of weekly listings in the options industry compared to monthly, quarterly, and long-term option (“LEAPS”) series for a 12-month period from February 11, 2024 to February 11, 2025 was 19% compared to 61%, 1%, and 19%, respectively.<sup>25</sup> While the proposed rule change would expand the Short Term Option Series Program to permit Monday and Wednesday Qualifying Securities Expirations, the Exchange anticipates that it would overall add a small number of weekly expiration dates because the Exchange will limit the number of Qualifying Securities Expirations to two Monday expirations and two Wednesday expirations. Based on data from January 2025, ISE indicated the following options would meet the criteria to be a Qualifying Security: NVIDIA Corp. (“NVDA”), Tesla Inc. (“TSLA”), Apple Inc. (“AAPL”), Amazon.com Inc. (“AMZN”), Broadcom Inc. (“AVGO”), Alphabet Inc. (“GOOGL”), Microsoft Corp. (“MSFT”), Financial Select Sector SPDR Fund (“XLF”), and Meta Platforms Inc. (“META”) (collectively, “Sample Qualifying Securities”). Utilizing the Sample Qualifying Securities as a data point, ISE indicated the Short Term Option Series Program would account for the addition of approximately 16% of strikes for the total number of strikes for each of the following symbols: NVDA, TSLA, AAPL, AMZN, AVGO, GOOGL, MSFT, and META.<sup>26</sup>

For the same time period, ISE also indicated that weeklies comprised 52% of the total volume of option contracts (compared to 34%, 2%, and 12% for monthlies, quarterlies, and LEAPS,

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<sup>24</sup> The information included time averaged data (the number of strikes by maturity date divided from the number of trading days) for all 18 options markets from February 11, 2024 to February 11, 2025. See ISE Amendment No. 1 at 31719.

<sup>25</sup> See id. (Table 1).

<sup>26</sup> See ISE Amendment No. 1 at 31720.

respectively).<sup>27</sup> The Exchange believes that inner weeklies (first two weeks) represent high volume as compared to outer weeklies (the last three weeks) and would be more attractive to market participants. In particular, ISE looked at the average daily contracts traded in options that met the criteria for a Qualifying Security. Specifically, for each of the Sample Qualifying Securities, ISE looked at pre-close movements between 3:30 and 4:00 p.m. Eastern Time (“ET”) as well as post-close movements between 4:00 and 5:30 p.m. ET. ISE presented data presenting the number of trading days with at least one strike break post close (comparing 4:00 p.m. ET to 5:30 p.m. ET) from 2022 through 2024 for the Sample Qualifying Securities and SPY, QQQ, and IWM.<sup>28</sup> ISE further presented data referencing average annualized closing volatilities (as measured by the standard deviation of 30 seconds returns over the last 30 minutes of trading) for the Sample Qualifying Securities from 2022 through 2024, which data showed that the Sample Qualifying Securities had an averaged annualized closing volatility of generally less than 20%.<sup>29</sup> This data demonstrated that the Sample Qualifying Securities are generally more volatile at the close than SPY, QQQ, and IWM.

Given that these are individual stocks it is reasonable to expect that they have idiosyncratic characteristics (increasing their volatility) relative to broad based Fund Shares like SPY, QQQ and IWM. None, however, are demonstrating average returns that are more than double that of IWM. Moreover, on Mondays and Wednesdays, the ISE data demonstrates that the Sample Qualifying Securities do not show any excessive propensity to penetrate<sup>30</sup> strikes post close (4:00pm – 5:30 pm ET) in comparison to SPY, QQQ and IWM. Consequently, the burden of American-style option<sup>31</sup>

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<sup>27</sup> ISE based this on industry volume in terms of overall contracts based on information sourced from OCC for all 18 options markets from February 11, 2024 to February 11, 2025. See id. (Table 2).

<sup>28</sup> See ISE Amendment No. 1 at 31721 (Table 3).

<sup>29</sup> See ISE Amendment No. 1 at 31721 (Table 4).

<sup>30</sup> For purposes of this rule change, “penetrating a strike” refers to the underlying asset’s price moving beyond the designated strike price of an option contract.

<sup>31</sup> The term “American-style option” means an options contract that, subject to the provisions of Rule 23.1 (relating to the cutoff time for exercise instructions) and to OCC Rules, can be exercised on any business day prior to its expiration date and on its expiration date. See Rule 16.1 (definition of “American-style option”).

exercise management on investors is not overwhelming relative to SPY, QQQ and IWM which have the largest retail participation based on volume in the industry.

ISE also reviewed the number of strike breaks for calendar years 2022 through 2025 for the Sample Qualifying Securities between 4:00 p.m. and 5:30 p.m. ET to find the maximum<sup>32</sup> number of strike breaks<sup>33</sup> as well as the mean<sup>34</sup> of the number of strike breaks as evidenced in the tables below:

### Monday, Non-Earnings Announcement Charts

2022

Security	Number of Days with Strike Break Through on Non-Earnings Announcement Mondays (4:00 p.m. ET – 5:30 p.m. ET)	Max (Strikes Moved Through on Non-Earnings Announcements Mondays from 4:00 p.m. to 9:30 a.m. Next Day) When Strikes Are Penetrated from 4:00-5:30 pm ET	Max (Percentage Move Overnight on Non-Earnings Announcements Mondays When There Is a Strike Break from 4:00 p.m. to 5:30 p.m. ET)	Mean Strikes Moved Through on a Non-Earnings Announcement Monday When There Is an Instance of Move Through (from 4:00 p.m. to 5:30 p.m. on a Non-Earnings Announcement Monday)
AAPL	1	2.33	1.63%	2.33
AMZN	9	14.10	4.32%	4.94
AVGO	3	2.76	1.36%	1.80
FB	1	6.28	8.00%	6.28
GOOGL	9	22.86	5.13%	5.96
IWM	4	2.04	1.02%	0.84
MSFT	0	N/A	N/A	N/A
NVDA	1	0.21	0.24%	0.21
QQQ	4	5.30	1.81%	2.31
SPY	7	8.33	2.27%	2.68
TSLA	3	4.33	3.21%	3.09
XLFF	4	0.98	1.24%	0.56

<sup>32</sup> The term “maximum” refers to the largest instance of strike breaks measured as the number of strikes crossed by the underlying security from the 4:00 p.m. ET closing price to the 9:30 am ET opening price.

<sup>33</sup> A strike break is the existence of a strike between the closing price and the opening price on the following day when there has been a penetration of a strike post-close.

<sup>34</sup> The term “mean” refers to the average number of strike breaks when there has been a penetration of a strike post-close.

2023

<b>Security</b>	<b>Number of Days with Strike Break Through on Non-Earnings Announcement Mondays (4:00 p.m. ET – 5:30 p.m. ET)</b>	<b>Max (Strikes Moved Through on Non-Earnings Announcement Mondays from 4:00 p.m. to 9:30 a.m. Next Day) When Strikes Are Penetrated from 4:00-5:30 pm ET</b>	<b>Max (Percentage Move Overnight on Non-Earnings Announcement Mondays When There Is a Strike Break from 4:00 p.m. to 5:30 p.m. ET)</b>	<b>Mean Strikes Moved Through on a Non-Earnings Announcement Monday When There Is an Instance of Move Through (from 4:00 p.m. to 5:30 p.m. on a Non-Earnings Announcement Monday)</b>
AAPL	0	N/A	N/A	N/A
AMZN	0	N/A	N/A	N/A
AVGO	6	5.18	2.03%	3.24
GOOGL	1	2.78	1.02%	2.78
IWM	0	N/A	N/A	N/A
META	1	0.18	0.15%	0.18
MSFT	0	N/A	N/A	N/A
NVDA	1	3.24	1.85%	3.24
QQQ	0	N/A	N/A	N/A
SPY	1	2.21	0.52%	2.21
TSLA	1	0.66	0.46%	0.66
XLF	0	N/A	N/A	N/A

2024

<b>Security</b>	<b>Number of Days with Strike Break Through on Non-Earnings Announcement Mondays (4:00 p.m. ET – 5:30 p.m. ET)</b>	<b>Max (Strikes Moved Through on Non-Earnings Announcement Mondays from 4:00 p.m. to 9:30 a.m. Next Day) When Strikes Are Penetrated from 4:00-5:30 pm ET</b>	<b>Max (Percentage Move Overnight on Non-Earnings Announcement Mondays When There Is a Strike Break from 4:00 p.m. to 5:30 p.m. ET)</b>	<b>Mean Strikes Moved Through on a Non-Earnings Announcement Monday When There Is an Instance of Move Through (from 4:00 p.m. to 5:30 p.m. on a Non-Earnings Announcement Monday)</b>
AAPL	0	N/A	N/A	N/A
AMZN	0	N/A	N/A	N/A
AVGO	9	6.50	2.10%	1.99
GOOGL	0	N/A	N/A	N/A
IWM	2	0.74	0.36%	0.5

META	3	1.31	0.68%	0.78
MSFT	1	1.94	1.22%	1.94
NVDA	6	7.42	3.44%	5.24
QQQ	2	2.35	0.54%	1.62
SPY	1	2.2	0.43%	2.2
TSLA	3	5.19	2.80%	3.40
XLF	1	0.5	0.59%	0.5

2025\*

Security	Number of Days with Strike Break Through on Non-Earnings Announcement Mondays (4:00 p.m. ET – 5:30 p.m. ET)	Max (Strikes Moved Through on Non-Earnings Announcement Mondays from 4:00 p.m. to 9:30 a.m. Next Day) When Strikes Are Penetrated from 4:00-5:30 pm ET	Max (Percentage Move Overnight on Non-Earnings Announcement Mondays When There Is a Strike Break from 4:00 p.m. to 5:30 p.m. ET)	Mean Strikes Moved Through on a Non-Earnings Announcement Monday When There Is an Instance of Move Through (from 4:00 p.m. to 5:30 p.m. on a Non-Earnings Announcement Monday)
AAPL	0	N/A	N/A	N/A
AMZN	0	N/A	N/A	N/A
AVGO	4	13.95	9.05%	4.63
GOOGL	1	0.00	0.01%	0.00
IWM	1	0.22	0.10%	0.22
META	2	1.91	0.69%	1.23
MSFT	1	0.18	0.12%	0.18
NVDA	5	6.16	6.31%	2.72
QQQ	4	14.73	3.48%	5.37
SPY	5	17.62	3.49%	4.86
TSLA	3	4.35	2.81%	2.38
XLF	0	N/A	N/A	N/A

\* With respect to GOOGL, it had a strike break post-close but mean reverted to the closing price by the open the next day.

ISE further reviewed the number of strike breaks for calendar years 2022 through 2025 for the Sample Qualifying Securities,<sup>35</sup> excluding Wednesdays,<sup>36</sup> for scheduled Earnings Announcements between 4:00 p.m. and 5:30 p.m. ET to find the maximum number of strike breaks as well as the mean of the number of strike breaks as evidenced in the tables below:

### Wednesday, Non-Earnings Announcement Charts

2022

Security	Number of Days with Strike Break Through on Non-Earnings Announcement Wednesdays (4:00 p.m. ET – 5:30 p.m. ET)	Max (Strikes Moved Through on Non-Earnings Announcements Wednesdays from 4:00 p.m. to 9:30 a.m. Next Day) When Strikes Are Penetrated from 4:00-5:30 pm ET	Max (Percentage Move Overnight on Non-Earnings Announcements Wednesdays When There Is a Strike Break from 4:00 p.m. to 5:30 p.m. ET)	Mean Strikes Moved Through on a Non-Earnings Announcement Wednesday When There Is an Instance of Move Through (from 4:00 p.m. to 5:30 p.m. on a Non-Earnings Announcement Wednesday)
AAPL	0	N/A	N/A	N/A
AMZN	14	35.50	5.89%	8.35
AVGO	9	4.85	2.13%	2.07
FB	2	31.20	24.15%	21.22
GOOGL	10	8.73	1.86%	4.22
IWM	7	3.71	1.80%	2.07
MSFT	2	1.54	1.23%	1.14
NVDA	6	8.88	6.20%	5.05
QQQ	10	10.75	3.26%	4.39
SPY	9	10.94	2.59%	4.47
TSLA	8	12.73	8.33%	3.45
XLFF	6	0.84	1.04%	0.42

<sup>35</sup> Of note, not all Sample Qualifying Securities had Earnings Announcements on a Wednesday.

<sup>36</sup> There were no Earnings Announcements on Mondays for the Sample Qualifying Securities.

2023

<b>Security</b>	<b>Number of Days with Strike Break Through on Non-Earnings Announcement Wednesdays (4:00 p.m. ET – 5:30 p.m. ET)</b>	<b>Max (Strikes Moved Through on Non-Earnings Announcement Wednesdays from 4:00 p.m. to 9:30 a.m. Next Day) When Strikes Are Penetrated from 4:00-5:30 pm ET</b>	<b>Max (Percentage Move Overnight on Non-Earnings Announcement Wednesdays When There Is a Strike Break from 4:00 p.m. to 5:30 p.m. ET)</b>	<b>Mean Strikes Moved Through on a Non-Earnings Announcement Wednesday When There Is an Instance of Move Through (from 4:00 p.m. to 5:30 p.m. on a Non-Earnings Announcement Wednesday)</b>
AAPL	1	1.08	1.61%	1.08
AMZN	3	5.30	5.04%	3.05
AVGO	11	10.31	2.94%	2.64
FB	6	7.32	5.35%	3.59
GOOGL	2	1.09	0.63%	0.87
IWM	1	1.70	1.45%	1.70
MSFT	2	3.67	2.92%	3.00
NVDA	3	4.20	2.48%	2.06
QQQ	6	7.59	2.29%	4.38
SPY	5	4.08	0.99%	2.63
TSLA	4	6.39	7.88%	2.50
XLF	1	0.12	0.19%	0.12

2024

<b>Security</b>	<b>Number of Days with Strike Break Through on Non-Earnings Announcement Wednesdays (4:00 p.m. ET – 5:30 p.m. ET)</b>	<b>Max (Strikes Moved Through on Non-Earnings Announcement Wednesdays from 4:00 p.m. to 9:30 a.m. Next Day) When Strikes Are Penetrated from 4:00-5:30 pm ET</b>	<b>Max (Percentage Move Overnight on Non-Earnings Announcement Wednesdays When There Is a Strike Break from 4:00 p.m. to 5:30 p.m. ET)</b>	<b>Mean Strikes Moved Through on a Non-Earnings Announcement Wednesday When There Is an Instance of Move Through (from 4:00 p.m. to 5:30 p.m. on a Non-Earnings Announcement Wednesday)</b>
AAPL	0	N/A	N/A	N/A
AMZN	1	2.77	3.92%	2.77
AVGO	15	10.85	4.42%	3.71
GOOGL	3	3.20	5.03%	2.86
IWM	1	2.22	1.02%	2.22

META	5	5.52	2.56%	2.66
MSFT	2	6.09	3.72%	4.11
NVDA	15	8.32	3.32%	2.82
QQQ	16	11.16	2.37%	4.16
SPY	7	9.67	1.72%	4.79
TSLA	1	1.70	2.06%	1.70
XLF	0	N/A	N/A	N/A

2025

<b>Security</b>	<b>Number of Days with Strike Break Through on Non-Earnings Announcement Wednesdays (4:00 p.m. ET – 5:30 p.m. ET)</b>	<b>Max (Strikes Moved Through on Non-Earnings Announcement Wednesdays from 4:00 p.m. to 9:30 a.m. Next Day) When Strikes Are Penetrated from 4:00-5:30 pm ET</b>	<b>Max (Percentage Move Overnight on Non-Earnings Announcement Wednesdays When There Is a Strike Break from 4:00 p.m. to 5:30 p.m. ET)</b>	<b>Mean Strikes Moved Through on a Non-Earnings Announcement Wednesday When There Is an Instance of Move Through (from 4:00 p.m. to 5:30 p.m. on a Non-Earnings Announcement Wednesday)</b>
AAPL	1	7.36	8.21%	7.36
AMZN	1	5.20	6.64%	5.20
AVGO	5	11.45	6.65%	6.19
GOOGL	1	2.38	3.79%	2.38
IWM	2	9.52	4.70%	7.39
META	3	15.55	6.66%	7.17
MSFT	2	3.35	2.14%	1.90
NVDA	4	6.91	6.26%	2.56
QQQ	7	19.87	4.17%	7.22
SPY	5	19.45	3.45%	8.35
TSLA	1	7.03	6.21%	7.03
XLF	1	3.90	3.89%	3.90

Because the Exchange proposes to limit the number of Monday and Wednesday Qualifying Securities Expirations to two expirations beyond the current week, the Exchange believes that the addition of these Monday and Wednesday Qualifying Securities Expirations should encourage

Market-Makers to continue to deploy capital more efficiently and improve displayed market quality.<sup>37</sup> Utilizing the Sample Qualifying Securities as a proxy, ISE determined the marginal increase in the number of occurrences of strike breaks in 2024 would be 66 with the addition of these expirations. Further, there would be a marginal increase of 22 instances of strike breaks in 2024 on Monday expiries after regular trading hours, and a marginal increase of 44 instances of strike breaks in 2024 on Wednesday expiries without Earnings Announcements after regular trading hours.

Similar to SPY, QQQ and IWM Monday and Wednesday Expirations, the introduction of Monday and Wednesday Qualifying Securities Expirations will, among other things, expand hedging tools available to market participants and allow for a reduced premium cost of buying portfolio protection. The Exchange believes that the proposal would permit only the most liquid securities to have the additional Monday and Wednesday Qualifying Security Expirations. The Exchange believes that offering these additional expiries in the Qualifying Securities would permit Market Makers and other market participants to precisely hedge their positions in the underlying security with the additional expiries in lieu of hedging only with Friday expirations.

Finally, the Exchange considered ISE's analysis of the impact of a market participant's propensity to rationally exercise outstanding options contracts by the tender of an exercise notice ("Contrary Exercise Advice").<sup>38</sup> Specifically, ISE examined SPY data from April 2, 2025 (a day

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<sup>37</sup> Each Market-Maker is required to quote a specified time in their assigned options series. See Rule 22.6.

<sup>38</sup> A Contrary Exercise Advice may be exercised during the time period specified in OCC Rules by the tender to OCC of an exercise notice in accordance with OCC Rules. An exercise notice may be tendered to OCC only by the Clearing Member in whose account such options contract is carried with OCC. Option Members may establish fixed procedures as to the latest time they will accept exercise instructions from customers. See Rule 23.1. Option holders have until 5:30 p.m. ET on the business day of expiration, or, in the case of a standardized equity option expiring on a day that is not a business day, on the business day immediately prior to the expiration date to make a final exercise decision to exercise or not exercise an expiring option. Option Members may not accept exercise instructions for customer or non-customer accounts after 5:30 p.m. ET. See FINRA Rule 2360(a)(23)(A)(iii). A Contrary Exercise Advice is a form approved by the national options exchanges, FINRA or OCC for use by a member to submit a final exercise decision committing an options holder to either: (1) not exercise an option position which would automatically be exercised pursuant to OCC's Ex-by-Ex procedure; or (2) to exercise a standardized equity option position which would not automatically be exercised pursuant to OCC's Ex-by-Ex procedure. See FINRA Rule 2360(a)(23)(A)(iv).

where there was a significant drop after the close).<sup>39</sup> On April 2, 2025, SPY settled at 4:00 pm at \$564.52.<sup>40</sup> At 5:00 pm, SPY was trading at \$552.42.<sup>41</sup> Every call option with a April 2, 2025 expiration date and a strike price below \$564 was automatically exercised by OCC, unless OCC received Contrary Exercise Advices from a market participant.<sup>42</sup> ISE obtained the amount of long<sup>43</sup> open interest in the customer or “C” range<sup>44</sup> at OCC starting at the close of the prior trading day and added customer long activity that executed on April 2, 2025 to that figure. Next, ISE subtracted the liquidating activity for customers and examined the quantity of Contrary Exercise Advices received by OCC on April 2, 2025 and compared that figure to the number of customers that did not abandon their calls rationally relative to the number of customers who entered into options contracts. The data in the tables below (which should be read together) applies to calls in SPY in the customer range at OCC for expiration date April 2, 2025.

### Open Interest

Strike	Longs Held on 4/1/2025	Buys to Open or Expand a Position	Aggregate Longs Held	Open Contracts at EOD That Are Eligible for Auto-Ex on April 2, 2025 EOD
553	104	265	369	45
554	340	795	1135	258
555	2240	4135	6375	238
556	619	5582	6201	142
557	582	9235	9817	52
558	587	14683	15270	72
559	705	22931	23636	70
560	2218	49336	51554	316
561	2284	55318	57602	1014
562	1941	67057	68998	55
563	1339	83871	85210	87
564	1222	78612	79834	533

<sup>39</sup> On April 2, 2025, President Trump announced a series of tariffs on imports, which he called “Liberation Day.” This news impacted markets generally.

<sup>40</sup> ISE obtained this data from OCC upon request.

<sup>41</sup> See ISE Amendment No. 1 at 31725.

<sup>42</sup> See *id.*

<sup>43</sup> The term “long position” means a person’s interest as the holder of one or more options contracts. See Rule 16.1 (definition of “long position”).

<sup>44</sup> The “C” range at OCC includes customer transactions, professional transactions and transactions executed by broker-dealers that are not affiliated with a clearing member that clear in the “C” range at OCC.

## Liquidating Activity

Strike	Aggregate Liquidation of Longs	Liquidation Ratio	Contracts Where Abandon Instructions Were Issued	Unabandoned and Unliquidated Contracts (Auto-Exercised by OCC)	Contracts Unabandoned or Unliquidated as a % of Total Long Contracts Held During the Day	Percentage of Unabandoned and Unliquidated Contracts as Compared to Open Contracts
553	324	87.80%	22	23	6.23%	51.11%
554	877	77.27%	187	71	6.26%	27.52%
555	6137	96.27%	53	185	2.90%	77.73%
556	6059	97.71%	88	54	0.87%	38.03%
557	9765	99.47%	2	50	0.51%	96.15%
558	15198	99.53%	49	23	0.15%	31.94%
559	23566	99.70%	26	44	0.19%	62.86%
560	51238	99.39%	240	76	0.15%	24.05%
561	56588	98.24%	994	20	0.03%	1.97%
562	68943	99.92%	16	39	0.06%	70.91%
563	85123	99.90%	25	62	0.07%	71.26%
564	79301	99.33%	467	66	0.08%	12.38%

This data aggregated by ISE indicates<sup>45</sup> that the vast majority of open contracts (over 90%) were liquidated by customers prior to the close. Of the remaining open contracts, a substantial portion were rationally abandoned. In considering what constitutes rational activity on the part of a market participant in determining whether to exercise, especially in the strike near the 5:00 pm price, it must be taken into consideration that some market participants may elect to hold a contract given the illiquidity of the time period, and the desire for long exposure despite a trade price that may be lower. In other words, it cannot be assumed that customers are unaware of the market conditions for SPY after the close on April 2, 2025, or their ability to liquidate. Also, it cannot be assumed that the customer would always liquidate in these circumstances. In reviewing the above tables together, customers with calls in SPY on April 2, 2025 had a very high liquidation ratio which is evidenced by comparing the unabandoned contracts to the entire pool of long contracts throughout the day. Finally, the amount of unliquidated and unabandoned call contracts in the

<sup>45</sup> See ISE Amendment No. 1 at 31725 (Tables 7 and 8).

above table represents a de-minimis amount (less than 1%) when considering that SPY trades millions of contracts each day.

ISE also examined the out-of-the-money or “OTM” activity on the puts in SPY on April 2, 2025 for customers. The data in the below tables (which should be read together) applies to puts<sup>46</sup> in SPY in the customer range at OCC for expiration date April 2, 2025.

### OTM Open Interest

Strike	Longs Held on 4/1/2025	Buys to Open or Expand a Position on 4/2/2025	Aggregate Longs Held on 4/2/2025	Open Contracts at EOD on 4/2 that are Eligible for OTM Exercise
553	2008	17807	19815	1992
554	3575	23220	26795	2459
555	6271	67698	73969	5009
556	3177	37457	40634	2648
557	3094	47699	50793	1573
558	3091	66130	69221	7063
559	2492	82114	84606	16366
560	3382	118564	121946	17481
561	1707	76970	78677	5660
562	435	75447	75882	6552
563	581	75463	76044	6522
564	399	50724	51123	197

### OTM Liquidating Activity

Strike	Aggregate Liquidation of Longs	Liquidation Ratio	Contracts Where OTM Exercise Instructions Were Received by OCC	Puts Where No OTM Exercise Instructions Were Given	Contracts Not Exercised as a % of Long Contracts Held Throughout the Day	Percentage of Put Contracts Where No OTM Exercise Instructions Were Given
553	17823	89.95%	833	1159	5.85%	58.18%
554	24336	90.82%	791	1668	6.23%	67.83%
555	68960	93.23%	1436	3573	4.83%	71.33%
556	37986	93.48%	1170	1478	3.64%	55.82%
557	49220	96.90%	557	1016	2.00%	64.59%
558	62158	89.80%	3064	3999	5.78%	56.62%
559	68240	80.66%	15642	724	0.86%	4.42%
560	104465	85.66%	16745	736	0.60%	4.21%
561	73017	92.81%	5415	245	0.31%	4.33%
562	69330	91.37%	6436	116	0.15%	1.77%
563	69522	91.42%	6443	79	0.10%	1.21%
564	50926	99.61%	180	17	0.03%	8.63%

<sup>46</sup> The term “put” means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option and the Rules of the OCC, to sell to the Clearing Corporation the number of units of the underlying security covered by the options contract, at a price per unit equal to the exercise price, upon the timely exercise of such option. See Rule 16.1 (definition of “put”).

With respect to this put data for SPY on April 2, 2025 gathered by ISE,<sup>47</sup> it can be observed that out-of-the-money options were either liquidated or exercised. Only a small percentage of options went unexercised. Additionally, it can be observed that very few puts remained unexercised at the higher strikes where opportunity for profit and less risk exists. This is in contrast to puts on lower strikes where opportunity for profit relative to the risk of the short is greater. In particular, with respect to the risk exposure of put writers, the exposure to an event similar to April 2, 2025 for the proposed Wednesday expirations would be substantially similar to the current risk that a put writer is exposed to with Friday expirations. In other words, the day of the expiry does not increase or decrease the amount of risk of a put writer, but for the premium difference. Additionally, the Exchange believes that since the rational abandonment and out-of-the-money exercise rates were so high, as evidenced in the above tables, it is clear that customers are largely aware of the exposure between 4:00 and 5:00 p.m. ET and therefore, the risk from the unliquidated position is undertaken knowingly.

In determining the rational in-the-money abandonment or out-of-the-money exercise, ISE indicated it elected not to consider the amount of contracts rationally exercised/abandoned divided by the amount of open contracts at the end of the day. ISE indicated that it believed that this data point fails to consider the outsized amount of liquidation customers undertake prior to the Contrary Exercise Window.<sup>48</sup> In other words, the amount of liquidations taken by customers prior to the Contrary Exercise Window is evidence that market participants are informed and electing to accept a premium in lieu of the potential to maximize the value of their option in the Contrary Exercise Window. ISE observed that the amount of open contracts in these options is de minimis and,

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<sup>47</sup> See ISE Amendment No. 1 at 31726 – 31727 (Tables 9 and 10).

<sup>48</sup> A “Contrary Exercise Window” refers to a specific timeframe during which an options holder can submit a Contrary Exercise Advice. Option holders who hold expiring options have until 5:30 p.m. ET on the day of expiration to make a final exercise decision to exercise or not exercise the option. Option Members may establish an earlier time to accept exercise instructions for customer or non-customer accounts (typically by 5:00 p.m. ET) but may not accept instructions after 5:30 p.m. ET. See <https://www.finra.org/rules-guidance/notices/information-notice-020321>.

therefore, any evidence of an option trader's failure to act rationally would skew the percentage in such a way to exaggerate the perception of the risk averting behaviors. For example, taken to an extreme, if three contracts are left open in an option that trades over 100,000 in a given day, and two options are not rationally exercised this would amount to 66.6% of non-rationally exercised/abandoned contracts. In this example, three options are not rationally exercised out of the three open contracts or 100%, which comparison did not yield a result that was insightful. For this reason, ISE indicated it opted to compare the amount of irrational failures to exercise/abandon to the total amount of contracts that were open during that trading day. The Exchange believes ISE's method of comparison provides a better risk determination.

The Options Disclosure Document ("ODD") notes the risks of option exercises:

To exercise an option that is not subject to automatic exercise, the holder must direct his brokerage firm to give exercise instructions to OCC. In order to ensure that an option is exercised on a particular day, the holder must direct his brokerage firm to exercise before the firm's cut-off time for accepting exercise instructions for that day. Different firms may have different cut-off times for accepting exercise instructions from customers, and those cut-off times may be different for different options.

A brokerage firm's cut-off time for accepting exercise instructions becomes critical on the last trading day before an option expires. An option that expires unexercised becomes worthless. An option holder who intends to exercise an option before expiration must give exercise instructions to his brokerage firm before the firm's cut-off time for accepting exercise instructions on the last trading day before expiration. If the expiration date of an option falls on a day on which an options market is open for trading in that option, a brokerage firm's last cut-off time for accepting exercise instructions prior to the option's expiration may be on the expiration date. Investors should be aware of their brokerage firm's policies in this regard. Many brokerage firms accept standing instructions to exercise, or have procedures for the exercise of, every option which is in the money by a specified amount at expiration. These procedures often incorporate by reference OCC's administrative procedures that provide for the exercise of every option that is in the money by a specified amount at expiration unless the Clearing Firm carrying the option in its accounts instructs OCC not to exercise the option. Investors should determine from their brokerage firm the applicable cut-off times, the firm's procedures for submitting exercise instructions, and whether any of their options are subject to automatic exercise. Investors should also determine whether the exercise of their options is subject to standing instructions of their brokerage firm, and, if so, they should discuss with the firm the potential consequences of such instructions.<sup>49</sup>

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<sup>49</sup> The "How to Exercise" section in the ODD describes how to utilize the Contrary Exercise Advice. [See https://www.theocc.com/getmedia/a151a9ae-d784-4a15-bdeb-23a029f50b70/riskstoc.pdf](https://www.theocc.com/getmedia/a151a9ae-d784-4a15-bdeb-23a029f50b70/riskstoc.pdf).

Market participants that elect to transact in options should receive a copy of the ODD from their broker-dealer.<sup>50</sup> The ODD explains the risks inherent in options trading.<sup>51</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>52</sup> Suitability rules are intended to distinguish the trading of customers with those of professional traders who are likely to have distinct risk/reward profiles, risk tolerance and capital.

Finally, the Exchange believes there is general demand for alternative expirations in Monday and Wednesday Qualifying Securities Expirations. ISE calculated the percentage of SPY options volume, from 2018 to 2025, versus the number of days until expiration, which demonstrated a clear preference for shorter-dated options trading.<sup>53</sup>

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>54</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>55</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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. Additionally, the Exchange believes the proposed rule change

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<sup>50</sup> See FINRA Rule 2360(b)(16)(A).

<sup>51</sup> See generally <https://www.theocc.com/company-information/documents-and-archives/options-disclosure-document>.

<sup>52</sup> See FINRA Rule 2111.

<sup>53</sup> See ISE Amendment No. 1 at 31728 (Table 11).

<sup>54</sup> 15 U.S.C. 78f(b).

<sup>55</sup> 15 U.S.C. 78f(b)(5).

is consistent with the Section 6(b)(5)<sup>56</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, similar to Monday expirations in SPY, QQQ, and IWM, the proposal to permit Monday and Wednesday Qualifying Security Expirations, subject to the proposed limitation of two expirations beyond the current week, would protect investors and the public interest by providing the investing public and other market participants more choice and flexibility to closely tailor their investment and hedging decisions in these options and allow for a reduced premium cost of buying portfolio protection, thus allowing them to better manage their risk exposure. The Exchange believes that the proposed criteria for Qualifying Securities requires individual stocks and Fund Shares to be highly liquid. A market capitalization measured on the last day of the prior calendar quarter based on the closing price of the underlying, of greater than 700 billion dollars for an individual stock, or AUM of 50 billion dollars for a Fund Share, in conjunction with the monthly options volume requirement of greater than 10 million options as measured by sides traded in the last month preceding the quarter end, is very restrictive. This requirement represents substantially less than 1% of individual stocks (only eight individual stocks existed as of January 1, 2025) and substantially less than 1% of Fund Shares (only seven Fund Shares existed as of January 1, 2025, of which five are eligible pursuant to Rule 19.6, Interpretation and Policy .05(h), Table 1 to trade additional expiries) traded.<sup>57</sup> Therefore, an individual stock or Fund Share that meets the aforementioned market capitalization and volume requirements are highly liquid and could be viewed as stable securities. Data gathered by ISE regarding the average daily options contracts traded compared to the average closing volatility in the last 30 minutes of the trading day<sup>58</sup> demonstrated a very low average realized volatility experienced by the Sample Qualifying Securities in the last 30

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<sup>56</sup> Id.

<sup>57</sup> As of January 15, 2026, the other two Fund Shares would be eligible to trade additional expiries pursuant to the proposed rule change.

<sup>58</sup> See ISE Amendment No. 1 at 31729 (Table 7).

minutes of trading before the close in 2024 as compared to any security that traded an average of more than 100 options contracts per day.

The Exchange notes that with respect to position limits, Rule 18.7 provides that Options Members will be subject to position limits fixed by the Cboe Exchange, Inc. (“Cboe Options”). Cboe Options Rule 8.30, Interpretation and Policy .02(e) provides, that “[t]o be eligible for the 250,000 contract limit, either the most recent six-month trading volume of the underlying security must have totaled at least 100 million shares; or the most recent six-month trading volume of the underlying security must have totaled at least 75,000,000 shares and the underlying security must have at least 300,000,000 shares currently outstanding.” The 250,000 contract position limit is the highest position limit by Exchange rule. Options that qualify for the 250,000 position (and exercise) limit are highly liquid securities that have met the stringent requirements noted in Cboe Options Rule 8.30, Interpretation and Policy .02 to qualify for the highest position limit.

Finally, a Qualifying Security must participate in the Penny Interval Program. In order to qualify for the Penny Interval Program, an options class must be among the 300 most actively traded multiply listed option classes overlying securities priced below \$200.<sup>59</sup> The most actively traded options classes are included in the Penny Interval Program based on certain objective criteria (trading volume thresholds and initial price tests).

The number of individual stocks currently meeting all four criteria for a Qualifying Security was eight, and the number of Fund Shares currently meeting all four criteria for a Qualifying Security that do not already have Monday and Wednesday expirations was one, as of June 27, 2025. Both totals represent less than 0.2% of all securities with options listed. The Exchange believes that since individual stocks are the dominant constituents of the broad-based indexes (e.g., S&P 500 Index and Nasdaq-100 Index), the improvement in price transparency

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<sup>59</sup> See Rule 21.5(e). Each December OCC ranks all multiply listed option classes based on National Cleared Volume for the six full calendar months from June 1 through November 30 for determination of the most actively traded option classes.

brought about by Monday and Wednesday trading will offer Market Makers and investors better volatility pricing which will inform trading on the related products to these indexes. The Exchange believes that the proposed criteria for Qualifying Securities is consistent with the protection of investors and the general public because the criteria targets the most liquid individual stocks and Fund Shares.

The Exchange would not list an expiry on a Qualifying Security on a day where there will be an Earnings Announcement that takes place after market close to avoid post-close price volatility that may arise from the Earnings Announcement and which may impact exercise and/or assignment decisions.

Qualifying Securities that do not continue to meet the above criteria would no longer be permitted to list Monday and Wednesday expiries in the following quarter, although the Qualifying Security would potentially have two weeks of strikes already listed which will persist. These remaining listings could continue to be traded until they expire.

With this proposal, overall, the Exchange would add a small number of Monday and Wednesday Qualifying Security Expirations by limiting the addition of two Monday expirations and two Wednesday expirations beyond the current week. The addition of Monday and Wednesday Qualifying Security Expirations would remove impediments to and perfect the mechanism of a free and open market by encouraging Market Makers to continue to deploy capital more efficiently and improve displayed market quality.<sup>60</sup> The Exchange believes that the proposal will allow Option Members to expand hedging tools and tailor their investment and hedging needs more effectively in Qualifying Securities as these funds are most likely to be utilized by market participants to hedge the underlying asset classes.

Similar to SPY, QQQ, and IWM Monday and Wednesday Expirations, the introduction of Monday and Wednesday Qualifying Security Expirations is consistent with the Act as it will,

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<sup>60</sup> Today, Market-Makers are required to quote a specified time in their assigned options series. See Rule 22.6.

among other things, expand hedging tools available to market participants and allow for a reduced premium cost of buying portfolio protection. The Exchange believes that Monday and Wednesday Qualifying Security Expirations will allow market participants to purchase options on Qualifying Securities based on their timing as needed and allow them to tailor their investment and hedging needs more effectively, thus allowing them to better manage their risk exposure. Today, the Exchange lists other Monday and Wednesday expirations.<sup>61</sup>

In particular, the Exchange believes the Short Term Option Series Program has been successful to date and that Monday and Wednesday Qualifying Security Expirations should simply expand the ability of investors to hedge risk against market movements stemming from economic releases or market events that occur throughout the month in the same way that the Short Term Option Series Program has expanded the landscape of hedging.

There are no material differences in the treatment of SPY, QQQ and IWM Monday and Wednesday Expirations compared to the proposed Monday and Wednesday Qualifying Security Expirations. Given the similarities between SPY, QQQ and IWM Monday and Wednesday Expirations and the proposed Monday and Wednesday Qualifying Security Expirations, the Exchange believes that applying the provisions in 19.6, Interpretation and Policy .05(h) that currently apply to SPY, QQQ and IWM Monday and Wednesday Expirations is justified.

The data gathered by ISE in the tables above related to calls in SPY on April 2, 2025,<sup>62</sup> indicates that the vast majority of open contracts (over 90%) were liquidated by customers prior to the close. Of the remaining open contracts, a substantial portion were rationally abandoned. In considering what constitutes rational activity on the part of a market participant in determining whether to exercise, especially in the strike near the 5:00 p.m. price, it must be taken into account that some market participants may elect to hold a contract given the illiquidity of the time period, and the desire for long exposure despite a trade price that may be lower. In other

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<sup>61</sup> See Rule 19.6, Interpretation and Policy .05(h)Table 1.

<sup>62</sup> See ISE Amendment No. 1 at 31725 (Tables 7 and 8).

words, it cannot be assumed that customers are unaware of the market conditions, or their ability to liquidate. Also, it cannot be assumed that the customer would always liquidate in these circumstances. In reviewing these tables, ISE observed that customers with calls in SPY on April 2, 2025 had a very high liquidation ratio which is evidenced by comparing the unabandoned contracts to the entire pool of long contracts throughout the day. With respect to the put data for SPY on April 2, 2025, ISE observed in the data it gathered as presented above<sup>63</sup> that out-of-the-money options were either liquidated or exercised. Only a small percentage of put options went unexercised. Additionally, ISE observed that very few puts remained unexercised at the higher strikes where opportunity for profit and less risk exists. This is in contrast to puts on lower strikes where opportunity for profit relative to the risk of the short is greater. In particular, with respect to the risk exposure of put writers, the exposure to an event similar to April 2, 2025 for the proposed Wednesday expirations would be substantially similar to the current risk that a put writer is exposed to with Friday expirations. In other words, the day of the expiry does not increase or decrease the amount of risk of a put writer, but for the premium difference. Additionally, the Exchange believes that since the rational abandonment and out-of-the-money exercise rates were so high, as evidenced by the data gathered by ISE presented above,<sup>64</sup> it is clear that customers are largely aware of the exposure between 4:00 and 5:00 pm ET and therefore, the risk from the unliquidated position is undertaken knowingly.

Additionally, market participants that elect to utilize options receive a copy of the ODD which explains the risks inherent in options trading. Also, 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>65</sup> Suitability rules are intended to distinguish the trading of customers with those of professional traders who are likely to have distinct risk/reward

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<sup>63</sup> See ISE Amendment No. 1 at 31726 – 31727 (Tables 9 and 10).

<sup>64</sup> See *id.*

<sup>65</sup> See FINRA Rule 2111.

profiles, risk tolerance and capital. Regardless of whether the account is self-directed or options are being recommended, broker-dealers must perform due diligence on the customer and collect information about the customer to support a determination that options trading is appropriate for the customer. Options accounts are subject to specific supervisory reviews, including, among others, reviewing the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved, and are subject to other FINRA rules that apply when opening customer accounts, including among others, customer identification requirements under anti-money laundering rules.<sup>66</sup> Therefore, the Exchange does not believe that listing of up to two Monday and Wednesday expirations for options on certain individual stocks or Fund Shares is inconsistent with the Act.

The Exchange represents that it has the necessary systems capacity to support the new expirations. The Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might arise from listing and trading options with Monday and Wednesday expirations, including for any Qualifying Securities, in the same way that it monitors trading the current Short Term Option Series for SPY, QQQ, and IWM with Monday and Wednesday expirations. Finally, the Exchange does not believe that any market disruptions will be encountered with the introduction of these option expirations. As discussed above, the Exchange believes that its proposal is a modest expansion of weekly expiration dates for Monday and Wednesday Qualifying Security Expirations given that it will be limited to two Monday expirations and two Wednesday expirations beyond the current week.

**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

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<sup>66</sup> See <https://www.finra.org/rules-guidance/notices/21-15>.

Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, but rather will meet customer demand. The Exchange would uniformly apply the Qualifying Security criteria to options in individual stocks and Fund Shares. The Exchange believes that Options Members will continue to be able to expand hedging tools and tailor their investment and hedging needs more effectively in the Qualifying Securities. All market participants will be treated in the same manner under this proposal.

Similar to SPY, QQQ and IWM Monday and Wednesday Expirations, the introduction of Monday and Wednesday Qualifying Security Expirations does not impose an undue burden on competition. The Exchange believes that it will, among other things, expand the hedging tools available to market participants and allow for a reduced premium cost of buying portfolio protection. The Exchange believes that Monday and Wednesday Qualifying Security Expirations will allow market participants to purchase options on Qualifying Securities based on their timing as needed and allow them to tailor their investment and hedging needs more effectively.

Further, not adding an expiry for a Qualifying Security on a day where there will be an Earnings Announcement that takes place after market close does not impose an undue burden on competition as the Exchange would uniformly apply this practice to the listing of all Qualifying Securities.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as the Commission recently approved a substantively identical rule change of another options exchange.<sup>67</sup>

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<sup>67</sup> See ISE Amendment No. 1 and ISE Approval.

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

The Exchange neither solicited nor received written comments on the proposed rule change.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>68</sup> and Rule 19b-4(f)(6) thereunder.<sup>69</sup> 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>70</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>71</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>72</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>73</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposal may become operative immediately upon filing.

According to the Exchange, the proposed rule change is a competitive response to a substantively identical filing submitted by Nasdaq ISE that was recently approved by the

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<sup>68</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>69</sup> 17 CFR 240.19b-4(f)(6).

<sup>70</sup> 15 U.S.C. 78s(b)(3)(A)(iii)

<sup>71</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of 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.

<sup>72</sup> 17 CFR 240.19b-4(f)(6).

<sup>73</sup> 17 CFR 240.19b-4(f)(6)(iii).

Commission.<sup>74</sup> The Commission believes that the proposed rule change presents no novel issues and that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change as operative upon filing.<sup>75</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 will institute proceedings under Section 19(b)(2)(B)<sup>76</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

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

##### Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-CboeBZX-2026-007 on the subject line.

##### Paper Comments:

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

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<sup>74</sup> See *supra* note 6.

<sup>75</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>76</sup> 15 U.S.C. 78s(b)(2)(B).

All submissions should refer to file number SR-CboeBZX-2026-007. 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-CboeBZX-2026-007 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>77</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>77</sup> 17 CFR 200.30-3(a)(12), (59).