



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105342; File No. SR-MRX-2026-05]

### **Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing of Amendment Nos. 3 and 4, and Order Granting Accelerated Approval of a Proposed Rule Change, as Superseded by Amendment No. 3 and Modified by Amendment No. 4, to Adopt New Options Rule 3B to List and Trade Binary Broad-Based Index Options**

April 30, 2026.

#### I. Introduction

On March 2, 2026, Nasdaq MRX, LLC (“MRX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), 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> a proposed rule change to list and trade binary broad-based index options, particularly, binary options on the Nasdaq-100 index and the Nasdaq-100 Micro index. The proposed rule change was published for comment in the Federal Register on March 16, 2025.<sup>3</sup> On March 12, 2026, the Exchange submitted Amendment No. 1 to the proposed rule change, which amended and superseded the proposed rule change as originally filed.<sup>4</sup> On April 8, 2026, the Exchange submitted Amendment No. 2 to the proposed rule change, and on April 14, 2026, the Exchange withdrew Amendment No. 2. On April 15, 2026, the Exchange submitted Amendment No. 3 to the proposed rule change, which superseded the proposed rule change, as modified by Amendment No. 1, in its entirety.<sup>5</sup> On April 23, 2026,

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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> See Securities Exchange Act Release No. 104966 (March 11, 2025), 91 FR 12652.

<sup>4</sup> See Amendment No. 1, available at <https://www.sec.gov/comments/sr-mrx-2026-05/srmrx202605-722127-2261334.pdf>.

<sup>5</sup> See Amendment No. 3, available at <https://www.sec.gov/comments/sr-mrx-2026-05/srmrx202605-752647-2320314.pdf>.

the Exchange filed partial Amendment No. 4 to the proposed rule change.<sup>6</sup> The Commission received no comments on the proposed rule change. The Commission is publishing this Notice and Order to solicit comment on Amendment No. 3 in Sections II and III below, which sections are being published verbatim as filed by the Exchange except they also reflect the further modification in Amendment No. 4, and to approve the proposed rule change, as superseded by Amendment No. 3 and modified by Amendment No. 4, on an accelerated basis.

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

The Exchange proposes to list and trade Outcome-Related Options or "OROs." This Amendment No. 3 supersedes the original filing and Amendment No. 1 in its entirety and proposes to amend various aspects of the filing to augment the rule text, add a defined term for the exercise settlement value and otherwise provide more context around the options rules that will be applicable.

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

III. 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 V below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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<sup>6</sup> Amendment No. 4 sets forth a technical, non-substantive modification to remove the proposed rule text of Options 6C Section 3 that updated the name of a cross-referenced exchange, which rule text was inadvertently included in the initial filing as well as Amendment No. 3. See Amendment No. 4, available at <https://www.sec.gov/comments/SR-MRX-2026-05/srmrx202605-759407-2333434.pdf>.

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

1. Purpose

The Exchange’s proposal adopts rules at new Options 3B to govern the listing and trading of standardized, cash-settled, European-style binary options<sup>7</sup> on broad-based security indexes referred to as Outcome-Related Options or “OROs.” The Exchange proposes to list and trade OROs on the Nasdaq-100<sup>®</sup> Index<sup>8</sup> as “Nasdaq-100<sup>®</sup> OROs.” The Exchange also proposes to list and trade OROs on the Nasdaq-100 Micro Index<sup>®9</sup> as “XND OROs.”

Nasdaq-100 OROs and XND OROs are distinguishable from traditional NDX options and XND options. OROs would entitle the buyer to receive, or the seller to pay, a fixed settlement amount at expiration<sup>10</sup> based on whether the settlement value of the underlying broad-based index is at, above, or below a predetermined exercise price at expiration. Unlike traditional NDX options and XND options, OROs will pay a fixed sum at expiration regardless of the magnitude of the difference between the settlement value and the option’s exercise price.

OROs will provide investors with the ability to transact options that pay a fixed sum at expiration on a listed exchange market subject to the benefits of a centralized forum for price

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<sup>7</sup> The characteristics of standardized binary options are described in The Options Disclosure Document or ODD and would apply to OROs. See <https://www.theocc.com/getcontentasset/a151a9ae-d784-4a15-bdeb-23a029f50b70/dfc3d011-8f63-43f6-9ed8-4b444333a1d0/riskstoc.pdf>.

<sup>8</sup> The Nasdaq-100 Index (“NDX”) is a modified market capitalization-weighted index that includes 100 of the largest non-financial companies listed on The Nasdaq Stock Market LLC, based on market capitalization. It does not contain securities of financial companies, including investment companies. Security types generally eligible for the Nasdaq-100 Index include common stocks, ordinary shares, American Depositary Receipts, and tracking stocks. Security or company types not included in the Nasdaq-100 Index are closed-end funds, convertible debentures, exchange traded funds, limited liability companies, limited partnership interests, preferred stocks, rights, shares or units of beneficial interest, warrants, units and other derivative securities. A description of the Nasdaq-100 Index is available on Nasdaq’s website at [https://indexes.nasdaqomx.com/docs/methodology\\_NDX.pdf](https://indexes.nasdaqomx.com/docs/methodology_NDX.pdf). The Nasdaq-100 Index is a broad-based index, as defined in Options 4A, Section 3. See also: [https://www.nasdaq.com/NDX\\_NDXP\\_Factsheet](https://www.nasdaq.com/NDX_NDXP_Factsheet).

<sup>9</sup> The Nasdaq-100 Micro Index or XND is designed to reflect 1/100th the value of the Nasdaq-100 Index. See [https://www.nasdaq.com/docs/2023/08/14/XND\\_FactSheet.pdf](https://www.nasdaq.com/docs/2023/08/14/XND_FactSheet.pdf).

<sup>10</sup> Rules for binary return options products currently exist on NYSE American LLC (“NYSE American”) and Cboe Exchange, Inc. (“Cboe”). See Securities Exchange Act Release Nos. 55843 (June 1, 2007), 72 FR 31636 (June 7, 2007) (Notice); 56251 (August 14, 2007), 72 FR 46523 (August 20, 2007) (Approval) (SR-Amex-2004-27); 57642 (April 9, 2008), 73 FR 20985 (April 17, 2008) (Notice); 57850 (May 22, 2008), 73 FR 31169 (May 30, 2008) (Approval) (SR-CBOE-2006-105). See also Cboe Rule 4.16, related to binary options, and NYSE American Rules at Section 18 describing broad-based index binary options.

discovery; pre- and post-trade transparency; standardized contract specifications; real-time surveillance; and clearing guaranteed by The Options Clearing Corporation (“OCC”).

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

### **General Provisions**

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

Pursuant to Options 3B, Section 1(a), titled “Applicability of Exchange Rules,” Options 3B Rules will apply only to Outcome-Related Options or “ORO.” Further, the trading of OROs will be subject to all other Rules applicable to the trading of options on the Exchange, including the trading rules and functionality in Options 3, unless the context otherwise requires or otherwise provided in this Options 3B.<sup>11</sup> For example, the Opening Process at Options 3, Section 8; Trading Halts at Options 3, Section 9; simple, complex and optional risk protections at Options 3, Sections 15 and 28; and Market Maker appointments at Options 2, Section 3 and obligations at Options 2, Sections 4 and 5 shall all apply to the trading of OROs as they apply to the trading of other options on the Exchange.

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

- The term “**contract multiplier**” as used in reference to OROs means the multiple applied to the exercise settlement value to arrive at the total exercise settlement amount per contract. The contract multiplier for OROs shall be 100.<sup>12</sup>
- The term “**exercise price**” as used in reference to OROs means the value to which the settlement value of the underlying broad-based index is compared to

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

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

determine whether the holder of an ORO is entitled to an exercise settlement amount on the option contract.<sup>13</sup>

- The term “**exercise settlement amount**” as used in reference to OROs means the amount of cash that a holder will receive upon exercise of the contract. The exercise settlement amount is \$100 which is the exercise settlement value multiplied by the contract multiplier.<sup>14</sup>

- The term “**exercise settlement value**” as used in reference to OROs means the value of the ORO. The exercise settlement value for OROs shall be \$1.<sup>15</sup>

- The term “**ORO**” represents cash-settled, P.M.-settled, European-Style binary options on broad-based indexes with a fixed settlement amount.<sup>16</sup>

- The term “**ORO Order**” means an order submitted in an ORO pursuant to Options 3B.<sup>17</sup>

- The term “**settlement value**” is the value of the underlying broad-based index that is used to determine whether an ORO is in, at or out of the money. OROs that are “at-the-money,” “in-the-money,” or “out-of-the-money” are a function of the settlement value of the underlying broad-based index in relation to the type of ORO (i.e., put or call) and the exercise price. OROs shall be paid out if the settlement value of the underlying broad-based index equals, exceeds or is less than the exercise price, depending on the type of option (i.e., call or put).<sup>18</sup>

- OROs that are call option contracts would return an exercise settlement amount if the settlement value of the underlying broad-based index is at or above the exercise price at expiration (i.e., at or in-the-money).<sup>19</sup>

- OROs that are put option contracts would return an exercise settlement amount if the settlement value of the underlying broad-based index is below the exercise price at expiration (i.e., in-the-money).<sup>20</sup>

- The term “**underlying**” means the broad-based index that the Clearing Corporation<sup>21</sup> shall utilize to determine whether an ORO is in, at or out of the money.<sup>22</sup>

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<sup>13</sup> See proposed Options 3B, Section 1(b)(2).

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

<sup>15</sup> See proposed Options 3B, Section 1(b)(4).

<sup>16</sup> See proposed Options 3B, Section 1(b)(5).

<sup>17</sup> See proposed Options 3B, Section 1(b)(6).

<sup>18</sup> See proposed Options 3B, Section 1(b)(7).

<sup>19</sup> See proposed Options 3B, Section 1(b)(7)(a).

<sup>20</sup> See proposed Options 3B, Section 1(b)(7)(b).

<sup>21</sup> The term “Clearing Corporation” means The Options Clearing Corporation. See General 1, Section 1(a)(3).

<sup>22</sup> See proposed Options 3B, Section 1(b)(8).

ORO contracts would have an exercise settlement value of \$1.<sup>23</sup> The contract multiplier for OROs shall be 100.<sup>24</sup> Therefore, OROs would have a fixed exercise settlement amount of \$100 (exercise settlement value multiplied by the contract multiplier) that is established at the creation of the option.<sup>25</sup> OROs would be paid out if the settlement value of the broad-based index equals, exceeds or is less than the exercise price, depending on the type of option (i.e., call or put).<sup>26</sup> As proposed, a call option on OROs would pay the exercise settlement amount of \$100 if the settlement value is at or above the exercise price at expiration.<sup>27</sup> Conversely, a put option on OROs would pay the exercise settlement amount of \$100 if the settlement value is below the exercise price at expiration.<sup>28</sup> There would be no payout if the ORO Option expires out-of-the money. The “settlement value” for OROs shall be the value of the underlying broad-based index that is used to determine whether an ORO is in, at or out of the money.<sup>29</sup> The underlying is the broad-based index that the Clearing Corporation shall utilize to determine whether an ORO is in, at or out of the money.<sup>30</sup> An ORO Order would mean an order submitted in an ORO pursuant to Options 3B.<sup>31</sup>

### **Hours of Business**

Section 2 of Options 3B would be titled “Hours of Business.” Pursuant to proposed Options 3B, Section 1(c), the trading hours for OROs would be the same as the trading hours as set forth in Options 3, Section 1.<sup>32</sup>

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<sup>23</sup> See proposed Options 3B, Section 1(b)(4).

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

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

<sup>26</sup> See proposed Options 3B, Section 1(b)(7).

<sup>27</sup> See proposed Options 3B, Section 1(b)(7)(a).

<sup>28</sup> See proposed Options 3B, Section 1(b)(7)(b).

<sup>29</sup> See proposed Options 3B, Section 1(b)(7)(b).

<sup>30</sup> See *id.*

<sup>31</sup> See proposed Options 3B, Section 1(b)(6).

<sup>32</sup> Options 3, Section 1(d) provides that options on a broad-based index, as defined in Options 4A, Section 2 may be traded on the Exchange until 4:15 p.m. each business day.

## **Units of Trading and Premium**

Section 3 of Options 3B would be titled “Units of Trading and Premium.” Pursuant to proposed Options 3B, Section 3(a), bids and offers for OROs must be expressed in U.S. dollars.<sup>33</sup> Also, OROs may have a premium range<sup>34</sup> from \$0.01 to \$1.00.<sup>35</sup>

## **Minimum Trading Increment**

Section 4 of Options 3B would be titled “Minimum Trading Increments.” Pursuant to proposed Options 3B, Section 4(a), OROs on broad-based indexes may be entered in a minimum increment of \$0.01. Today, NDX options trade in \$0.05 and \$0.10 increments pursuant to Options 3, Section 3(a). The Exchange proposes a minimum increment of \$0.01, identical to Cboe Rule 5.4(c)(1).<sup>36</sup> Today, XND options trade in \$0.01 increments.<sup>37</sup>

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

## **Listings**

Section 5 of Options 3B would be titled “Listings.” Pursuant to proposed Options 3B, Section 5(a), titled “ORO Classes,” the Exchange authorizes OROs on the Nasdaq-100 Index (“Nasdaq-100 OROs”) and on the Nasdaq-100 Micro Index (“XND OROs”). The listing of Nasdaq-100 OROs and XND OROs would be subject to Options 4A Rules,<sup>38</sup> including but not

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<sup>33</sup> See proposed Options 3B, Section 3(a).

<sup>34</sup> The premium is the price paid or received when entering an ORO Order.

<sup>35</sup> See proposed Options 3B, Section 3(b).

<sup>36</sup> Cboe Rule 5.4(c)(1) states that the exchange establishes the minimum increment for bids and offers on orders for binary options on a class-by-class basis, which may not be less than \$0.01.

<sup>37</sup> See Nasdaq ISE, LLC (“ISE”) Supplementary Material .04 to Options 3, Section 3. Specifically, ISE Supplementary Material .04 to Options 3, Section 3 states that, Options on the Nasdaq 100 Micro Index (XND) (as long as QQQ options (“QQQ”) participate in the Penny Interval Program) shall have a minimum increment of \$.01.

<sup>38</sup> As noted above, MRX incorporates ISE Options 4A Rules by reference.

limited to P.M.-Settlement pursuant to Options 4A, Section 12(a)(6), the Nonstandard Expirations Program pursuant to Supplementary Material .07 to Options 4A, Section 12, the Short Term Series Options Program pursuant to Supplementary Material .01 to Options 4A, Section 12, the Quarterly Options Series Program pursuant to Supplementary Material .02 to Options 4A, Section 12, and the Monthly Options Series Program pursuant to Supplementary Material .06 to Options 4A, Section 12, unless otherwise specified. Nasdaq-100 OROs and XND OROs will trade independently of and in addition to other standard options on NDX or XND, respectively.

Like NDX and XND options,<sup>39</sup> Nasdaq-100 OROs and XND OROs will be P.M.-settled.<sup>40</sup> Options 3B, Section 5(a)(1) would be titled “P.M.-Settled” and state, that the Exchange authorizes P.M.-Settled Nasdaq-100 OROs and XND OROs pursuant to Options 4A, Section 12(a)(6). A.M.-Settled Nasdaq-100 OROs and XND OROs pursuant to Options 4A, Section 12(a)(5) are not authorized. As a result, exercise will result in delivery of cash on the business day following expiration.<sup>41</sup>

Like NDX options and XND options,<sup>42</sup> Nasdaq-100 OROs and XND OROs may be P.M.-Settled on the third Friday-of-the-month.<sup>43</sup>

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

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<sup>39</sup> Today, the Exchange authorizes P.M.-Settled NDX and XND options pursuant to Options 4A, Section 12(a)(6)(i).

<sup>40</sup> See proposed Options 3B, Section 5(a)(1). Of note, Nasdaq-100 OROs and XND OROs would not trade A.M.-Settled. Today, NDX options trade A.M.-Settled.

<sup>41</sup> The last day of trading for P.M.-settled index options shall be the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last business day before its expiration date. See Options 4A, Section 12(a)(6).

<sup>42</sup> Today, NDX options and XND options may be P.M.-Settled on the third Friday-of-the-month. See Options 4A, Section 12(a)(6)(i).

<sup>43</sup> See proposed Options 3B, Section 5(a)(2). The Exchange proposes to add the title “Third Friday-of-the-Month” to proposed Options 3B, Section 5(a)(2).

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

Like NDX and XND options,<sup>44</sup> Nasdaq-100 OROs and XND OROs may expire at three (3)-month intervals, in consecutive weeks or in consecutive months and may list up to 12 standard (monthly) expirations.<sup>45</sup> Like NDX and XND options,<sup>46</sup> Nasdaq-100 OROs and XND OROs shall be European-style exercise.<sup>47</sup>

The initial and continued listing standards will apply to OROs as they apply to other broad-based index options. Nasdaq-100 OROs and XND OROs would be subject to the provisions of Options 4A with respect to weekly expirations provided, however, that weekly expirations would only be P.M.-Settled.<sup>48</sup> New series in weekly expirations on Nasdaq-100 OROs and XND OROs may be added up to and including on the expiration date for an expiring weekly expiration. Further, the Exchange may open for trading end of month (EOM) expirations on Nasdaq-100 OROs and XND OROs to expire on last trading day of the month. EOMs on OROs would be subject to all provisions of Options 4A, except that EOMs on Nasdaq-100 OROs and XND OROs shall only be P.M.-Settled. New series in EOMs on Nasdaq-100 OROs and XND OROs may be added up to and including on the expiration date for an expiring EOM. Finally, the Exchange may list long term index options series (“LEAPS”) on Nasdaq-100 OROs and XND OROs that expire from twelve (12) to sixty (60) months from the date of issuance.<sup>49</sup>

Proposed Options 3B, Section 5(c), titled “Terms,” provides the terms for submitting an ORO Order for a OROs series to the System, the submitting Member must include one of each of

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<sup>44</sup> See Options 4A, Section 12(a)(3).

<sup>45</sup> See proposed Options 3B, Section 5(b)(1).

<sup>46</sup> See Options 4A, Section 12(a)(4).

<sup>47</sup> See proposed Options 3B, Section 5(b)(2).

<sup>48</sup> Today, NDX options are both A.M.-Settled and P.M.-Settled.

<sup>49</sup> See Options 4A, Section 12(b)(2) and (3).

the following terms in the ORO Order: (1) underlying broad-based index (the contract multiplier is 100); (2) type of option (i.e., put or call); (3) expiration date; and (4) exercise price.<sup>50</sup>

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

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

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

Further, proposed Options 3B, Section 5(f)(1), titled “Reporting of Position Limits,” states that with respect to positions in OROs, the minimum position in an account which must be reported shall be 200 contracts.<sup>51</sup> Pursuant to Options 3B, Section 5(f)(1)(a), titled “Market Side,” for purposes of the position limits set forth in subparagraph (f) of this Rule, long positions in put OROs and short positions in call OROs shall be considered to be on the same side of the

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<sup>50</sup> See proposed Options 3B, Section 5(c).

<sup>51</sup> See proposed Options 3B, Section 5(f)(1).

market; and short positions in put OROs and long positions in call OROs shall be considered to be on the same side of the market.

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

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

Options 3B, Section 6 shall be titled “Types of Orders; Order and Quote Protocols.” The Exchange may determine to make any eligible order types and times-in-force, respectively, in Options 3, Section 7, Types of Orders and Order and Quote Protocols, available on a class or System basis to be submitted as ORO Orders. Eligible ORO Orders shall include all order types in Options 3, Section 7 except for: (1) Market Orders<sup>52</sup> at Options 3, Section 7(a); (2) Stop Orders<sup>53</sup> at Options 3, Section 7(d); and (3) Stop Limit Orders<sup>54</sup> at Options 3, Section 7(e)

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<sup>52</sup> A Market Order is an order to buy or sell a stated number of options contracts that is to be executed at the best price obtainable when the order reaches the Exchange. Members can designate that their Market Orders not executed after a pre-established period of time, as established by the Exchange, will be cancelled back to the Member once an options series has opened for trading. Market Orders on the order book would be immediately cancelled if an options series is halted, provided the Member designated the cancellation of Market Orders. See Options 3, Section 7(a).

<sup>53</sup> A stop order is an order that becomes a market order when the stop price is elected. A stop order to buy is elected when the option is bid or trades on the Exchange at, or above, the specified stop price. A stop order to sell is elected when the option is offered or trades on the Exchange at, or below, the specified stop price. A Stop Order shall be cancelled if it is immediately electable upon receipt. Stop Orders may only be entered through FIX. A Stop Order shall not be elected by a trade that is reported late or out of sequence or by a Complex Order trading with another Complex Order. See Options 3, Section 7(d).

<sup>54</sup> A stop limit order is an order that becomes a limit order when the stop price is elected. A stop limit order to buy is elected when the option is bid or trades on the Exchange at, or above, the specified stop price. A stop limit order to sell becomes a sell limit order when the option is offered or trades on the Exchange at, or below, the specified stop price. A Stop Limit Order shall be cancelled if it is immediately electable upon receipt. Stop Limit Orders may only be entered through FIX. A Stop Limit Order shall not be elected by a trade that is reported late or out of sequence or by a Complex Order trading with another Complex Order. See Options 3, Section 7(e).

because a Market Order does not specify a price and Stop Orders and Stop Limit Orders require a price to be elected.

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

Pursuant to Options 3B, Section 6(c), ORO Orders may be submitted in both simple and complex order books. ORO Orders may be entered as complex orders as specified in Options 3, Section 14, except that a Stock-Complex Strategy<sup>55</sup> as defined in Options 3, Section 14(a)(3) is not permitted because the underlying to the ORO would be a broad-based index and stock-tied orders are not applicable to broad based indexes. ORO Orders may be submitted into any of the auction mechanisms specified in Options 3, Sections 11 (Auction Mechanisms) or 13 (Price Improvement Mechanism for Crossing Transactions). ORO Orders may be submitted as Crossing Orders, as specified in Options 3, Section 12, except that ORO Orders may not be submitted as a Qualified Contingent Cross Order or a Complex Qualified Contingent Cross Order subject to Options 3, Section 12(c) and (d), respectively.

### **Risk Protections**

Options 3B, Section 7 shall be titled "Risk Protections." Pursuant to Options 3B, Section 7(a), for purposes of ORO Orders, the simple order risk protections in Options 3, Section 15 and the optional risk protections in Options 3, Section 28 will apply to ORO Orders. Further, the complex order risk protections in Options 3, Section 16 will apply to ORO Orders except for the Strategy Protections in Options 3, Section 16(b). The Strategy Protections at Options 3, Section 16(b) include a Vertical Spread Protection, a Calendar Spread Protection, a Butterfly Spread

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<sup>55</sup> A Stock-Complex Strategy is the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of a Complex Options Strategy on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option legs to the total number of units of the underlying stock or convertible security in the stock leg. Only those Stock-Complex Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing. See Options 3, Section 14(a)(3).

Protection and a Box Spread Protection. Strategy Protections (Vertical, Calendar, Butterfly, and Box) are not applicable to OROs because unlike standard options, OROs do not have intrinsic value as they are “all-or-nothing” contracts that pay out a fixed amount if they settle in-the-money.

### **Obvious Errors**

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

### **Margin**

Options 6C, Section 3, Margin Requirements, provides at subparagraph (a) that a Member must elect to be bound by the initial and maintenance margin requirements of either the Chicago Board of Options Exchange or the New York Stock Exchange as the same may be in effect from time to time.<sup>56</sup> The Exchange proposes to elect Cboe’s margin requirements<sup>57</sup> with respect to OROs.

### **Suitability and Risk Disclosures**

Since OROs are standardized options, market participants that elect to transact in OROs must receive a copy of the ODD from their broker-dealer.<sup>58</sup> The ODD explains the risks inherent in standardized options trading including binary options.<sup>59</sup> Broker-dealers must have a reasonable basis to believe that a recommended transaction or investment strategy involving a

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<sup>56</sup> MRX Options 6C Rules incorporate by reference ISE’s Options 6C Rules.

<sup>57</sup> Cboe Rule 10.3 describes margin requirements.

<sup>58</sup> See FINRA Rule 2360(b)(16)(A).

<sup>59</sup> See supra note 7.

security or securities is suitable for the customer.<sup>60</sup> Suitability rules are intended to distinguish the trading of customers from those of professional traders who are likely to have distinct risk/reward profiles, risk tolerance and capital.

### **Surveillance**

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply those same program procedures to OROs that it applies to the Exchange's other options products.<sup>61</sup> Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. Further, the Exchange has a Regulatory Services Agreement ("RSA") with the Financial Industry Regulatory Authority ("FINRA"). Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillance that are common to rules of all options exchanges. The Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading OROs.

### **Capacity**

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

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<sup>60</sup> See FINRA Rule 2111.

<sup>61</sup> The surveillance program includes real-time patterns for price and volume movements and post-trade surveillance patterns (e.g., spoofing, marking the close, ping-pong, phishing).

## **Other Amendments**

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

As noted above, MRX Options 4A Rules incorporate by reference ISE Options 4A Rules. As a result, today, MRX may list and trade XND Options pursuant to Options 4A Rules. However, the rule proposal<sup>62</sup> which permitted ISE to list and trade XND Options in a minimum increment of \$0.01 also amended ISE Supplementary Material .04 to Options 3, Section 3, a section that is not incorporated by reference and, therefore, unlike Options 4A Rules, does not apply to MRX. To correct this discrepancy, the Exchange proposes to add rule text at MRX Supplementary Material .04 to Options 3, Section 3 identical to ISE Supplementary Material .04 to Options 3, Section 3, to codify the minimum increment for XND Options to accompany the Options 4A listing rules for XND Options. The Exchange proposes to state at MRX Supplementary Material .04 to Options 3, Section 3 that, “Options on the Nasdaq 100 Micro Index (XND) (as long as QQQ options (“QQQ”) participate in the Penny Interval Program) shall have a minimum increment of \$.01.” The proposed rule text is consistent with the manner in which XND Options trade today on ISE, in \$0.01 minimum increments.

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

#### **2. Statutory Basis**

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>63</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>64</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to

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<sup>62</sup> See Securities Exchange Act Release No. 98886 (November 8, 2023), 88 FR 78417 (November 15, 2023) (SR-ISE-2023-24) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Permit the Listing and Trading of XND Options).

<sup>63</sup> 15 U.S.C. 78f(b).

<sup>64</sup> 15 U.S.C. 78f(b)(5).

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.

OROs will provide investors with the ability to transact options that pay a fixed sum at expiration on a listed exchange market subject to the benefits of a centralized forum for price discovery; pre- and post-trade transparency; standardized contract specifications; real-time surveillance; and the centralized clearing guaranteed by OCC, thereby promoting just and equitable principles of trade. Further, the introduction of OROs will provide advantages to the investing public that are not provided for by other options overlying the Nasdaq-100 Index and the Nasdaq-100 Micro Index. OROs offer investors a relatively low risk security where the risk reduction results from knowing the maximum risk exposure when the contract is written. The maximum exercise settlement amount is set at listing, therefore, the maximum risk is limited and known at listing. Also, as proposed, the trading of OROs will be subject to all other Rules applicable to the trading of options on the Exchange, including, without limitation, the trading rules, listing rules and business conduct rules, unless the context otherwise requires or otherwise provided in Options 3B.<sup>65</sup>

The Exchange proposes a minimum increment of \$0.01 for Nasdaq-100 OROs and XND OROs. Today, NDX options trade in \$0.05 and \$0.10 increments<sup>66</sup> and XND options trade in \$0.01 increments.<sup>67</sup> The proposed minimum increment, which is identical to Cboe's increment for binary options,<sup>68</sup> will permit OROs to trade in intervals like other index products in Cboe's rules.

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<sup>65</sup> See proposed Options 3B, Section 1(a). For example, the Opening Process at Options 3, Section 8; Trading Halts at Options 3, Section 9; simple, complex and optional risk protections at Options 3, Sections 15 and 28; and Market Maker appointments at Options 2, Section 3 and obligations at Option 2, Section 5 shall all apply to the trading of OROs as they apply to the trading of other options on the Exchange.

<sup>66</sup> See MRX Options 3, Section 3(a).

<sup>67</sup> See ISE Supplementary Material .04 to Options 3, Section 3.

<sup>68</sup> Cboe Rule 5.4(c)(1) states that the exchange establishes the minimum increment for bids and offers on orders for binary options on a class-by-class basis, which may not be less than \$0.01.

The remainder of the proposed rules permit trading in Nasdaq-100 OROs and XND OROs in an identical manner to the trading of NDX options and XND options, respectively. The listing of Nasdaq-100 OROs and XND OROs shall be subject to Options 4A Rules, including but not limited to P.M.-Settlement pursuant to Options 4A, Section 12(a)(6), the Nonstandard Expirations Program pursuant to Supplementary Material .07 to Options 4A, Section 12, the Short Term Series Options Program pursuant to Supplementary Material .01 to Options 4A, Section 12, the Quarterly Options Series Program pursuant to Supplementary Material .02 to Options 4A, Section 12, and the Monthly Options Series Program pursuant to Supplementary Material .06 to Options 4A, Section 12, unless otherwise specified. Like NDX options and XND options,<sup>69</sup> Nasdaq-100 OROs and XND OROs will be P.M.-settled.<sup>70</sup> Like NDX options,<sup>71</sup> Nasdaq-100 OROs and XND OROs may be P.M.-Settled on the third Friday-of-the-month.<sup>72</sup> Like NDX options and XND options,<sup>73</sup> Nasdaq-100 OROs and XND OROs may expire at three (3)-month intervals, in consecutive weeks or in consecutive months and may list up to 12 standard (monthly) expirations.<sup>74</sup>

The Exchange's proposed position limit for the OROs of 25,000 contracts on the same side<sup>75</sup> promotes just and equitable principles of trade. Also, the proposed position limit of 25,000 contracts reasonably balances the promotion of a free and open market for these securities with minimization of incentives for market manipulation. A position limit of 25,000 contracts is the lowest position limit available in the options industry and conservative given the

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<sup>69</sup> Today, the Exchange authorizes P.M.-Settled NDX options and XND options pursuant to Options 4A, Section 12(a)(6).

<sup>70</sup> See proposed Options 3B, Section 5(a)(1).

<sup>71</sup> See Options 4A, Section 12(a)(6)(i).

<sup>72</sup> See proposed Options 3B, Section 5(a)(2)(a).

<sup>73</sup> See Options 4A, Section 12(a)(3).

<sup>74</sup> See proposed Options 3B, Section 5(b)(1).

<sup>75</sup> Position limits in OROs would not be aggregated with other options contracts where the overlying is the Nasdaq-100 Index. OROs shall not be subject to the exemptions from position limits in Options 4A, Section 9. See proposed Options 3B, Section 5(f).

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

The proposal to not apply the Strategy Protections at Options 3, Section 16(b) to OROs<sup>76</sup> is consistent with the Act because Strategy Protections (Vertical, Calendar, Butterfly, and Box) are not applicable to OROs. Unlike standard options, OROs do not have intrinsic value as they are “all-or-nothing” contracts that pay out a fixed amount if they settle in-the-money. The Exchange notes that other complex order risk protections in Options 3, Section 16, the simple order risk protections in Options 3, Section 15, and the optional risk protections in Options 3, Section 28 will apply to ORO Orders.

The proposed adjustments to OROs with respect to the Obvious Error provisions<sup>77</sup> are designed to promote just and equitable principles of trade, and to remove impediments to and perfect the mechanism of a free and open market and a national market system, as the proposal would ensure that ORO Orders that are deemed Obvious Errors are appropriately adjusted given the nature of these contracts.

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<sup>76</sup> See proposed Options 3B, Section 7.

<sup>77</sup> See proposed Options 3B, Section 8.

The margin requirements specified in Options 6C, Section 3 will apply to OROs in an identical manner to all other options in that Cboe's margin requirements at Cboe Rule 10.3 will govern.

Further, since OROs are standardized options, market participants that elect to transact in OROs must receive a copy of the ODD from their broker-dealer.<sup>78</sup> The ODD explains the risks inherent in standardized options trading including binary options.<sup>79</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>80</sup> Suitability rules are intended to distinguish the trading of customers from those of professional traders who are likely to have distinct risk/reward profiles, risk tolerance and capital. These measures are all designed to protect investors and the public interest.

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply those same program procedures to OROs that apply to the Exchange's other options products.<sup>81</sup> Additionally, the Exchange is a member of ISG under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition, the Exchange has an RSA with the FINRA. Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillance that are common to rules of all options exchanges. The Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading OROs.

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<sup>78</sup> See FINRA Rule 2360(b)(16)(A).

<sup>79</sup> See *supra* note 7.

<sup>80</sup> See FINRA Rule 2111.

<sup>81</sup> The surveillance program includes real-time patterns for price and volume movements and post-trade surveillance patterns (e.g., spoofing, marking the close, pinging, phishing).

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

### **Other Amendments**

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

Adding rule text at MRX Supplementary Material .04 to Options 3, Section 3 that is identical to ISE Supplementary Material .04 to Options 3, Section 3 is consistent with the Act because it will make clear that standard options on XND trade in a \$0.01 increment.<sup>82</sup>

#### **B. Self-Regulatory Organization’s Statement on Burden on Competition**

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

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

The Exchange’s proposal to list Nasdaq-100 OROs and XND OROs does not impose an undue burden on inter-market competition as competitors have rules for similar products.<sup>83</sup> Today, Cboe<sup>84</sup> and NYSE American<sup>85</sup> both have the ability to list options that pay a fixed sum at expiration.

### **Other Amendments**

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<sup>82</sup> Proposed MRX Supplementary Material .04 to Options 3, Section 3 would state that, Options on the Nasdaq 100 Micro Index (XND) (as long as QQQ options (“QQQ”) participate in the Penny Interval Program) shall have a minimum increment of \$.01.

<sup>83</sup> See Cboe Rule 4.16. See also NYSE American Rules at Section 18.

<sup>84</sup> See Cboe Rule 4.16 related to binary options.

<sup>85</sup> See NYSE American Rules at Section 18 which describe broad-based index binary options.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange's proposal to codify the minimum increments for standard XND Options at MRX Supplementary Material .04 to Options 3, Section 3 is consistent with ISE's rule proposal<sup>86</sup> to list and trade XND Options and ISE Supplementary Material .04 to Options 3, Section 3 and, therefore, does not impose an undue burden on intra-market or inter-market competition.

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

No written comments were either solicited or received.

#### **IV. Discussion and Commission Findings**

After careful review, the Commission finds that the proposed rule change, as superseded by Amendment No. 3 and modified by Amendment No. 4 ("Amended Proposal"), is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>87</sup> In particular, the Commission finds that the Amended Proposal is consistent with Section 6(b)(1) of the Act,<sup>88</sup> which requires, among other things, that the Exchange be so organized and have the capacity to be able to carry out the purposes of the Act and to enforce compliance by its members and persons associated with its members with the provisions of the Act, Commission rules and regulations thereunder, and its own rules; and Section 6(b)(5) of the Act,<sup>89</sup> which requires that the rules of the Exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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<sup>86</sup> MRX Options 4A Rules incorporate by reference ISE Options 4A Rules.

<sup>87</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>88</sup> 15 U.S.C. 78f(b)(1).

<sup>89</sup> 15 U.S.C. 78f(b)(5).

As discussed above, the Exchange proposes to adopt rules to govern the listing and trading of standardized, cash-settled, European-style exercise binary options on broad-based security indexes, which the Exchange would refer to as OROs.<sup>90</sup> In particular, pursuant to these rules, the Exchange has proposed to list and trade binary options on the Nasdaq-100 index (NDX) and the reduced value version of that index, the Nasdaq-100 Micro index (XND).<sup>91</sup> Traditional, non-binary NDX and XND options are already exchange-traded, and like those options, the proposed binary NDX and XND options would be standardized options that are cleared by the OCC.<sup>92</sup> A distinguishing feature of the proposed binary NDX and XND options is a fixed, all-or-nothing exercise settlement amount that the option holder is entitled to receive and the option writer is obligated to pay if the option expires at- or in-the-money in the case of a call option or in-the-money in the case of a put option.<sup>93</sup> This is in contrast to the payout structure for traditional, non-binary NDX and XND options, where the exercise settlement amount varies relative to the degree to which the option expires in-the-money, i.e., relative to the magnitude of the difference between the underlying index's settlement value and the option's exercise price.<sup>94</sup>

The Amended Proposal does not raise novel regulatory concerns. The proposed binary NDX and XND options would be subject to the existing rules of the Exchange that govern options trading generally and the listing of traditional broad-based index options,<sup>95</sup> including initial and continued listing criteria among other things, unless otherwise required by context or

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<sup>90</sup> See proposed Options 3B; see also Section III, supra.

<sup>91</sup> See proposed Options 3B; see also Section III, supra.

<sup>92</sup> See Section III, supra. The characteristics and risks of standardized binary options, which would include binary NDX and XND options, are described in the ODD, which broker-dealers must furnish to customers seeking to trade standardized options. See Section III, n. 7, supra; see also 17 CFR 240.9b-1.

<sup>93</sup> See proposed Options 3B, Section 1(b); see also Section III, supra. Under the Amended Proposal, binary broad-based index options that are call options would return an exercise settlement amount of \$100 if the settlement value of the underlying broad-based index is at or above the exercise price at expiration (i.e., at- or in-the-money); binary broad-based index options that are put options would return an exercise settlement amount of \$100 if the settlement value of the underlying broad-based index is below the exercise price at expiration (i.e., in-the-money). See proposed Options 3B, Section 1(b).

<sup>94</sup> See Section III, supra.

<sup>95</sup> See Options 3 (Options Trading Rules) and Options 4A (Options Index Rules). Options 4A incorporates by reference Nasdaq ISE Options 4A.

provided for in proposed Options 3B.<sup>96</sup> Insofar as the specific context of binary broad-based index options is concerned—specifically, the fixed payout structure attendant to binary broad-based index options as set forth in proposed Options 3B—the rules of other options exchanges already permit the listing and trading of binary options on broad-based security indexes with a fixed, all-or-nothing payout structure.<sup>97</sup> The Commission has previously stated that it believes binary options on broad-based indexes would provide investors with a potentially useful investment choice, and that extending the benefits of a listed exchange market to such options would provide a centralized forum for price discovery, pre- and post-trade transparency, standardized contract specifications, and the guarantee of the OCC.<sup>98</sup> Moreover, the Exchange proposes to apply to its proposed binary broad-based index options another exchange’s existing margin requirements for binary options.<sup>99</sup>

In addition, the Exchange’s proposed position limit of 25,000 contracts for binary broad-based index option positions—in particular, for positions in the proposed binary NDX option or binary XND option—on the same side of the market is consistent with Section 6(b)(5) of the Act.<sup>100</sup> Position limits serve as a regulatory tool designed to deter manipulative schemes and adverse market impact surrounding the use of options by preventing the establishment of options

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<sup>96</sup> See proposed Options 3B, Sections 1(a), 2, 5-8. Proposed Options 3B, Section 3 sets forth the units of trading and premium for binary broad-based index options on the Exchange, and proposed Options 3B, Section 4 sets forth a minimum trading increment of \$0.01 for binary broad-based index options on the Exchange. Cboe already permits a minimum trading increment of \$0.01 for binary broad-based index options. See Cboe Rule 5.4(c)(1). Traditional, non-binary XND options already trade in penny increments (see Nasdaq ISE Options 3, Section 3, Supp. Material .04), and for clarity within the Exchange’s rulebook, the Exchange has proposed to replicate that rule text in proposed Options 3, Section 3, Supp. Material .04.

<sup>97</sup> See, e.g., Cboe Rule 4.16; NYSE American Options Rules, Section 18.

<sup>98</sup> See Securities Exchange Act Release No. 57850 (May 22, 2008), 73 FR 31169, 31171 (May 30, 2008) (order approving SR-CBOE-2006-105) (“2008 Cboe Approval Order”).

<sup>99</sup> See proposed Options 6C, Section 3; see also Section III, *supra* (stating that the Exchange will apply Cboe’s margin requirements); Cboe Rule 10.3(m) (margin requirements for binary options); 2008 Cboe Approval Order, 73 FR at 31171-72 (stating that Cboe’s proposed margin rules for binary index options are reasonable and consistent with the Act, and appear reasonably designed to deter a member or its customer from assuming an imprudent position in binary index options).

<sup>100</sup> See proposed Options 3B, Section 5(f). The Exchange also has proposed not to aggregate position limits for binary broad-based index options with other option contracts for the underlying, and not to subject binary broad-based index options to the exemptions from position limits set forth in Options 4A, Section 9. *Id.* Traditional, non-binary NDX and XND options currently trade without any position limits. See Nasdaq ISE Options 4A, Section 6(a).

positions that can be used to, or might create incentives to, manipulate the underlying market so as to benefit the options positions, or that might contribute to disruptions in the underlying market.<sup>101</sup> Compared to a traditional, non-binary option, the incentive to manipulate the underlying market so as to benefit a binary option position may be stronger in light of its fixed, all-or-nothing payout structure. This is because a small movement in the underlying settlement value for a near-the-money binary option could translate into more significant profit or loss avoidance than would be realized in a similar scenario for a traditional, non-binary option. The proposed 25,000-contract position limit, which is relatively conservative,<sup>102</sup> is reasonably designed to minimize the manipulation incentive, consistent with the protection of investors and public interest and the prevention of manipulation.<sup>103</sup> Further, the large number of underlying securities contained in the underlying Nasdaq-100 index (and the Nasdaq-100 Micro index), as well as their large capitalization and deep, liquid markets reduces concerns regarding the potential for cash market manipulation or disruption related to the trading of binary NDX and XND options.<sup>104</sup> At the same time, insofar as market demand is as yet undetermined for the Exchange's proposed binary NDX and XND options, the proposed 25,000-contract position limit

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<sup>101</sup> See, e.g., Securities Exchange Act Release No. 40969 (January 22, 1999), 64 FR 4911 (February 1, 1999) (SR-CBOE-1998-23). The Commission traditionally has balanced these concerns against the recognition that position limits should not be established at levels that are so low as to discourage participation in the options market by institutions and other investors with substantial hedging needs or to prevent specialists and market-makers from adequately meeting their obligations to maintain a fair and orderly market. *Id.*

<sup>102</sup> The proposed 25,000-contract position is considerably smaller than the position limit that would be permitted by other options exchanges for binary broad-based index options with a \$100 exercise settlement amount (i.e., the exercise settlement amount that the Exchange has proposed here). See proposed Options 3B, Section 1(b)(3). See also, e.g., Cboe Rule 8.36(a), pursuant to which the position limit for a binary broad-based index option, where the traditional option overlying the same index has no position limit, is calculated by multiplying 15,000 by the ratio of 10,000 to the exercise settlement amount. That ratio would be 100 when the exercise settlement amount is \$100, which in turn would generate a position limit of 1.5 million contracts (15,000 multiplied by 100). *Id.*

<sup>103</sup> In addition, the Exchange has proposed 200 contracts as the minimum binary broad-based index option position in an account that must be reported to the Exchange. See proposed Options 3B, Section 5(f)(1). Exercise limits would not apply to the proposed binary broad-based index options since they will be automatically exercised at expiration if they are at- or in-the-money (for call options) or in-the-money (for put options). See proposed Options 3B, Section 5(g); see also Section III, *supra*.

<sup>104</sup> See Section III, *supra* (the Exchange stating, among other things, that the Nasdaq-100 index settlement value is based on the closing prices of its component securities in the Nasdaq Closing Cross, a robust auction mechanism with significant volume and oversight); see also Section III, notes 8-9, *supra*.

is designed to balance the minimization of incentives for market manipulation with the promotion of a free and open market for these securities.

The potential risks of trading binary broad-based index options on the Exchange also are mitigated by the Exchange's surveillance mechanisms, consistent with Sections 6(b)(1) and 6(b)(5) of the Act.<sup>105</sup> The Exchange represents that its existing surveillance program for options, which would apply to binary broad-based index options, is adequate.<sup>106</sup> Additionally, the Exchange is a member of ISG, whose members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets.<sup>107</sup> The Exchange also has a RSA with FINRA for certain market surveillance, investigation and examinations functions.<sup>108</sup> Further, pursuant to a multi-party Rule 17d-2 joint plan, all options exchanges allocate amongst themselves and FINRA responsibilities to conduct certain options-related market surveillance that are common to rules of all options exchanges.<sup>109</sup>

For the foregoing reasons, the Commission finds that the Amended Proposal is consistent with Sections 6(b)(1) and 6(b)(5) of the Act<sup>110</sup> and the rules and regulations thereunder applicable to a national securities exchange.

#### V. Solicitation of Comments on Amendment Nos. 3 and 4 to the Proposed Rule Change

Interested persons are invited to submit written data, views, and arguments concerning whether Amendment Nos. 3 and 4 are consistent with the Act. Comments may be submitted by any of the following methods:

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<sup>105</sup> 15 U.S.C. 78f(b)(1), 78f(b)(5). In addition, the Exchange represents that it has the necessary systems capacity to support trading the proposed binary NDX and XND options, and that it has confirmed that OPRA has the necessary systems capacity to handle the additional traffic associated with the listing and trading of these options. See Section III, supra.

<sup>106</sup> See Section III, supra.

<sup>107</sup> Id.

<sup>108</sup> Id.

<sup>109</sup> Id.

<sup>110</sup> 15 U.S.C. 78f(b)(1), 78f(b)(5).

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-MRX-2026-05 on the subject line.

Paper Comments:

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

All submissions should refer to file number SR-MRX-2026-05. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-MRX-2026-05 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

VI. Accelerated Approval of the Proposed Rule Change, as Superseded by Amendment No. 3 and Modified by Amendment No. 4

The Commission finds good cause to approve the Amended Proposal prior to the thirtieth day after the date of publication of notice of the filing of Amendment Nos. 3 and 4 in the Federal Register. Amendment No. 3 provides additional detail and language clarifications in the Exchange's proposed rules for the listing and trading of binary broad-based index options and, in particular, binary NDX and XND options. Amendment No. 3 also makes corresponding changes

to the narrative portion of the proposal. Amendment No. 3, without altering the purpose of the initial proposal, strengthens the original proposal by providing additional clarity and support, as explained above and set forth fully in Sections II and III above. Amendment No. 4 makes technical, non-substantive revisions to Amendment 3 that are not material to the proposal.<sup>111</sup>

Amendment Nos. 3 and 4 raise no novel regulatory issues that have not previously been subject to comment, and the Commission finds that Amendment Nos. 3 and 4 are reasonably designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest; as well as enable the Exchange to carry out the purposes of the Act and enforce compliance by its members and their associated persons with the Act, Commission rules, and Exchange rules. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,<sup>112</sup> to approve the Amended Proposal on an accelerated basis prior to the 30th day after publication of notice of the filing of Amendment Nos. 3 and 4 in the Federal Register.

## VII. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>113</sup> that the proposed rule change, as superseded by Amendment No. 3 and modified by Amendment No. 4 (SR-MRX-2026-05), be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>114</sup>

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<sup>111</sup> See Section I, n. 6, *supra*.

<sup>112</sup> 15 U.S.C. 78s(b)(2).

<sup>113</sup> *Id.*

<sup>114</sup> 17 CFR 200.30-3(a)(12).

**Vanessa A. Countryman,**

*Secretary.*

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