April 16, 2026

Vanessa Countryman
Secretary
Securities and Exchange Commission
rule-comments@sec.gov

Re: Roundtable On Options Market Structure

Dear Secretary Countryman:

Nasdaq[1] appreciates the opportunity to comment in advance of the Securities and Exchange Commission's ("SEC" or "Commission") April 16, 2026, roundtable on options market structure. The U.S. options markets have evolved dramatically since their inception. Over five decades, the current market structure has proven itself to be resilient in the face of crisis, dynamic in its capacity to evolve, innovative in its product development, and fiercely competitive in ways that benefit all market participants. The upcoming roundtable discussions present an opportunity to reinforce the structural dynamics that have made options trading successful while thoughtfully exploring potential updates to the market framework to support continued growth and innovation in the years ahead.

Nasdaq plays a central role in modernizing markets, including options markets, to enhance their efficiency, scalability, resilience, and accessibility. Through its options markets, Nasdaq aims to drive competition while upholding the integrity of the marketplace. Transparency, accessibility, investor protection, liquidity, and innovation are the pillars of successful options trading; these principles must not be compromised.

Nasdaq highlights several key areas for the Commission's consideration. First, transparency, accessibility, and investor protection must remain the foundational principles of options market structure. Second, the open outcry (floor) trading model should be reexamined to further maximize liquidity and competitive dynamics. Third, Nasdaq respectfully urges the Commission to consider reforms that would streamline the approval process for novel product listings, which currently may extend up to 240 days—a timeframe that can impede innovation and delay investor access to new products. Finally, Nasdaq supports the measured expansion of trading hours toward an eventual overnight model, provided that appropriate guardrails are implemented to preserve market integrity and the resilient structure that has contributed to the success of listed options trading.

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[1] Nasdaq currently operates 6 electronic options markets (Nasdaq ISE, LLC, Nasdaq GEMX, LLC, Nasdaq MRX, LLC, The Nasdaq Options Market LLC, Nasdaq Texas, LLC and Nasdaq Phlx LLC) as well as a trading floor on Nasdaq Phlx.

I. Transparency, Accessibility and Investor Protections Form the Bedrock

Listed options trading occurs exclusively on national securities exchanges, subject to a uniform regulatory framework and cleared through a single central counterparty,[2] which serves as the buyer to every seller and the seller to every buyer, ensuring a secure and transparent trading environment. This structure permits standardized options to trade in an open, consistent manner across all options markets, creating a level playing field free from the fragmentation that characterizes off-exchange trading in other asset classes. Market participants can seamlessly buy and sell options contracts across exchanges, and this concentration of liquidity on regulated markets has contributed significantly to the depth, efficiency, and integrity of listed options trading.

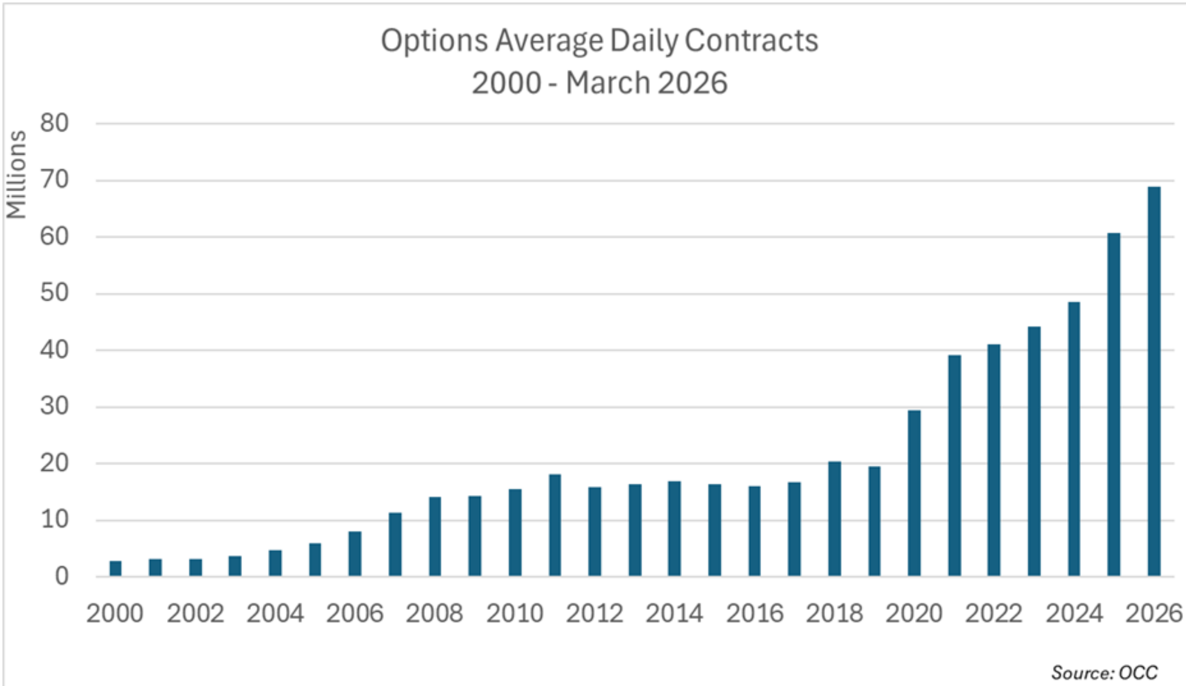
U.S. listed options markets have evolved to become accessible to a remarkably diverse range of participants, from individual retail investors to large asset managers. This broad accessibility reflects deliberate structural choices that have democratized participation while maintaining appropriate safeguards. Retail customers, in particular, benefit from priority treatment in order allocation, robust order protections, and low or zero exchange fees—advantages that have helped fuel the significant growth in retail participation over the past decade.

Competition among options exchanges continues to intensify, with two additional venues expected to launch in 2026, bringing the total number of U.S. options exchanges to twenty. This vigorous competition for order flow drives exchanges and market makers[3] to offer better prices, tighter spreads, and reduced trading costs. Faster execution speeds and increasingly sophisticated trading tools have further contributed to the significant growth in listed options trading. These forces have aligned to create an environment in which options trading has flourished, benefiting investors of all types through improved market quality and expanded access.

Options markets have experienced unprecedented levels of growth over the past decade. The chart below demonstrates the growth in retail trading, options volume, and assets under management ("AUM") with respect to exchange-traded funds ("ETFs").

[2] The Options Clearing Corporation ("OCC") is the buyer to every seller and the seller to every buyer in the U.S. listed-options market. In its role as guarantor and central counterparty, OCC ensures a secure and transparent trading environment.

[3] Options market makers enter quotations for their own accounts on self-regulatory organizations. Options market makers are the only market participants that may enter quotations on options exchanges.



Throughout this period of impressive growth, options markets have proven to be remarkably efficient and resilient, in part due to their market structure.[4] This performance demonstrates the competitive nature of options markets, which can be attributed to the transparent nature of their structure.

The regulatory infrastructure governing on-exchange options trading has also been instrumental to the market's success. Exchange trading affords investors uniform protections across all venues, including mandatory product disclosures[5] and suitability requirements,[6] ensuring that options trading is appropriate for each customer's financial situation and investment objectives.

As electronic trading continues to modernize and reshape market structure, Nasdaq believes it is prudent to reexamine the traditional open outcry model to enhance its effectiveness within today's market environment. The floor model has historically provided valuable price discovery and execution quality for complex orders; however, opportunities exist to evolve this framework to further maximize liquidity and competitive dynamics. For example, incorporating

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4 Nasdaq options exchanges have invested heavily in their technology and infrastructure to support this growth, while continuing to innovate products and develop regulatory frameworks that support the options market structure.

5 The Options Disclosure Document or "ODD," formally titled *Characteristics and Risks of Standardized Options*, is a publication issued by OCC that serves as a comprehensive guide for options traders and explains the risks of options trading and trading different options products.

6 Broker-dealers are subject to know-your-customer and suitability requirements under FINRA Rules 2090 (Know Your Customer) and 2111 (Suitability).

electronic mechanisms alongside floor-based interactions could enhance transparency, broaden participation, and ensure that orders routed to the floor benefit from robust competition comparable to that available in fully electronic markets. Such an evolution would preserve the unique advantages of the floor while strengthening its role within the broader options ecosystem.

II. Market Maker Competition Powers Liquidity

The listed options market is a deeply liquid, quote-driven market in which market makers serve as the primary source of liquidity. Listed options encompass between 1.5 and 1.7 million series, spanning countless combinations of underlying securities, strike prices, and expiration dates. The current options market structure offers various avenues for market participants to obtain efficient executions on order books and in intraday auctions with potential price improvement, evidencing the deep liquidity in these markets. This vast product universe creates unique risk and reward dynamics for market makers who provide liquidity across it.

Market makers play a critical role in providing liquidity and ensuring efficient price discovery across the options market. As the only participants permitted to enter quotations on options exchanges, market makers are required to post continuous, two-sided quotes—simultaneously offering to buy and sell—across their assigned series.[7] In fulfilling this function, market makers assume substantial risk while competing for order flow by distributing their capital and quoting activity across an extraordinarily diverse set of contracts.

In recognition of their essential contributions, market makers receive certain benefits, including enhanced allocations on executed transactions in the order book and auction mechanisms, as well as favorable pricing in the form of lower fees and higher rebates compared to other non-customer participants. These incentives encourage market makers to compete vigorously for the opportunity to execute against orders by quoting the narrowest possible difference between their bid and offer prices. Tighter spreads generate price improvement opportunities for investors—particularly retail customers—and contribute to more liquid and efficient markets that attract order flow with which other participants seek to interact. Exchanges further reinforce this competitive dynamic by using market quality metrics to assign lead or primary market maker status, creating additional incentives to improve quoted prices. The quote-driven nature of the options market thus creates a structural reliance on market makers to ensure the deep, consistent liquidity that characterizes U.S. listed options trading.

Nasdaq believes that exchanges should continue to explore mechanisms that incentivize market makers to maintain competitive quotations at the National Best Bid or National Best Offer for greater percentages of time throughout the trading day. Such mechanisms could include pricing incentives, allocation methodologies, or other structural enhancements designed to encourage consistent quoting behavior by liquidity providers. By fostering an environment in which market makers are rewarded for sustained presence at the best prices, exchanges can enhance overall market quality—ultimately delivering improved execution quality and tighter spreads for all market participants.

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7 Exchange rules impose significant quoting obligations on these participants. All options exchanges have similar quoting obligations for market makers to continuously quote for a certain percentage, typically 60%, of the trading day. Lead or primary market makers have a heightened quoting obligation on all options exchanges. These market participants are typically required to quote 90% of the trading day.

III. Innovation Sustains Market Vitality

The growth and innovation witnessed in the options market over the past several decades has been remarkable. This evolution reflects a combination of deliberate product development by exchanges seeking competitive advantages and organic responses to investor demand for new products and listings. The expansion of expiration cycles exemplifies this dynamic: when Cboe launched in 1973, it assigned each underlying stock to one of three quarterly expiration cycles, but the market has since evolved to include monthly, weekly, and daily expirations, giving traders increasingly granular choices to match their investment horizons and risk management needs.[8] Innovation in the options market continues unabated, with the industry preparing to offer options products during extended trading hours—further expanding access and flexibility for market participants.

The continued growth and evolution of the options industry depend critically on the ability to bring new products and listings to market in a timely manner. Currently, derivatives subject to the Commodity Futures Trading Commission's ("CFTC") jurisdiction benefit from streamlined self-certification procedures[9] that permit rapid product listings and relatively expeditious market entry. In contrast, novel 19b-4 proposals are subject to an extended approval process that may extend up to 240 days[10]—a timeframe that can impede innovation and delay market participants' access to new products designed to meet their evolving investment needs.

Nasdaq respectfully urges the Commission to consider mechanisms that would facilitate more expeditious review and approval of product listings while maintaining appropriate regulatory oversight. A more efficient approval framework would better support the continued innovation and competitive dynamics that have contributed to the success of listed options trading. By way of example, Nasdaq anticipates that investor demand will continue to grow in several key areas, including the expansion of options expiration dates and, subject to careful consideration, the introduction of cash-settled equity options. These product innovations reflect the evolving needs of market participants seeking more precise tools for hedging, risk management, and portfolio strategy implementation.

To support the efficient development and listing of such products, the Commission should consider a more streamlined approach to the review process for these types of proposals. Specifically, a framework that provides feedback on rule proposals along with any data requests earlier in the rule filing process—rather than iteratively throughout the 240-day statutory timeline—would allow for more robust public comment while reducing procedural delays. The current practice of instituting proceedings as a matter of course for novel products, combined with successive rounds of comments, has the unintended effect of impeding innovation and

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8 Kevin Davitt, *Expiration Evolution: Why More Choice Means Better Markets*, Nasdaq (Apr. 15, 2025), https://www.nasdaq.com/articles/expiration-evolution-why-more-choice-means-better-markets.

9 Under CFTC Regulation 40.2, a DCM may list a new product for trading by submitting a self-certification to the CFTC. With a self-certification, the product may be listed for trading as soon as the business day. Alternatively, under CFTC Regulation 40.3, a DCM may alternatively request prior CFTC approval of a new product. The CFTC has 45 days to approve or deny the request (extendable by an additional 45 days).

10 Under Section 19(b) of the Securities Exchange Act of 1934, national securities exchanges (including options exchanges) must file new product listings with the SEC for approval as a 19(b)(2) rule proposal. The SEC may extend their final action up to 240 days. Recently, most, if not all, 19(b)(2) proposals have been acted upon on or near the 240th day.

delaying investor access to products designed to meet their demonstrated needs. A more predictable and efficient approval process would better serve the interests of market participants while preserving the Commission's ability to conduct thorough regulatory review.

Just as jurisdictional coordination can enhance market efficiency, the industry must also approach other forms of market evolution with care and deliberation, particularly those that impact critical aspects of options trading such as clearing and data dissemination. While continued innovation remains essential to the vitality of the options market, such innovation must be pursued responsibly. The options industry must continue to engage in thoughtful dialogue about what best serves market participants, fostering positive change that modernizes markets while preserving robust price discovery, liquidity, and resilience for all investors.

As the industry considers expanding trading hours toward an eventual overnight (23×5) model, any such evolution must be grounded in outcomes that protect investors and maintain market integrity. Nasdaq recognizes the potential benefits of near-continuous market infrastructure and supports evolving toward such a model as part of our ongoing commitment to expanding market accessibility. However, we believe the approach must be measured and deliberate—carefully considering the potential impact on the existing framework that has proven so successful. Expanding trading hours should not come at the expense of the resilient market structure in place today. By way of example, the industry should carefully consider the operational impacts on corporate actions processing and contrary exercise notification procedures. Implementing appropriate guardrails will be essential to any future expansion. Success will require a coordinated, collaborative effort across the industry to ensure the listed options model continues to flourish.

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Nasdaq values this opportunity to present its views and looks forward to engaging in a lively discussion on the evolution of options markets.

Sincerely,

Kevin Kennedy
Executive Vice President