

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-99604; File No. SR-ISE-2024-06)

February 26, 2024

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing of Proposed Rule Change to Amend the Short Term Option Series Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 15, 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, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the Short Term Option Series Program.

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.

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.

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

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

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

1. Purpose

The Exchange proposes to amend Supplementary Material .03 of Options 4, Section 5, “Series of Options Contracts Open for Trading.” The Exchange proposes to expand the Short Term Option Series program to permit the listing and trading of options series with Tuesday and Thursday expirations for options on iShares Russell 2000 ETF (IWM), specifically permitting two expiration dates for the proposed Tuesday and Thursday expirations in IWM.

Currently, Table 1 in Supplementary Material .03 to Options 4, Section 5 specifies each symbol that qualifies as a Short Term Option Daily Expiration.<sup>3</sup> Today, Table 1 permits the listing and trading of Monday Short Term Option Daily Expirations and Wednesday Short Term Option Daily Expirations for IWM. At this time, the Exchange proposes to expand the Short Term Option Series Program to permit the listing and trading of no more than a total of two IWM Short Term Option Daily Expirations beyond the current week for each of Monday, Tuesday, Wednesday, and Thursday expirations at one time.<sup>4</sup> The listing and trading of Tuesday and Thursday Short Term Option Daily Expirations would be subject to Supplementary Material .03 of Options 4, Section 5.

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<sup>3</sup> The Exchange may open for trading on any Thursday or Friday that is a business day series of options on that class that expire at the close of business on each of the next five Fridays that are business days and are not Fridays in which standard expiration options series, Monthly Options Series, or Quarterly Options Series. Of these series of options, the Exchange may have no more than a total of five Short Term Option Expiration Dates. In addition, the Exchange may open for trading series of options on certain symbols that expire at the close of business on each of the next two Mondays, Tuesdays, Wednesdays, and Thursdays, respectively, that are business days beyond the current week and are not business days in which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire (“Short Term Option Daily Expirations”). See Supplementary .03 to Options 4, Section 5.

<sup>4</sup> The Exchange would amend the Tuesday and Thursday expirations for IWM in Table 1 in Supplementary Material .03 to Options 4, Section 5 from “0” to “2” to permit Tuesday and Thursday expirations for options on IWM listed pursuant to the Short Term Option Series. The Exchange notes that Cboe Exchange, Inc. (“Cboe”) began listing Tuesday and Thursday expirations in the Russell 2000 Index Weeklys<sup>®</sup> (“RUTW”) and Mini-Russell 2000 Index Weeklys<sup>®</sup> (“MRUT”) on January 8, 2024.

Today, Tuesday Short Term Option Daily Expirations in SPDR S&P 500 ETF Trust (SPY) and the INVESCO QQQ Trust<sup>SM</sup>, Series 1 (QQQ) may open for trading on any Monday or Tuesday that is a business day series of options on the symbols provided in Table 1 that expire at the close of business on each of the next two Tuesdays that are business days and are not business days in which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire (“Tuesday Short Term Option Expiration Date”).<sup>5</sup> Also, today, Thursday Short Term Option Daily Expirations in SPY and QQQ may open for trading on any Tuesday or Wednesday that is a business day series of options on the symbols provided in Table 1 that expire at the close of business on each of the next two Wednesdays that are business days and are not business days in which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire (“Wednesday Short Term Option Expiration Date”).

In the event that options on IWM expire on a Tuesday or Thursday and that Tuesday or Thursday is a business day in which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire, the Exchange would skip that week’s listing and instead list the following week; the two weeks would therefore not be consecutive. With this proposal, the Exchange would be able to open for trading series of options on IWM that expire at the close of business on each of the next two Mondays, Tuesdays, Wednesdays, and Thursdays, respectively, that are business days beyond the current week and are not business days in which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire.<sup>6</sup>

The interval between strike prices for the proposed Tuesday and Thursday IWM Short Term Option Daily Expirations will be the same as those for Tuesday and Thursday IWM Short

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<sup>5</sup> See Supplementary Material .03 to Options 4, Section 5.

<sup>6</sup> Today, IWM may trade on Mondays and Wednesdays, in addition to Fridays, as is the case for all options series.

Term Option Daily Expirations in SPY and QQQ, applicable to the Short Term Option Series Program.<sup>7</sup> Options 4, Section 5(e) provides that, notwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in Options 4, Section 5, the interval of strike prices on options on IWM will be \$1 or greater.<sup>8</sup> Further, Options 4, Section 5(f) provides that, notwithstanding Section 5(e) of Options 4, the Exchange may open for trading series at \$0.50 or greater strike price intervals where the strike price is less than \$75 and \$1.00. Specifically, the Tuesday and Thursday IWM Short Term Option Daily Expirations will have a \$0.50 strike interval minimum. As is the case with other equity options series listed pursuant to the Short Term Option Series Program, the Tuesday and Thursday IWM Short Term Option Daily Expiration series will be P.M.-settled.

Pursuant to Options 1, Section 1(a)(49),<sup>9</sup> with respect to the Short Term Option Series Program, a Tuesday or Thursday expiration series shall expire on the first business day immediately prior to that Tuesday or Thursday, e.g., Monday or Wednesday of that week, respectively, if the Tuesday or Thursday is not a business day.

Currently, for each option class eligible for participation in the Short Term Option Series Program, the Exchange is limited to opening thirty (30) series for each expiration date for the

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<sup>7</sup> See ISE Supplementary Material .03(e) to Options 4, Section 5.

<sup>8</sup> Options on SPY, iShares Core S&P 500 ETF (“IVV”), QQQ, IWM, and the SPDR Dow Jones Industrial Average ETF (“DIA”) are also subject to Options 4, Section 5(e) strike intervals.

<sup>9</sup> Options 1, Section 1(a)(49) provides, “The term ‘Short Term Option Series’ means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Monday, Tuesday, Wednesday, Thursday or Friday that is a business day and that expires on the Monday, Tuesday, Wednesday, Thursday, or Friday of the following business week that is a business day, or, in the case of a series that is listed on a Friday and expires on a Monday, is listed one business week and one business day prior to that expiration. If a Tuesday, Wednesday, Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Tuesday, Wednesday, Thursday or Friday. For a series listed pursuant to this section for Monday expiration, if a Monday is not a business day, the series shall expire on the first business day immediately following that Monday.”

specific class.<sup>10</sup> The thirty (30) series restriction does not include series that are open by other securities exchanges under their respective weekly rules; the Exchange may list these additional series that are listed by other options exchanges.<sup>11</sup> This thirty (30) series restriction would apply to Tuesday and Thursday IWM Short Term Option Daily Expiration series as well.

With this proposal, Tuesday and Thursday IWM Expirations would be treated the same as Tuesday and Thursday Expirations in SPY and QQQ. With respect to monthly option series, Short Term Option Daily Expirations expire in the same week in which monthly option series on the same class expire.<sup>12</sup> Further, as is the case today with other Tuesday and Thursday Short Term Option Daily Expirations, the Exchange would not permit Tuesday and Thursday Short Term Option Daily Expirations to expire on a business day in which monthly options series or Quarterly Options Series expire.<sup>13</sup> Therefore, all Short Term Option Daily Expirations would expire at the close of business on each of the next two Mondays, Tuesdays, Wednesdays, and Thursdays, respectively, that are business days beyond the current week and are not business days in which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire.

The Exchange does not believe that any market disruptions will be encountered with the introduction of P.M.-settled Tuesday and Thursday IWM Short Term Option Daily Expirations. The Exchange has the necessary capacity and surveillance programs in place to support and properly monitor trading in the proposed Tuesday and Thursday Short Term Option Daily Expirations. The Exchange currently trades P.M.-settled Short Term Option Series that expire

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<sup>10</sup> See ISE Supplementary Material .03(c) and (d) to Options 4, Section 5.

<sup>11</sup> See ISE Supplementary Material .03 to Options 4, Section 5.

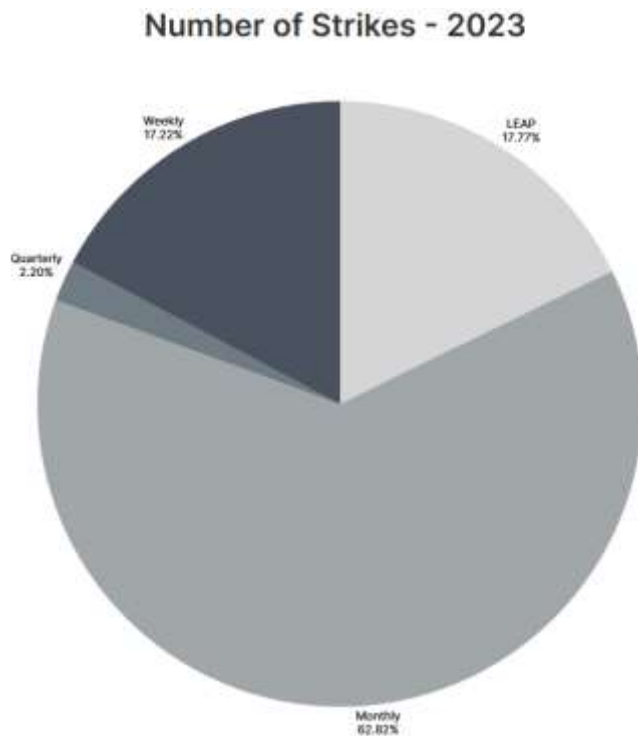
<sup>12</sup> See ISE Supplementary Material .03(b) to Options 4, Section 5.

<sup>13</sup> See ISE Supplementary Material .03 to Options 4, Section 5.

Tuesday and Thursday for SPY and QQQ and has not experienced any market disruptions nor issues with capacity. Today, the Exchange has surveillance programs in place to support and properly monitor trading in Short Term Option Series that expire Tuesday and Thursday for SPY and QQQ.

*Impact of Proposal*

The Exchange notes that listings in the Short Term Option Series Program comprise a significant part of the standard listing in options markets. The below diagram demonstrates the percentage of weekly listings as compared to monthly, quarterly, and Long-Term Option Series in 2023 in the options industry.<sup>14</sup> The Exchange notes that during this time period all options exchanges mitigated weekly strike intervals.



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<sup>14</sup> The Exchange sourced this information from The Options Clearing Corporation (“OCC”). The information includes time averaged data (the number of strikes by maturity date divided from the number of trading days) for all 17 options markets through December 8, 2023.

Similar to SPY and QQQ, the Exchange would limit the number of Short Term Option Daily Expirations for IWM to two expirations for Tuesday and Thursday expirations while expanding the Short Term Option Series Program to permit Tuesday, and Thursday expirations for IWM. Expanding the Short Term Option Series Program to permit the listing of Tuesday and Thursday expirations in IWM will account for the addition of 6.77% of strikes for IWM.<sup>15</sup> With respect to the impact to the Short Term Option Series Program on IWM overall, the impact would be a 20% increase in strikes.<sup>16</sup> With respect to the impact to the Short Term Options Series Program overall, the impact would be a 0.1% increase in strikes.<sup>17</sup>

Members will continue to be able to expand hedging tools because all days of the week would be available to permit Members to tailor their investment and hedging needs more effectively in IWM.

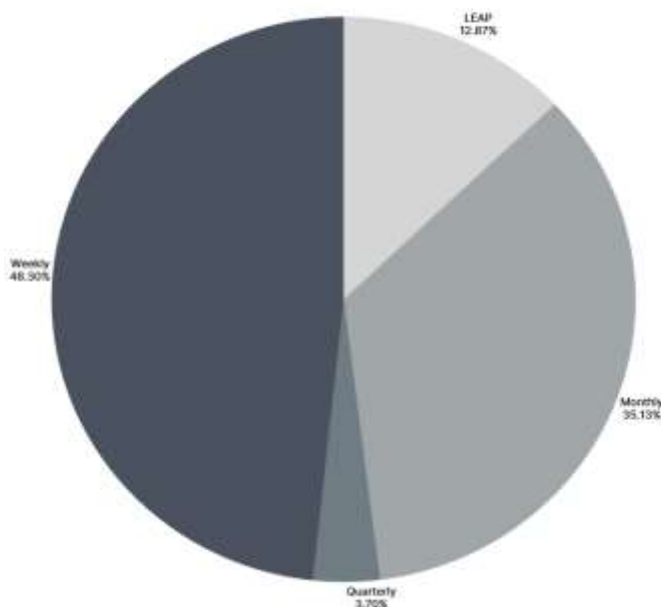
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<sup>15</sup> The Exchange sourced this information, which are estimates, from LiveVol®. The information includes data for all 17 options markets as of January 3, 2024.

<sup>16</sup> The Exchange sourced this information, which are estimates, from LiveVol®. The information includes data for all 17 options markets as of January 3, 2024.

<sup>17</sup> The Exchange sourced this information, which are estimates, from LiveVol®. The information includes data for all 17 options markets as of January 3, 2024.

Total Volume - 2023



Weeklies comprise 48.30% of the total volume of options contracts.<sup>18</sup> The Exchange believes that inner weeklies (first two weeks) represent high volume as compared to outer weeklies (the last three weeks) and would be more attractive to market participants.

The introduction of IWM Tuesday and Thursday expirations will, among other things, expand hedging tools available to market participants and continue the reduction of the premium cost of buying protection. The Exchange believes that IWM Tuesday and Thursday expirations will allow market participants to purchase IWM options based on their timing as needed and allow them to tailor their investment and hedging needs more effectively.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>19</sup> in

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<sup>18</sup> The chart represents industry volume in terms of overall contracts. Weeklies comprise 48.30% of volume while only comprising 17.22% of the strikes. The Exchange sourced this information from OCC. The information includes data for all 17 options markets through December 8, 2023.

<sup>19</sup> 15 U.S.C. 78f(b).



general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>20</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

The Exchange believes that IWM Tuesday and Thursday Short Term Daily Expirations will allow market participants to purchase IWM options based on their timing as needed and allow them to tailor their investment and hedging needs more effectively. Further, the proposal to permit Tuesday and Thursday Short Term Daily Expirations for options on IWM listed pursuant to the Short Term Option Series Program, subject to the proposed limitation of two nearest expirations, would protect investors and the public interest by providing the investing public and other market participants more flexibility to closely tailor their investment and hedging decisions in IWM options, thus allowing them to better manage their risk exposure.

In particular, the Exchange believes the Short Term Option Series Program has been successful to date and that Tuesday and Thursday IWM Short Term Daily Expirations should simply expand the ability of investors to hedge risk against market movements stemming from economic releases or market events that occur throughout the month in the same way that the Short Term Option Series Program has expanded the landscape of hedging. Similarly, the Exchange believes Tuesday and Thursday IWM Short Term Daily Expirations should create greater trading and hedging opportunities and provide customers the flexibility to tailor their investment objectives more effectively. ISE currently lists SPY and QQQ Tuesday and Thursday Short Term Daily Expirations.<sup>21</sup>

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<sup>20</sup> 15 U.S.C. 78f(b)(5).

<sup>21</sup> See ISE Supplementary Material .03 at Options 4, Section 5.

With this proposal, Tuesday and Thursday IWM Expirations would be treated similar to existing Tuesday and Thursday SPY and QQQ Expirations and would expire in the same week that standard monthly options expire on Fridays.<sup>22</sup> Further, today, Tuesday and Thursday Short Term Option Daily Expirations do not expire on a business day in which monthly options series or Quarterly Options Series expire.<sup>23</sup> Today, all Short Term Option Daily Expirations expire at the close of business on each of the next two Mondays, Tuesdays, Wednesdays, and Thursdays, respectively, that are business days and are not business days in which monthly options series or Quarterly Options Series expire. There are no material differences in the treatment of Tuesday and Thursday SPY and QQQ Short Term Daily Expirations as compared to the proposed Tuesday and Thursday IWM Short Term Daily Expirations.

Finally, the Exchange represents that it has an adequate surveillance program in place to detect manipulative trading in the proposed Tuesday and Thursday IWM Short Term Daily Expirations, in the same way that it monitors trading in the current Short Term Option Series and trading in Tuesday and Thursday SPY and QQQ Expirations. The Exchange also represents that it has the necessary systems capacity to support the new options series. Finally, the Exchange does not believe that any market disruptions will be encountered with the introduction of Tuesday and Thursday IWM Short Term Daily Expirations.

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.

Similar to SPY and QQQ Tuesday and Thursday Expirations, the introduction of IWM Tuesday and Thursday Short Term Daily Expirations does not impose an undue burden on

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<sup>22</sup> See ISE Supplementary Material .03(b) at Options 4, Section 5.

<sup>23</sup> See ISE Supplementary Material .03 at Options 4, Section 5.

competition. The Exchange believes that it will, among other things, expand hedging tools available to market participants and continue the reduction of the premium cost of buying protection. The Exchange believes that IWM Tuesday and Thursday Short Term Daily Expirations will allow market participants to purchase IWM options based on their timing as needed and allow them to tailor their investment and hedging needs more effectively. The Exchange notes that Cboe began listing Tuesday and Thursday expirations in RUTW and MRUT on January 8, 2024.

The Exchange does not believe the proposal will impose any burden on inter-market competition, as nothing prevents other options exchanges from proposing similar rules to list and trade Short-Term Option Series with Tuesday and Thursday Short Term Daily Expirations. The Exchange notes that having Tuesday and Thursday IWM expirations is not a novel proposal, as SPY and QQQ Tuesday and Thursday Expirations are currently listed on ISE.<sup>24</sup>

Further, the Exchange does not believe the proposal will impose any burden on intra-market competition, as all market participants will be treated in the same manner under this proposal.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed

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<sup>24</sup> See ISE Supplementary Material .03 at Options 4, Section 5.

rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

#### IV. Solicitation of Comments

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

##### Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-ISE-2024-06 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-2024-06. 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 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-2024-06 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>25</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>25</sup> 17 CFR 200.30-3(a)(12).