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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104817; File No. SR-ISE-2026-03]

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Options 9, Section 14 to Exempt Box Spreads from Position Limits and to Amend Options 3, Sections 5, 7, and 14

February 11, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on January 28, 2026, Nasdaq ISE, LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Options 3, Section 5 (Entry and Display of Single-Leg Orders); Options 3, Section 7 (Types of Orders and Order and Quote Protocols); Options 3, Section 14 (Complex Orders); and Options 9, Section 14 (Exemptions from Position Limits).

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

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

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

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

Options 3, Section 5

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

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

At this time, the Exchange proposes to state,

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

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

Options 3, Section 7

The Exchange proposes to amend the language of ISE Supplementary .03 to Options 3, Section 7 to align with Phlx Supplementary .03 to Options 3, Section 7. Specifically, the

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

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

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

Options 3, Section 14

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

Options 9, Section 14

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

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

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

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

SR-ISE-2017-20 amended this rule text to align with Nasdaq Phlx, LLC ("Phlx") and Cboe Exchange, Inc. ("Cboe")[8] Phlx filed a rule proposal making clear that the five times

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

4 See id.

5 See id.

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

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

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

standard was limited to OTC options contracts,[9] however Phlx inadvertently cited to Options 9, Section 14(a)(6) when it relocated rules in a subsequent rule change that copied SR-Cboe-2003-30.[10] The five times standard should apply only to OTC options contracts as evidenced by NYSE Arca, Inc. ("NYSE Arca") Commentary .07 to Rule 5.17-O, Commentary .09 to NYSE American LLC ("NYSE American") Rule 904, and FINRA Rule 2360(b)(3)(A)(ii).

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

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[12] in general, and furthers the objectives of Section 6(b)(5) of the Act,[13] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

Options 3, Section 5

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

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

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

12 15 U.S.C. 78f(b).

13 15 U.S.C. 78f(b)(5).

The Exchange's proposal to note that the System automatically executes eligible orders using the Exchange's displayed best bid and offer ("BBO") or the Exchange's non-displayed order book ("internal BBO") if there are non-displayed orders on the order book or the best bid and/or offer on the Exchange has been re-priced pursuant to subsection (d) below and Options 3, Section 4(b)(6) is consistent with the Act because, today, a non-displayed order on the order book will be executed at the best price on the Exchange whether that best price is displayed or non-displayed. This rule text aligns ISE Options 3, Section 5(c) with Phlx Options 3, Section 5(c).

Options 3, Section 7

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

Options 3, Section 14

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

Options 9, Section 14

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

Today, NYSE Arca Commentary .07 to Rule 5.17-O, Commentary .09 to NYSE American Rule 904 and FINRA Rule 2360(b)(3)(A)(ii) apply the five times standard only to

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

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

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

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

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

19 A similar change is being proposed to Phlx's rules.

OTC options contracts and exempt box spreads from their position limit rules. At this time, the Exchange has been applying a stricter standard. With this change, a Member would not have a position limit for a box spread and, therefore, would not have to unwind any position as a result of this amendment.

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

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

Options 3, Section 5

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

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

Options 3, Section 7

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

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

Options 3, Section 14

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

Options 9, Section 14

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

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

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

No written comments were either solicited or received.

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[22] and subparagraph (f)(6) of Rule 19b-4 thereunder.[23]

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20 A similar change is being proposed to Phlx's rules.

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

22 15 U.S.C. 78s(b)(3)(A)(iii).

23 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

A proposed rule change filed under Rule 19b-4(f)(6)[24] normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),[25] the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay so that the proposed rule change may become operative immediately upon filing. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest as the proposal raises no new or novel issues. Accordingly, the Commission waives the 30-day operative delay and designates the proposed rule change to be operative upon filing.[26]

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

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/rules/sro.shtml); or

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the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

24 17 CFR 240.19b-4(f)(6).

25 17 CFR 240.19b-4(f)(6)(iii).

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

- Send an email to rule-comments@sec.gov. Please include file number SR-ISE-2026-03 on the subject line.

Paper Comments:

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

All submissions should refer to file number SR-ISE-2026-03. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (https://www.sec.gov/rules/sro.shtml). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-ISE-2026-03 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[27]

Sherry R. Haywood,

Assistant Secretary.

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27 17 CFR 200.30-3(a)(12).