

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-101911; File No. SR-ISE-2024-58)

December 13, 2024

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing of Proposed Rule Change to Decommission QCC with Stock Orders and Complex QCC with Stock Orders

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 December 3, 2024, 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 to decommission Qualified Contingent Cross (“QCC”) with Stock Orders³ and Complex QCC with Stock Orders.⁴

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/ise/rules>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ A QCC with Stock Order is a Qualified Contingent Cross Order, as defined in Options 3, Section 7(j), entered with a stock component to be communicated to a designated broker-dealer for execution pursuant to Options 3, Section 12(e). QCC with Stock Orders may only be entered through FIX and Precise. See Options 3, Section 7(t).

⁴ A Complex QCC with Stock Order is a Qualified Contingent Cross Complex Order, as defined in subparagraph (b)(6), entered with a stock component to be communicated to a designated broker-dealer for execution pursuant to Options 3, Section 12(f). See Options 3, Section 14(b)(15).

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

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

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

1. Purpose

The Exchange proposes to decommission QCC with Stock Orders⁵ and Complex QCC with Stock Orders.⁶

Background

Today, ISE Members are able to transact QCC with Stock Orders and Complex QCC with Stock Orders subject to the provisions of Options 3, Section 12(e) and (f), respectively. The QCC with Stock Order (and Complex QCC with Stock Order) is a piece of functionality that facilitates the execution of the stock component of qualified contingent trades in connection with the execution of a QCC Order on the Exchange. Specifically, a QCC with Stock Order is defined as a QCC Order⁷ entered with a stock component to be communicated to a designated

⁵ A QCC with Stock Order is a Qualified Contingent Cross Order, as defined in Options 3, Section 7(j), entered with a stock component to be communicated to a designated broker-dealer for execution pursuant to Options 3, Section 12(e). QCC with Stock Orders may only be entered through FIX and Precise. See Options 3, Section 7(t).

⁶ A Complex QCC with Stock Order is a Qualified Contingent Cross Complex Order, as defined in subparagraph (b)(6), entered with a stock component to be communicated to a designated broker-dealer for execution pursuant to Options 3, Section 12(f). See Options 3, Section 14(b)(15).

⁷ A Qualified Contingent Cross ("QCC") Order is comprised of an originating order to buy or sell at least 1000 contracts that is identified as being part of a qualified contingent trade, as that term is defined in

broker-dealer for execution pursuant to Options 3, Section 12(e). A Complex QCC with Stock Order is defined as a QCC Complex Order entered with a stock component to be communicated to a designated broker-dealer for execution pursuant to Options 3, Section 12(f). Today, ISE Members desiring to execute an order with stock or an ETF component are required to enter into a brokerage agreement with a broker-dealer designated by the Exchange and are permitted to enter into such an agreement with one or more other broker-dealers to which the Exchange is able to route stock orders (this is also the case for a Complex QCC with Stock Order). Options 3, Section 12(e) and (f) describe how the stock component of QCC with Stock Orders and Complex QCC with Stock Orders, respectively, are executed on ISE. Since QCC Orders represent one component of a qualified contingent trade, each QCC Order must be paired with a stock transaction. When a Member enters a QCC Order, the Member is responsible for executing the associated stock component of the qualified contingent trade within a reasonable period of time after the QCC Order is executed.

QCC with Stock Order functionality is a voluntary piece of functionality that provides Members with an automated means of executing the stock component of a qualified contingent trade. Specifically, when a Member enters a QCC with Stock Order (or a Complex QCC with Stock Order), a QCC Order is entered on the Exchange. That QCC Order is automatically executed upon entry provided that the conditions of Options 3, Section 12 (e) or (f), as applicable, are met. If the QCC Order (or Complex QCC Order) is executed, the Exchange will automatically communicate the stock component to the Member's designated broker-dealer for execution. Currently, Members that execute the options component of a qualified contingent

Supplementary Material .01 below, coupled with a contra-side order or orders totaling an equal number of contracts. QCC Orders will trade in accordance with Options 3, Section 12(c). See Options 3, Section 7(j).

trade entered as a QCC with Stock Order (or Complex QCC with Stock Order) remain responsible for the execution of the stock component if they do not receive an execution from their designated broker-dealer. Although QCC Orders (and Complex QCC Orders) are eligible for automatic execution, it is possible that the QCC Order (or Complex QCC Order) may not be executable based on market prices at the time the order is entered. If the QCC Order (or Complex QCC Order) is not capable of being executed, the entire QCC with Stock Order, including both the stock and options components, is cancelled.

Proposal

At this time, the Exchange proposes to no longer offer Members the ability to execute QCC with Stock Orders or Complex QCC with Stock Orders on ISE. The Exchange was offering this functionality to Members on a voluntary basis to assist in their execution of qualified contingent trades. The Exchange notes that there has not been Member interest in this functionality for some time.⁸ There is no requirement that Members utilize QCC with Stock functionality, and Members will continue to be able to enter regular QCC Orders and Complex QCC Orders where the Exchange does not assist with the execution of the stock component of the trade and the Members do so themselves. After the Exchange decommissions the QCC with Stock functionality, Members would continue to be able to execute QCC Orders and Complex QCC Orders on the Exchange, provided that the Member would be responsible for executing the associated stock component of the qualified contingent trade in compliance with the requirements of the QCT exemption. The Exchange surveils for compliance with the QCT

⁸ There have been no trades utilizing QCC with Stock functionality in 2024 to date. There were less than 5 trades utilizing QCC with Stock functionality in the three prior years.

exemption.⁹ The Exchange provided Members notice of its intent to decommission this functionality.¹⁰ There have been no concerns from Members with respect to the decommission.

The Exchange proposes to remove rule text related to QCC with Stock Orders and Complex QCC with Stock Orders in Options 3, Section 7(t); Supplementary Material to Options 3, Section 7(d)(3); Options 3, Section 12(e) and (f); and Options 3, Section 14(b)(15).

The Exchange proposes to add a space after Supplementary Material .02 to Options 3, Section 7 before the title “Time in Force.” This is a technical amendment.

Implementation

The Exchange intends to begin implementation of the proposed rule change on or before February 15, 2025. The Exchange will announce the date of the decommission to Members in an Options Technical Update.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,¹¹ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹² in particular, in

⁹ See Securities Exchange Act Release Nos. 57620 (April 4, 2008), 73 FR 19271 (April 9, 2008) (“QCT Exemptive Order”). See also Securities Exchange Act Release No. 54389 (August 31, 2006), 71 FR 52829 (September 7, 2006). The QCT Exemption applies to trade-throughs caused by the execution of an order involving one or more NMS stocks that are components of a “qualified contingent trade.” As described more fully in the QCT Exemptive Order, a qualified contingent trade is a transaction consisting of two or more component orders, executed as principal or agent, where: (1) At least one component order is an NMS stock; (2) all components are effected with a product or price contingency that either has been agreed to by the respective counterparties or arranged for by a broker-dealer as principal or agent; (3) the execution of one component is contingent upon the execution of all other components at or near the same time; (4) the specific relationship between the component orders (*e.g.*, the spread between the prices of the component orders) is determined at the time the contingent order is placed; (5) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or since cancelled; and (6) the Exempted NMS Stock Transaction is fully hedged (without regard to any prior existing position) as a result of the other components of the contingent trade.

¹⁰ See Options Trader Update #2024-65.

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

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.

Specifically, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because QCC with Stock Orders and Complex QCC with Stock functionality are currently offered to Members on a voluntary basis to assist in their execution of qualified contingent trades. Furthermore, Members that execute the options component of a Qualified Contingent Trade entered as a QCC with Stock Order or Complex QCC with Stock Order remain responsible for the execution of the stock component if they do not receive an execution from their designated broker-dealer. There is no requirement that Members utilize QCC with Stock or Complex QCC with Stock Order functionality, and Members will continue to be able to enter regular QCC Orders and Complex QCC Orders where the Exchange does not assist with the execution of the stock component of the trade and the Members do so themselves. The Exchange surveils for compliance with the QCT exemption.¹³

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.

Decommissioning QCC with Stock Orders or Complex QCC with Stock Orders does not impose an undue burden on intra-market competition. No market participant would be able to submit a QCC with Stock Order or Complex QCC with Stock Order on ISE. There is no requirement that Members utilize QCC with Stock functionality, and Members will continue to be able to enter regular QCC Orders and Complex QCC Orders. Moreover, Members will still

¹³ See supra note 9.

be able to execute QCC Orders and Complex QCC Orders on the Exchange using other means to ensure the execution of the stock component of those qualified contingent trades. The Exchange believes that it will continue to remain competitive with other options markets despite not offering this functionality.

Decommissioning QCC with Stock Orders or Complex QCC with Stock Orders does not impose an undue burden on inter-market competition as other options markets may offer this functionality to their Members.

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 prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act¹⁴ and Rule 19b-4(f)(6) thereunder.¹⁵

A proposed rule change filed under Rule 19b-4(f)(6)¹⁶ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-

¹⁴ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁵ 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, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹⁶ 17 CFR 240.19b-4(f)(6).

4(f)(6)(iii),¹⁷ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing.

The Exchange states that waiver of the operative delay would permit the Exchange to decommission QCC with Stock Orders and Complex QCC with Stock Orders prior to the year's end so that the Exchange can discontinue maintaining the infrastructure associated with the functionality. The Exchange states that after it decommissions the QCC with Stock functionality, Members will continue to be able to execute QCC Orders and Complex QCC Orders on the Exchange, provided that the Member would be responsible for executing the associated stock component of the qualified contingent trade in compliance with the requirements of the QCT exemption. The Exchange surveils for compliance with the QCT exemption.¹⁸ The Exchange states that neither QCC with Stock Orders nor Complex QCC with Stock Orders has been utilized in 2024.¹⁹ The Exchange further states that it provided Members notice of its intention to decommission the functionality, and that Members raised no concerns with respect to the decommissioning.²⁰ For these reasons, and because the proposal does not raise any new or novel issues, the Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.²¹

¹⁷ 17 CFR 240.19b-4(f)(6)(iii).

¹⁸ See supra note 9 and accompanying text.

¹⁹ See supra note 8.

²⁰ See supra note 10 and accompanying text.

²¹ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 under Section 19(b)(2)(B)²² of the Act to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-ISE-2024-58 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-2024-58. 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

²² 15 U.S.C. 78s(b)(2)(B).

of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-ISE-2024-58 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.²³

Sherry R. Haywood,

Assistant Secretary.

²³ 17 CFR 200.30-3(a)(12), (59).