

# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103658; File No. SR-ISE-2025-15]

## **Self-Regulatory Organizations; Nasdaq ISE, LLC; Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 1, to Amend the Short Term Option Series Program to List Qualifying Securities**

August 7, 2025.

### **I. Introduction**

On May 1, 2025, the Nasdaq ISE, LLC (“ISE” 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 amend the Exchange’s Short Term Option Series Program to permit the listing of up to two Monday and Wednesday expirations for options on certain individual stocks or Exchange-Traded Fund Shares. The proposed rule change was published for comment in the Federal Register on May 21, 2025.<sup>3</sup> On June 27, 2025, the Commission designated a longer period within which to take action on the proposed rule change.<sup>4</sup> On July 1, 2025, the Exchange filed Amendment No. 1 to the proposed rule change (“Amendment No. 1”), which replaced and superseded the original filing in its entirety.<sup>5</sup> Amendment No. 1 was published for comment in the Federal Register on

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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. 103048 (May 15, 2025), 90 FR 21805.

<sup>4</sup> See Securities Exchange Act Release No. 103343, 90 FR 29098 (July 2, 2025). The Commission designated August 19, 2025 as the date by which it should approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change. See id.

<sup>5</sup> Amendment No. 1 is publicly available on the Commission’s website at: <https://www.sec.gov/comments/sr-ise-2025-15/srise202515-619387-1817874.pdf>.

July 15, 2025.<sup>6</sup> The Commission has received comments on the proposed rule change.<sup>7</sup> The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act<sup>8</sup> to determine whether to approve or disapprove the proposed rule change, as modified by Amendment No. 1.

II. Description of the Proposed Rule Change, as Modified by Amendment No. 1

Currently, 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 series, Monthly Options Series or Quarterly Options Series expire (“Short Term Option Daily Expirations”).<sup>9</sup> Table 1 in Supplementary Material .03 to Options 4, Section 5 specifies each symbol that qualifies as a Short Term Option Daily Expiration as well as the permitted expiration days.<sup>10</sup>

The Exchange proposes to expand the Short Term Option Series Program to permit the listing of up to two Monday and Wednesday expirations beyond the current week for options on certain individual stocks or Exchange-Traded Fund Shares<sup>11</sup> (collectively “Qualifying Securities”). The Exchange proposes to define Qualifying Securities as eligible individual stocks or Exchange-Traded Fund Shares, which are separate and apart from the symbols listed in Table

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<sup>6</sup> See Securities Exchange Act Release No. 103434 (July 10, 2025), 90 FR 31716.

<sup>7</sup> Comments on the proposed rule change are available at <https://www.sec.gov/comments/sr-isc-2025-15/srise202515.htm>.

<sup>8</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>9</sup> See Supplementary Material .03 to Options 4, Section 5.

<sup>10</sup> See *id.* As set forth in Table 1 of Supplementary Material .03 to Options 4, Section 5, the Exchange currently permits expirations in SPDR S&P 500 ETF Trust (“SPY”), iShares Russell 2000 ETF (“IWM”), and Invesco QQQ Trust (“QQQ”) on Mondays, Tuesdays, Wednesdays and Thursdays. See Amendment No. 1, *supra* note 6, 90 FR at 31717, n.9. The Exchange also permits expirations in symbols SPDR Gold Shares (“GLD”), iShares Silver Trust (“SLV”), and iShares 20+ Year Treasury Bond ETF (“TLT”) on Mondays and Wednesdays, as well as expirations in symbols United States Oil Fund, LP (“USO”) and United States Natural Gas Fund, LP (“UNG”) on Wednesdays. See *id.*

<sup>11</sup> See Options 4, Section 3(h) (defining “Exchange-Traded Fund Shares”).

1 in Supplementary Material .03 to Options 4, Section 5, that have received approval to list additional expiries on specific symbols, and that meet the following criteria on a quarterly basis: (1) an underlying security, as measured on the last day of the prior calendar quarter, must have: (A) a market capitalization of greater than 700 billion dollars for an individual stock based on the closing price<sup>12</sup>, or (B) assets under management (“AUM”) greater than 50 billion dollars for an Exchange-Traded Fund Share based on net asset value (“NAV”); (2) monthly options volume, as measured by sides traded in the last month preceding the quarter end, of greater than 10 million options; (3) a position limit of at least 250,000 contracts; and (4) participation in the Penny Interval Program<sup>13</sup> (collectively, “Qualifying Securities Criteria”).<sup>14</sup>

Each calendar quarter, the Exchange would apply the Qualifying Securities Criteria to individual stocks and Exchange-Traded Fund Shares to determine eligibility for the following quarter as a Qualifying Security.<sup>15</sup> Beginning on the second trading day in the first month of each calendar quarter, the market capitalization of individual stocks shall be calculated based on the closing price established on the primary exchange on the last trading day of the prior calendar quarter and the AUM for Exchange-Traded Fund Shares shall be calculated based on the NAV established on the primary exchange on the last trading day of the prior calendar quarter.<sup>16</sup> The data establishing the volume thresholds would be established by using data from the last month

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<sup>12</sup> The Exchange states that the closing price and the opening price shall be that of the primary exchange where the security is listed. See Amendment No. 1, supra note 6, 90 FR at 31717, n.10.

<sup>13</sup> See Supplementary Material .01 to Options 3, Section 3.

<sup>14</sup> The Exchange has noted the additional expiries in a proposed Table 2 in Supplementary Material .03 to Options 4, Section 5, along with the Qualifying Securities Criteria.

<sup>15</sup> See proposed Supplementary Material .03 to Options 4, Section 5. The Exchange states that the number of individual stocks currently meeting all four criteria for a Qualifying Security is eight and, as of June 27, 2025, one Exchange-Traded Fund Share currently meets all four criteria for a Qualifying Security that does not already have Monday and Wednesday expirations. See Amendment No. 1, supra note 6, 90 FR at 31729.

<sup>16</sup> See proposed Supplementary Material .03 to Options 4, Section 5.

of the prior calendar quarter from The Options Clearing Corporation (“OCC”).<sup>17</sup> For options listed on the first trading day of a given calendar quarter, the volume would be calculated using the last month of the quarter prior to that calendar quarter.<sup>18</sup> The Exchange would make the list of Qualifying Securities available by close of business on the first trading day of the quarter.<sup>19</sup>

For Qualifying Securities, the Exchange would be permitted to list two Short Term Option Daily Expiration Dates beyond the current week for each Monday and Wednesday expiration at one time. The Exchange would not list an expiry on a day when there will be an earnings announcement that takes place after market close. Earnings announcements would include official public quarterly or yearly earnings filed with the Commission (“Earnings Announcement”).<sup>20</sup> The Exchange states that Qualifying Securities that do not continue to meet the above criteria would no longer be permitted to be listed as Monday and Wednesday expirations beginning on the second day of the following quarter.<sup>21</sup>

The Exchange states that the proposed Monday Qualifying Securities expirations would be similar to the current Monday expirations in SPY, QQQ, and IWM (among other symbols that may list a Monday expiration) in Short Term Option Daily Expirations set forth in Supplementary Material .03 to Options 4, Section 5, such that the Exchange may open for trading on any Friday or Monday that is a business day (beyond the current week) series of options on Qualifying Securities to expire on any Monday of the month that is a business day

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<sup>17</sup> See id.

<sup>18</sup> Id. The Exchange states that OCC data becomes available for the end of a quarter on the first trading day of a new quarter. See Amendment No. 1, supra note 6, 90 FR at 31718, n.11.

<sup>19</sup> See id. at 31718. The Exchange states that it would make this information freely accessible to the public on ISE’s website. See id. at 31718, n.12.

<sup>20</sup> See proposed Supplementary Material .03 to Options 4, Section 5. The Exchange states that pre-announcements or “guidance” shall not be considered an Earnings Announcement. See Amendment No. 1, supra note 6, 90 FR at 31718, n.14.

<sup>21</sup> See id. at 31718.

and is not a Monday in which standard expiration options series, Monthly Options Series,<sup>22</sup> or Quarterly Options Series<sup>23</sup> expire, provided that Monday expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration (“Monday Qualifying Securities Expirations”).<sup>24</sup> In the event Qualifying Securities expire on a Monday and that Monday is the same day that a standard expiration options series, Monthly Options Series, or Quarterly Options Series expires, the Exchange would skip that week’s listing and instead list the following week; therefore, the two weeks would not be consecutive.<sup>25</sup>

Additionally, the proposed Wednesday Qualifying Securities expirations would be similar to the current Wednesday expirations in SPY, QQQ, and IWM (among other symbols that may list a Wednesday Expiration) in Short Term Option Daily Expirations set forth in Supplementary Material .03 to Options 4, Section 5, such that the Exchange may open for trading on any Tuesday or Wednesday that is a business day (beyond the current week) series of options on Qualifying Securities to expire on any Wednesday of the month that is a business day and is not a Wednesday in which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire (“Wednesday Qualifying Securities Expirations”).<sup>26</sup> In the event Qualifying Securities expire on a Wednesday and that Wednesday is the same day that a standard expiration options series, Monthly Options Series, or Quarterly Options Series expires, the

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<sup>22</sup> In the Monthly Options Series, the Exchange may list and trade options series that expire at the close of business on the last business day of a calendar month. See Supplementary Material .09 to Options 4, Section 5.

<sup>23</sup> In the Quarterly Options Series, the Exchange may list and trade options series that expire at the close of business on the last business day of a calendar quarter. See Supplementary Material .04 to Options 4, Section 5.

<sup>24</sup> See Amendment No. 1, *supra* note 6, 90 FR at 31718.

<sup>25</sup> See id. Today, Monday expirations in SPY, QQQ, and IWM similarly skip the weekly listing in the event the weekly listing expires on the same day in the same class as a standard expiration options series, Monthly Options Series, or Quarterly Options Series. See id.

<sup>26</sup> See id.

Exchange would skip that week's listing and instead list the following week; therefore, the two weeks would not be consecutive.<sup>27</sup>

Monday and Wednesday Qualifying Securities Expirations would be treated similar to existing SPY, QQQ, and IWM Monday and Wednesday expirations.<sup>28</sup> The interval between strike prices for the proposed Monday and Wednesday Qualifying Securities Expirations would be the same as those currently applicable to the Short Term Option Series Program.<sup>29</sup> As is the case with other equity options series listed pursuant to the Short Term Option Series Program, the proposed Monday and Wednesday Qualifying Securities Expirations series would be p.m.-settled.<sup>30</sup>

In support of its proposal, the Exchange represents that it has an adequate surveillance program in place to detect manipulative trading in the proposed option expirations, in the same way that it monitors trading in the current Short Term Option Series Expirations.<sup>31</sup> The Exchange also represents that it has the necessary capacity and surveillance programs in place to support and properly monitor trading in the proposed Monday and Wednesday Qualifying Securities Expirations.<sup>32</sup> Additionally, the Exchange states that it does not believe that any market disruptions would be encountered with the introduction of Monday and Wednesday

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<sup>27</sup> See id. Today, Wednesday expirations in SPY, QQQ, and IWM similarly skip the weekly listing in the event the weekly listing expires on the same day in the same class as a standard expiration options series, Monthly Options Series, or Quarterly Options Series. See id.

<sup>28</sup> See id.

<sup>29</sup> See id. Specifically, the Monday and Wednesday Qualifying Securities Expirations would have a strike interval of (i) \$0.50 or greater for strike prices below \$100, and \$1 or greater for strike prices between \$100 and \$150 for all option classes that participate in the Short Term Option Series Program, (ii) \$0.50 for option classes that trade in one dollar increments and are in the Short Term Option Series Program, or (iii) \$2.50 or greater for strike prices above \$150. See Supplementary Material .03(e) to Options 4, Section 5.

<sup>30</sup> See Amendment No. 1, supra note 6, 90 FR at 31718.

<sup>31</sup> See id. at 31730.

<sup>32</sup> See id. at 31719.

Qualifying Securities Expirations.<sup>33</sup> The Exchange currently trades p.m.-settled Short Term Option Series that expire Monday, Tuesday, Wednesday, and Thursday on several symbols,<sup>34</sup> and states that it has not experienced any market disruptions nor issues with capacity.<sup>35</sup>

Further, the Exchange provides data utilizing a sample of Qualifying Securities (“Sample Qualifying Securities”) compared to broad-based Exchange-Traded Fund Shares like SPY, QQQ, and IWM, to estimate the impact of the proposal on the options market.<sup>36</sup> Based on its analysis of this data, the Exchange estimates that the proposal would add approximately 16% of strikes for the total number of strikes for eight of the nine Sample Qualifying Securities.<sup>37</sup> The Exchange also measured average annualized closing volatilities for the Sample Qualifying Securities from 2022 through 2024 and determined that the Sample Qualifying Securities have an average annualized closing volatility of generally less than 20%<sup>38</sup> and that the Sample Qualifying Securities are more volatile than SPY, QQQ, and IWM.<sup>39</sup>

The Exchange also conducted an analysis to estimate the impact of the proposal on strike breaks<sup>40</sup> occurring on non-Earnings Announcement Mondays and non-Earnings Announcement Wednesdays from 2022 through 2025, utilizing the Sample Qualifying Securities as a proxy. The

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<sup>33</sup> See id.

<sup>34</sup> See supra note 10.

<sup>35</sup> See Amendment No. 1, supra note 6, 90 FR at 31719.

<sup>36</sup> See id. at 31719-30. The Sample Qualifying Securities would meet the proposed criteria to be a Qualifying Security based on January 2025 data. The Sample Qualifying Securities are NVIDIA Corp (“NVDA”), Tesla Inc. (“TSLA”), Apple Inc. (“AAPL”), Amazon.com Inc. (“AMZN”), Broadcom Inc. (“AVGO”), Alphabet Inc. (“GOOGL”), Microsoft Corp (“MSFT”), Financial Select Sector SPDR Fund (“XLF”), and Meta Platforms Inc. (“META”). See id. at 31720.

<sup>37</sup> See id.

<sup>38</sup> See id. at 31721.

<sup>39</sup> See id. at 31722. The Exchange currently lists Monday and Wednesday expirations in SPY, QQQ, and IWM. See supra note 10.

<sup>40</sup> A strike break is the existence of a strike between the closing price and the opening price on the following day when there has been a penetration of a strike post-close. See Amendment No. 1, supra note 6, 90 FR at 31722, n.31.

Exchange states that, in 2024, the proposal would have resulted in 66 additional strike breaks with the addition of these expirations (22 strike breaks in 2024 on Monday expiries after regular trading hours, and 44 strike breaks in 2024 on Wednesday expiries after regular trading hours).<sup>41</sup>

In addition, using SPY data from Wednesday, April 2, 2025,<sup>42</sup> the Exchange conducted an analysis to estimate the proposal's impact by examining a customer's propensity to rationally exercise or abandon outstanding options contracts by the tender of an exercise notice.<sup>43</sup> The Exchange states that over 90% of open call contracts were liquidated by customers prior to the close, and a substantial portion of the remaining open call contracts were rationally abandoned.<sup>44</sup> In particular, customers with calls in SPY on April 2, 2025 had a high liquidation ratio and fewer than 1% of call contracts were unliquidated and unabandoned.<sup>45</sup> With regard to put data for SPY on April 2, 2025, the Exchange states that out-of-the-money options were either liquidated or exercised and only a small percentage of options went unexercised.<sup>46</sup> According to the Exchange, very few puts remained unexercised at the higher strikes.<sup>47</sup> The Exchange states that the risk exposure to an event similar to April 2, 2025 for the proposed Wednesday expirations would be substantially similar to the current risk that a put writer is exposed to with Friday expirations.<sup>48</sup> The Exchange concluded that since the rational abandonment and out-of-the-money exercise rates were so high, customers are largely aware of the exposure between 4:00

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<sup>41</sup> See id. at 31724.

<sup>42</sup> The Exchange states that this was a day in which there was a significant drop in the price of SPY after the close. See id. at 31725.

<sup>43</sup> See id. at 31725-28.

<sup>44</sup> See id. at 31726.

<sup>45</sup> See id.

<sup>46</sup> See id. at 31727.

<sup>47</sup> See id.

<sup>48</sup> See id.



and 5:00 pm ET so they knowingly undertake the risk from the unliquidated position.<sup>49</sup>

III. Proceedings to Determine Whether to Approve or Disapprove SR-ISE-2025-15, as Modified by Amendment No. 1, and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act<sup>50</sup> to determine whether the proposed rule change, as modified by Amendment No. 1, should be approved or disapproved. Institution of such proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide additional comment on the proposed rule change to inform the Commission's analysis of whether to approve or disapprove the proposed rule change.

Pursuant to Section 19(b)(2)(B) of the Act,<sup>51</sup> the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of, and input from commenters with respect to, the proposed rule change's consistency with the Act, and in particular, Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities 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.<sup>52</sup>

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<sup>49</sup> See id.

<sup>50</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>51</sup> Id.

<sup>52</sup> 15 U.S.C. 78f(b)(5).

The Commission received one comment letter opposed to the proposal.<sup>53</sup> This commenter stated that the addition of Monday and Wednesday Qualifying Securities Expirations would, among other things, “increase the operational risk and complexity in the options market, [would] increase costs to broker-dealers and exchanges, and could negatively impact retail investors, without providing sufficient benefits to justify these risks and costs.”<sup>54</sup> The commenter stated that Monday and Wednesday expirations in single-stock options could exacerbate risks “particularly for high-volume, news-sensitive names, where market-impacting events often occur between Monday and Wednesday”,<sup>55</sup> and that “[u]nexpected earnings releases or correlated macroeconomic news events may lead to broken spreads, out-of-the-money (‘OTM’) assignments, and potential account deficits.”<sup>56</sup> Furthermore, the commenter stated that, among other things, the proposal would “introduce greater uncertainty in the extended trading session,”<sup>57</sup> “impose substantial costs on affected firms” through the hiring of necessary additional staff and development of systems and hardware,<sup>58</sup> and that “[a]dditional expirations have the potential to both confuse and harm retail investors” such as through “assignment risk based on post-close price changes for customers who may believe that their option positions closed out-of-the-money as of the 4 p.m. (ET) regular market closure.”<sup>59</sup> Accordingly, the commenter stated that additional analysis of the proposal is required, including an analysis of the

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<sup>53</sup> See Letter from Nathaniel Pomeroy, Principal, Wolverine Execution Services, LLC, dated June 17, 2025 (“Wolverine Letter”). The commenter also requested that the Commission, in the alternative, extend the proposal’s comment period for an additional 60 days to allow market participants additional time to evaluate and provide feedback on the proposal. See *id.* at 1, 4.

<sup>54</sup> *Id.* at 1.

<sup>55</sup> *Id.*

<sup>56</sup> *Id.* at 2.

<sup>57</sup> *Id.*

<sup>58</sup> *Id.* at 3.

<sup>59</sup> *Id.*

“anticipated costs of the proposal on end investors” and the proposal’s impact on retail investors and the options market overall.<sup>60</sup>

The Exchange submitted a comment letter responding to the commenter.<sup>61</sup> In its response, the Exchange stated that the options industry trades broad-based index options with daily expirations and has progressively added exchange-traded products with non-Friday expiries since 2016 (e.g., SPY, QQQ, and IWM) without experiencing “increased costs or complexity resulting from their addition.”<sup>62</sup> While the Exchange acknowledged that the proposed additional expiries would permit trading on certain days when news events are occurring, the Exchange also noted that the liquidity provision of the Qualifying Securities exceeds the liquidity available in some exchange-traded products that currently have additional expiries. The Exchange stated that “the data does not demonstrate the ‘exacerbated risks’” shared by the commenter.<sup>63</sup> The Exchange stated that the commenter’s concerns regarding added operational risk and complexity from the additional expirations exist today for broker-dealers in managing the risks attendant to Friday expirations in every options series.<sup>64</sup> The Exchange asserted that the small number of options symbols that would currently be considered Qualifying Securities does not pose such an operational risk that would require additional resources on a firm and industry level.<sup>65</sup> The Exchange further stated that it would not list an expiry on a Qualifying Security on a day where there will be an Earnings Announcement that takes place after market close to avoid post-close

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<sup>60</sup> Id. at 3-4.

<sup>61</sup> See Letter from Angela Dunn, Principal Associate General Counsel, Nasdaq, ISE, LLC, dated July 9, 2025 (“Exchange Response Letter”).

<sup>62</sup> Id. at 1-2.

<sup>63</sup> See id. at 2. The Exchange pointed to the additional analysis provided in Amendment No. 1 on the impact of the proposal, including data surrounding strike breaks. See id.

<sup>64</sup> See id. at 2, 4.

<sup>65</sup> See id. at 3.

price volatility that may arise from the Earnings Announcement and which may impact exercise and/or assignment decisions.<sup>66</sup> Finally, the Exchange stated that it believes the proposal would provide investors additional choice and flexibility when trading options in highly liquid instruments and allow for a reduced premium cost of buying portfolio protection to better manage risk exposure.<sup>67</sup>

The Commission subsequently received one comment letter that provided qualified support of the proposal, conditioned on a modified implementation of the proposal by the Exchange.<sup>68</sup> The commenter stated that it generally supports the proposed Monday and Wednesday Qualifying Securities Expirations,<sup>69</sup> but recommended that the Exchange list Monday and Wednesday Qualifying Securities Expirations in one or two individual securities at first, study the impact of the trading of those expirations on customers and the listed options market, and then add Monday and Wednesday Qualifying Securities Expirations to more securities if supported by the study.<sup>70</sup>

The commenter raised the potential risks to customers of “post-close price changes on the day of expiration.”<sup>71</sup> Commenting on the Exchange’s analysis of customer propensity to rationally exercise options contracts by the tender of an exercise notice (using SPY options on April 2, 2025),<sup>72</sup> the commenter stated that the “impacts of post-close price changes on a single

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<sup>66</sup> See id.

<sup>67</sup> See id. at 1, 4.

<sup>68</sup> See Letter from Joseph Corcoran, Managing Director and Associate General Counsel, and Gerald O’Hara, Vice President and Assistant General Counsel, Securities Industry and Financial Markets Association, dated August 5, 2025 (“SIFMA Letter”).

<sup>69</sup> See id. at 1, 2, 7.

<sup>70</sup> See id. at 1-2, 5.

<sup>71</sup> Id. at 4.

<sup>72</sup> See supra notes 42-49 and accompanying text.

expiration date across several individual securities that meet the requirements to be listed as Qualifying Securities... could result in losses, even if the number of unabandoned and unliquidated contracts is not a significant percentage of the total number of contracts traded on that day.”<sup>73</sup> The commenter stated that “there were still measurable impacts on investors, broker-dealers, and the markets as a result of those holders whose call options were exercised and who ended up owning shares of SPY at the lower post-close price.”<sup>74</sup>

The commenter also explained that the proposal could result in increased operational risks for broker-dealers and OCC clearing members.<sup>75</sup> The commenter stated that broker-dealers could have to modify their risk management controls and procedures to take into account “the potential assignment risk associated with daily expirations of single-stock options.”<sup>76</sup> Because these daily single stock options would require physical delivery, broker-dealers would need to enhance their risk management procedures and controls around customer options trading to accommodate the likelihood of post-close movements in the price of the underlying securities.<sup>77</sup> The commenter stated that “broker-dealers employ risk management practices that may include setting risk bands at thresholds that result in issuing contrary exercise instructions or closing out certain [out-of-the-money] strikes” and that these “decisions, whether made by individual customers or by broker-dealers on customers’ behalf, are more difficult for investors that utilize

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<sup>73</sup> SIFMA Letter at 4.

<sup>74</sup> Id.

<sup>75</sup> See id. at 2, 4-5, 6.

<sup>76</sup> Id. at 5.

<sup>77</sup> See id. at 2, 5. The commenter stated that “[p]ost-close price changes could cause options positions to be exercised and assigned based on the 4:00 p.m. ET closing price where the resulting positions in the underlying securities are immediately unprofitable (or profitable) based on the underlying price of the security at 5:30 p.m. ET.” Id. at 3. The commenter also stated that enhancements to broker-dealer and other market participant risk management processes would be needed to accommodate increased expiration day options trading. See id. at 2.

options spreads.”<sup>78</sup> The commenter noted the operational challenges imposed by the proposal on retail broker-dealer risk management decisions, in particular, because their customers tend to have options positions on both sides of the market and are also monitored at the individual account level.<sup>79</sup> The commenter explained that if the Exchange were to initially limit implementation of the Monday and Wednesday Qualifying Securities Expirations to two securities, then broker-dealers could evaluate trading and modify their risk management processes accordingly.<sup>80</sup>

The commenter added that the OCC has introduced “a new intraday margin add-on charge for OCC clearing members” which, with the proposed Monday and Wednesday Qualifying Securities Expirations “may result in market participants having less capital to deploy in providing liquidity.”<sup>81</sup> The commenter stated that that the proposal could also result in “enhanced margin and/or capital holdings by clearing firms and broker-dealers” due to the resulting increase in expiration day options trading.<sup>82</sup> The commenter also recommended that the OCC educate its clearing members about “the nuances of monitoring the post-close period and processing contrary exercise instructions because operational failure by a single clearing member can affect other clearing members, market participants, and the options market in general.”<sup>83</sup>

#### IV. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their data, views, and arguments with respect to the issues identified above, including the issues raised

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<sup>78</sup> Id. at 4.

<sup>79</sup> See id. at 5, n.15.

<sup>80</sup> See id. at 2, 5, 7.

<sup>81</sup> Id. at 6.

<sup>82</sup> Id.

<sup>83</sup> Id.

by commenters and the Exchange’s response, as well as any other concerns they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposed rule change, as modified by Amendment No. 1, is consistent with Sections 6(b)(5) or any other provision of the Act, or the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of data, views, and arguments, the Commission will consider, pursuant to Rule 19b-4 under the Act,<sup>84</sup> any request for an opportunity to make an oral presentation.<sup>85</sup>

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change, as modified by Amendment No.1, should be approved or disapproved by [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Any person who wishes to file a rebuttal to any other person’s submission must file that rebuttal by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. The Commission asks that commenters address the sufficiency of the Exchange’s statements in support of the proposal, in addition to any other comments they may wish to submit about the proposed rule change.

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission’s internet comment form

(<https://www.sec.gov/rules/sro.shtml>); or

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<sup>84</sup> 17 CFR 240.19b-4.

<sup>85</sup> Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Public Law 94-29 (Jun. 4, 1975), grants to the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-ISE-2025-15 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-2025-15. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All



submissions should refer to file number SR-ISE-2025-15 and should be submitted by [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Rebuttal comments should be submitted by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>86</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>86</sup> 17 CFR 200.30-3(a)(57).