SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106863; File No. SR-ISE-2026-42]

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing of Amendment No. 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 2, to Amend the Criteria for Underlying Securities

November 10, 2026.

I. Introduction

On July 28, 2026, 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")[1] and Rule 19b-4 thereunder,[2] a proposed rule change to adopt listing criteria for options on Commodity-Based Trust Shares[3] that hold one or more digital commodities. The proposed rule change was published for comment in the Federal Register on August 13, 2026.[4] The Commission received no comments regarding the proposed rule change.

On September 21, 2026, pursuant to Section 19(b)(2) of the Act,[5] the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.[6] On November 3, 2026, the Exchange filed Amendment No. 1 to the proposed rule

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 For the definition of a "Commodity-Based Trust Share" see infra note 8. See Nasdaq Stock Market LLC ("Nasdaq") Rule 5711(d)(iii)(A).

4 See Securities Exchange Act Release No. 106067 (Aug. 10, 2026), 91 FR 52387.

5 15 U.S.C. 78s(b)(2).

6 See Securities Exchange Act Release No. 106448, 91 FR 60669 (Sept. 24, 2026). The Commission designated November 11, 2026, as the date by which the Commission shall either approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change.

change, which replaced and superseded the original filing in its entirety. On November 5, 2026, the Exchange withdrew Amendment No. 1 and submitted Amendment No. 2 to the proposal, which replaces and supersedes the original filing in its entirety.[7] The Commission is publishing this notice and order to solicit comment on Amendment No. 2 in Sections II and III below, which sections are being published verbatim as filed by the Exchange, and to approve the proposed rule change, as modified by Amendment No. 2, on an accelerated basis.

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

The Exchange proposes to amend Options 4, Section 3, Criteria for Underlying Securities, to adopt listing criteria for options on Commodity-Based Trust Shares[8] that hold one

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7 Amendment No. 2 revises the proposal to: (1) represent that the Exchange will submit a proposed rule change to modify its definition of "digital commodity" if legislation is enacted that defines "digital commodity" or a substantially similar term; (2) state that, for purposes of calculating the 15% limitation in proposed Options 4, Section 3(h)(3)(B), any derivatives held by a Trust will be calculated based on their gross notional value; (3) state that it is unlikely that an attempt to manipulate 15% of the assets of a Trust would affect the net asset value ("NAV") of the Trust or the price of the proposed options; (4) state that the Exchange would be able to obtain information from Nasdaq regarding Commodity-Based Trust Shares for purposes of investigating a suspected manipulation or other trading abuse involving options on Commodity-Based Trust Shares; (5) describe the continued listing requirements for the proposed options; (6) describe the surveillance procedures and trading rules that would apply to the proposed options; (7) represent that the Exchange and the Options Price Reporting Authority have the necessary systems capacity to handle the additional traffic that would be associated with listing the proposed options; and (8) corrects a grammatical error in the text of the proposed rule. Amendment No. 2 is available on the Commission's website at: https://www.sec.gov/rules-regulations/public-comments/sr-ise-2026-42. For the definition of a "Trust," see infra note 8.

8 The term "Commodity-Based Trust Shares" means a security that: (1) is issued by a trust, limited liability company, partnership, or other similar entity ("Trust") that, if applicable, is operated by a registered commodity pool operator pursuant to the Commodity Exchange Act, and is not registered as an investment company pursuant to the Investment Company Act of 1940, or series or class thereof; (2) that, consistent with the Trust's investment objective and policies, holds (a) one or more commodities or commodity-based assets as defined in Rule 5711(d)(iii)(C) and (b) in addition to such commodities or commodity-based assets, may hold securities, cash, and cash equivalents; (3) is issued by such Trust in a specified aggregate minimum number in return for a deposit of (a) a specified quantity of the underlying commodities, commodity-based assets, securities, cash, and/or cash equivalents, or (b) a cash amount with a value based on the next determined net asset value per Trust share; and (4) when aggregated in the same specified minimum number, may be redeemed at a holder's request by such Trust which will deliver to the redeeming holder (a) the specified quantity of the underlying commodities, commodity-based assets, securities, cash, and/or cash equivalents, or (b) a cash amount with a value based on the next determined net asset value per Trust share. See The Nasdaq Stock Market LLC ("Nasdaq") Rule 5711(d)(iii)(A).

or more digital commodities. This Amendment No. 2 replaces and supersedes the original filing in its entirety. Amendment No. 2 cites the definition of "digital commodity" in The Nasdaq Stock Market LLC ("Nasdaq") Rule 5711(d)(iii)(D), adds a representation that the Exchange will file to conform that definition to any statutory definition that is enacted, and clarifies that derivatives held by the Trust are calculated based on gross notional value for purposes of the 15% limitation.[9] Amendment No. 2 adds discussion of the continued listing requirements applicable to Commodity-Based Trust Shares and options thereon, the Exchange's ability to obtain information directly from Nasdaq for purposes of investigating a suspected manipulation or other trading abuse involving options on Commodity-Based Trust Shares, and the trading rules, surveillance procedures, and systems capacity that will apply to the proposed options.

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

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

1. Purpose

The Exchange proposes to amend its listing rules at ISE Options 4, Section 3, Criteria for Underlying Securities. Specifically, the Exchange proposes to amend the criteria for listing options on Exchange-Traded Fund Shares ("ETFs") at Options 4, Section 3(h).

Background

Currently, Options 4, Section 3(h)(vi) specifies that ISE may list and trade options on shares or other securities that represent interests in a Commodity-Based Trust that meet the

[9] See Nasdaq Rule 5711(d)(iv)(C).

generic criteria of Nasdaq Rule 5711(d)[10] provided the Trust holds a single crypto asset or multiple crypto assets.[11] Further, a Commodity-Based Trust that meets the requirements of Options 4, Section 3(h)(vi) must also satisfy the following requirements: (A) the total global supply of each underlying crypto asset(s) held by the Commodity-Based Trust has an average daily market value of at least $700 million over the last 12 months; and (B) each crypto asset held by the Commodity-Based Trust underlies a derivatives contract that trades on a market with which the Exchange has a comprehensive surveillance sharing agreement, whether directly or through common membership in the Intermarket Surveillance Group ("ISG").[12]

Proposal

In light of the recent approval of a rule change by Nasdaq ("SR-NASDAQ-2026-032" or "CBT Proposal")[13] that modified the generic listing standards for Commodity-Based Trust Shares at Nasdaq Rule 5711(d), the Exchange proposes to amend Options 4, Section 3(h)(3) to

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10 Pursuant to Nasdaq Rule 5711(d), Nasdaq will consider for trading, whether by listing or pursuant to unlisted trading privileges, Commodity-Based Trust Shares that meet the criteria of Rule 5711(d). Nasdaq may list and/or trade Commodity-Based Trust Shares pursuant to Rule 19b-4(e) under the Act or may submit a rule filing pursuant to Section 19(b) of the Act to permit the listing and trading of Commodity-Based Trust Shares that do not meet the standards set forth in Rule 5711(d) on an initial or a continuing basis. All statements or representations contained in such rule filing regarding: (1) the description of the index, trust holdings, or reference assets, (2) limitations on the index, trust holdings, or reference assets, (3) dissemination and availability of the index, trust holdings, reference assets or Intraday Indicative Values or (4) the applicability of Nasdaq listing rules specified in such rule filing will constitute continued listing requirements. An issuer of such securities must notify Nasdaq of any failure to comply with such continued listing requirements. If Commodity-Based Trust Shares do not satisfy these requirements, Nasdaq may suspend trading in the Trust shares and will initiate delisting proceedings under the Rule 5800 Series. See Nasdaq Rule 5711(d).

11 The term "crypto asset" means an asset that is generated, issued and/or transferred using a blockchain or similar distributive ledger technology network including, but not limited to, assets known as "tokens," "digital assets," "virtual currencies," and "coins" and that rely on cryptographic protocols. See Options 4, Section 3(h)(3).

12 See Options 4, Section 3(h)(3).

13 See Securities Exchange Act Release No. 105995 (July 27, 2026), 91 FR 48204 (July 30, 2026) (SR-NASDAQ-2026-032) (Order Granting Approval of a Proposed Rule Change, as Modified by Amendment No. 2, To Amend Nasdaq Rule 5711(d)). That proposal allowed for a buffer of up to 15% of the net asset value of the Commodity-Based Trust's holdings to consist of certain assets that do not meet the eligibility criteria under the generic listing standards; added a definition for digital commodity (as defined below); and allowed for actively managed strategies.

align this options rule with the rule text adopted in SR-NASDAQ-2026-032, which will permit the Exchange to list options on Commodity-Based Trust Shares that meet the revised listing standards of Nasdaq Rule 5711(d).

Digital Commodity vs. Crypto Asset

First, the Exchange proposes to amend Options 4, Section 3(h) to replace the term "crypto asset" with the term "digital commodity."

The term "crypto asset" is defined at Options 4, Section 3(h) to mean an asset that is generated, issued and/or transferred using a blockchain or similar distributive ledger technology network, including, but not limited to, assets known as "tokens," "digital assets," "virtual currencies," and "coins" and that relies on cryptographic protocols.

The term "digital commodity" is defined at Nasdaq Rule 5711(d)(iii)(D) to mean a commodity that is a digital asset and is intrinsically linked to and derives its value from the programmatic operation of a functional crypto system, as well as supply and demand dynamics, rather than from the expectation of profits from the essential managerial efforts of others.

This proposal is intended to align the options terminology with the terminology utilized in Nasdaq Rule 5711(d), which is the basis for listing options on Commodity-Based Trust Shares. The proposed definition of "digital commodity" is informed by the joint interpretative guidance issued by the SEC and the Commodity Futures Trading Commission ("CFTC"), effective March 23, 2026.[14] The Exchange represents that to the extent legislation is enacted defining "digital commodity" or a substantially similar term, the Exchange will submit a rule filing to conform the definition in Options 4, Section 3(h) to the statutory definition.

[14] See "Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets," 91 FR 13714 (March 23, 2026).

As defined, the term "crypto asset" captures anything that (1) is generated, issued, or transferred on a blockchain or similar Distributed Ledger Technology ("DLT") network and (2) relies on cryptographic protocols. It is technology-defined and deliberately inclusive ("including but not limited to" tokens, virtual currencies, coins, etc.). There is no mention of economic function, value source, or regulatory character. In contrast, the term "digital commodity," as proposed, is a narrower classification that sits inside the broader crypto-asset universe. Not every crypto asset qualifies as a digital commodity.

The Exchange believes that aligning the terminology associated with the generic listing standards for options on Commodity-Based Trust Shares at Options 4, Section 3(h)(vi) with the generic listing standards for Commodity-Based Trust Shares in Nasdaq Rule 5711(d) will allow the Exchange to list options on Commodity-Based Trust Shares that Nasdaq may list pursuant to Nasdaq Rule 5711(d) as amended by the CBT Proposal.

Comprehensive Surveillance Sharing Agreement

Second, to more closely align the listing of options on Commodity-Based Trust Shares pursuant to Options 4, Section 3(h)(vi) with the listing of Commodity-Based Trust Shares that may be listed pursuant to Nasdaq Rule 5711(d), the Exchange proposes to amend Options 4, Section 3(h)(3)(B) to require that each digital commodity held by the Commodity-Based Trust underlie a derivatives contract that trades on a market with which the Exchange has a comprehensive surveillance sharing agreement, whether directly or through common membership in the ISG, except that up to 15% of the net asset value ("NAV") of the Commodity-Based Trust's holdings in the aggregate may consist of digital commodities that do not meet this requirement. As noted above, today, each crypto asset held by the Commodity-Based Trust must underlie a derivatives contract that trades on a market with which the

Exchange has a comprehensive surveillance sharing agreement, whether directly or through common membership in the ISG.

The CBT Proposal amended Nasdaq Rule 5711(d) to allow up to 15% of the NAV of a Commodity-Based Trust's holdings in the aggregate to consist of certain assets that do not meet the generic listing standards eligibility criteria in subparagraphs (A)[15] and (B)[16] of Nasdaq Rule 5711(d)(iv). Specifically, new subparagraph (C) of Nasdaq Rule 5711(d)(iv) provides that notwithstanding the eligibility requirements in Nasdaq Rule 5711(d)(iv)(A) and (B), up to 15% of the NAV of the Commodity-Based Trust's holdings in the aggregate may consist of (i) digital commodities that do not meet the criteria in subparagraph (A) of Nasdaq Rule 5711(d)(iv), or (ii) securities that do not meet the criteria in subparagraph (B) of Nasdaq Rule 5711(d)(iv). For purposes of calculating the 15% limitation, any derivatives held by the Trust will be calculated based on their gross notional value.[17]

The proposed amendment will permit the Exchange to list options on Commodity-Based Trust Shares that meet the criteria in Nasdaq Rule 5711(d) provided these options satisfy the conditions in proposed Options 4, Section 3(h)(3). Currently, Options 4, Section 3(h)(3)(A)

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15 Subparagraph (A) of Nasdaq Rule 5711(d)(iv) sets forth the eligibility requirements for commodity and commodity-based asset holdings of Commodity-Based Trust Shares. Specifically, each commodity or commodity that underlies a commodity-based asset held by the Trust must fall into at least one of the following categories in subparagraph (A): (1) the commodity trades on a market that is an ISG member; provided that Nasdaq may obtain information about trading in such commodity from the ISG member; or (2) the commodity underlies a futures contract that has been made available to trade on a designated contract market for at least six months; provided that Nasdaq has a comprehensive surveillance sharing agreement, whether directly or through common membership in ISG, with such designated contract market; or (3) on an initial basis only, an exchange-traded fund ("ETF") designed to provide economic exposure of no less than 40% of its NAV to the commodity lists and trades on a national securities exchange.

16 Subparagraph (B) of Nasdaq Rule 5711(d)(iv) sets forth the eligibility requirements for the Trust's security holdings. Specifically, if the Trust holds any securities, each security held by the Trust would need to meet the criteria of Nasdaq Rule 5735 (Managed Fund Shares), Sections (b)(1)(A), (B), or if the security is a listed option, trades on an ISG market.

17 See Nasdaq Rule 5711(d)(iv)(C).

requires that to list options on Commodity-Based Trust Shares pursuant to Options 4, Section 3(h)(vi), the total global supply of each underlying crypto asset(s) held by the Commodity-Based Trust must have an average daily market value of at least $700 million over the last 12 months. Options 4, Section 3(h)(3)(A), as proposed, will require that the total global supply of each underlying digital commodity or digital commodities held by the Commodity-Based Trust have an average daily market value of at least $700 million over the last 12 months in addition to the proposed requirement in Options 4, Section 3(h)(3)(B). Proposed Options 4, Section 3(h)(3) would state,

> Additionally, with respect to a Commodity-Based Trust that meets the requirements of Options 4, Section 3(h)(vi), the following requirements are satisfied: (A) the total global supply of each underlying digital commodity or digital commodities held by the Commodity-Based Trust has an average daily market value of at least $700 million over the last 12 months; and (B) each digital commodity held by the Commodity-Based Trust underlies a derivatives contract that trades on a market with which the Exchange has a comprehensive surveillance sharing agreement, whether directly or through common membership in the Intermarket Surveillance Group, except that up to 15% of the NAV of the Commodity-Based Trust's holdings in the aggregate may consist of digital commodities that do not meet this requirement.

Having adequate liquidity in the Trust's constituent digital commodities ensures that the creation and redemption process for Trust shares, which depends on the ability to acquire or deliver the underlying commodity in specified quantities, functions efficiently. Commodity-Based Trust Shares are issued in return for a deposit of a specified quantity of the underlying commodities and may be redeemed by the Trust upon delivery of the specified quantity to the redeeming holder. When the underlying commodity market is sufficiently liquid, the create and redeem mechanism keeps the market price of the Trust shares closely tethered to the Trust's net asset value. A tight NAV-to-share price relationship, in turn, produces reliable pricing inputs for options overlying the Trust shares, directly protecting options investors from the risk of trading

options whose reference prices (the price of the Trust's shares) have become disconnected from fundamental value. Additionally, the $700 million average daily market-value requirement ensures that the global supply of each constituent digital commodity is large enough that the introduction of listed options, and the hedging activity they generate, will not become a source of market disruption. The market supply requirement continues to serve as a good measure of liquidity to prevent the addition of options trading on the Commodity-Based Trust Shares from disrupting the market for the underlying security. The minimum global-supply threshold ensures that hedging-related demand will remain a modest fraction of overall market activity, thereby preserving stable, competitive pricing conditions for all market participants.

The proposed amendment to permit up to 15% of the NAV of the Commodity-Based Trust's holdings to consist of digital commodities that do not meet the comprehensive surveillance sharing agreement requirement does not diminish this liquidity-based investor-protection framework. Each digital commodity held by the Trust, including those within the 15% buffer, must independently satisfy the $700 million average daily market-value threshold. Accordingly, every constituent asset, regardless of whether it underlies a derivatives contract on a surveilled market, must demonstrate the same baseline level of global liquidity before the Exchange may list options on shares of the Trust. The liquidity standard thus operates as a uniform floor that applies to 100% of the Trust's commodity holdings, even where the surveillance requirement may apply to only 85%.

The remaining up to 15% of NAV that may not be covered by surveillance sharing agreements does not materially diminish the Exchange's ability to detect and prevent manipulation. The portion of the Trust's holdings not covered by surveillance sharing agreements would constitute a small fraction of the Trust's total value, and attempts to

manipulate the price of these minor constituent assets would need to have a disproportionately large price impact on the constituent assets in order to meaningfully affect the NAV of the Trust and, consequently, the price of the options. Accordingly, the Exchange believes that it is unlikely that an attempt to manipulate up to 15% of the assets held by the Commodity-Based Trust would affect the NAV of the Commodity-Based Trust or the price of the proposed options. The multi-asset structure of the Trust dilutes any single constituent's influence across the broader Trust portfolio, providing an additional investor-protection safeguard inherent in the design of multi-asset Commodity-Based Trusts.

In addition, Commodity-Based Trust Shares are subject to ongoing listing requirements at Nasdaq Rule 5711(d), including transparency obligations regarding the Trust's holdings at Nasdaq Rule 5711(d)(v) and Nasdaq Rule 5711(d)(vii), as well as the continued listing requirements at Nasdaq Rule 5711(d)(viii)(B). An issuer of Commodity-Based Trust Shares must notify Nasdaq of any failure to comply with the continued listing requirements as specified in Commentary .03 to Nasdaq Rule 5711(d). These continuous disclosure requirements provide the Exchange and market participants with real-time visibility into the composition and value of the Trust, ensuring that liquidity conditions can be monitored on an ongoing basis and creating an additional layer of protection against manipulation. Additionally, the options on the Commodity-Based Trust Shares are subject to initial listing requirements at Options 4, Section 3(h)(3) and to the continued listing requirements in Options 4, Section 4(g).[18]

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[18] Exchange-Traded Fund Shares (including Commodity-Based Trust Shares) listed for options trading pursuant to Options 4, Section 3(h) will not be deemed to meet the requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering such Exchange-Traded Fund Shares if the Exchange-Traded Fund Shares are delisted from trading because they cease to be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act or if the ETF's shares are halted or suspended from trading on their primary market. See Options 4, Section 4(g). In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Commodity-Based Trust Shares, if the criteria in Options 4, Section

Finally, the Exchange will continue to require each underlying digital commodity to have a requisite amount of deliverable supply, which, in addition to all the other criteria the underlying ETF is required to satisfy under Nasdaq Rule 5711(d), ensures adequate liquidity prior to listing. With this proposed change, a majority of the holdings of the Commodity-Based Trust would continue to underlie a derivatives contract that trades on a market with which the Exchange has a comprehensive surveillance sharing agreement, whether directly or through common membership in the ISG, thereby providing the Exchange with the information necessary to adequately surveil options on qualifying Commodity-Based Trust Shares. Further, ISE could obtain information directly from Nasdaq regarding a Commodity-Based Trust Share for purposes of investigating a suspected manipulation or other trading abuse involving options on Commodity-Based Trust Shares.

Options on Commodity-Based Trust Shares that are listed pursuant to Options 4, Section 3(h)(vi) would trade in the same manner as options on other ETFs on the Exchange. The Exchange Rules that currently apply to the listing and trading of all options on ETFs on the Exchange, including, for example, Rules that govern listing criteria, expirations, exercise prices, minimum increments, position and exercise limits, margin requirements, customer accounts and trading halt procedures would apply to the listing and trading of options on Commodity-Based Trust Shares that are listed pursuant to Options 4, Section 3(h)(vi) in the same manner.

The Exchange represents that the same surveillance procedures applicable to all other

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3(h)(3)(A) are no longer satisfied, as determined by the Exchange on a monthly basis, or if the criteria in Options 4, Section 3(h)(3)(B) are no longer satisfied. See Options 4, Section 4(g)(3). Further, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Commodity-Based Trust Shares when such other event occurs or condition exists that in the opinion of the Exchange makes further dealing in such options on the Exchange inadvisable. See Options 4, Section 4(g)(5).

options on other ETFs currently listed and traded on the Exchange will apply to the trading of options on Commodity-Based Trust Shares that are listed pursuant to proposed Options 4, Section 3(h)(vi). The Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading options on ETFs, including the listing of options on Commodity-Based Trust Shares that are listed pursuant to Options 4, Section 3(h)(vi).

Additionally, the Exchange has also analyzed its capacity and represents that it believes the Exchange and the Options Price Reporting Authority ("OPRA") have the necessary systems capacity to handle the additional traffic associated with the listing of new series of options on ETFs, including the trading of options on Commodity-Based Trust Shares that are listed pursuant to Options 4, Section 3(h)(vi), up to the number of expirations currently permissible under the Exchange Rules.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[19] in general, and furthers the objectives of Section 6(b)(5) of the Act,[20] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section

[19] 15 U.S.C. 78f(b).

[20] 15 U.S.C. 78f(b)(5).

6(b)(5)[21] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

Listing options on Commodity-Based Trust Shares will continue to provide investors with the ability to hedge their exposure to the underlying Trust in a timely manner. Similar to options on any other ETF, options on Commodity-Based Trust Shares offer investors a lower-cost tool to manage their exposure to the price of a digital commodity. Additionally, listing these options on a national securities exchange, rather than trading in the over-the-counter ("OTC") options market, increases market transparency and enhances the process of price discovery to the benefit of all investors.

In addition, the Exchange believes that its proposal to amend the listing criteria at Options 4, Section 3(h)(vi) with respect to options on Commodity-Based Trust Shares will remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors because it would allow the Exchange to immediately list and trade qualifying options on Commodity-Based Trust Shares, provided the initial listing criteria have been met, without any additional approvals from the Commission.

Specifically, the Exchange's proposal to amend Options 4, Section 3(h) to replace the term and meaning of "crypto asset" with "digital commodity" is consistent with the Act. The Exchange notes that the proposed definition of digital commodity is informed by the joint interpretative guidance issued by the SEC and the CFTC, effective March 23, 2026,[22] and would: (i) align the options terminology with the terminology utilized in Nasdaq Rule 5711(d), which is

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21 15 U.S.C. 78f(b)(5).

22 See "Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets," 91 FR 13714 (March 23, 2026).

the basis for listing options on Commodity-Based Trust Shares; and (ii) permit options to be listed on Commodity-Based Trust Shares pursuant to Nasdaq Rule 5711(d), as amended.

Practically, the term "crypto asset" is more broadly defined in that it captures anything that (1) is generated, issued, or transferred on a blockchain or similar DLT network and (2) relies on cryptographic protocols. It is technology-defined and deliberately inclusive ("including but not limited to" tokens, virtual currencies, coins, etc.). There is no mention of economic function, value source, or regulatory character. This is in contrast to the term "digital commodity," which is a narrower classification that sits inside the broader crypto-asset universe. Not every crypto asset qualifies as a digital commodity; rather, a digital commodity must (i) be a commodity as provided in the Commodity Exchange Act[23]; (ii) its value must be "intrinsically linked to and derives from the programmatic operation of a functional crypto system" and market dynamics; and (iii) its value must not be derived from "the expectation of profits from the essential managerial efforts of others," which excludes assets that would be classified as securities.

Beyond the definitional change, and to align with Commodity-Based Trust Shares that may be listed pursuant to Nasdaq Rule 5711(d), the Exchange proposes to amend Options 4, Section 3(h)(3)(B) to require that at least 85% of the NAV of the Commodity-Based Trust Share holdings underlie a derivatives contract that trades on a market with which the Exchange has a comprehensive surveillance sharing agreement, whether directly or through common membership in the ISG. This proposal is consistent with the Act as the vast majority of the economic value of the Trust's portfolio will remain subject to the same comprehensive surveillance framework that the Commission has previously found sufficient to address concerns about fraud and manipulation for listing options on Commodity-Based Trust Shares.

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[23] See 7 U.S.C. § 1a(9).

Through its membership in ISG, the Exchange would be able to obtain access to trading data, clearing data, and customer identity information from the markets that trade derivatives on digital commodities, enabling detection of coordinated or manipulative activity across markets. The ISG agreement creates a robust mechanism for sharing information related to trading activity in the derivatives overlying digital commodities. In addition, the Exchange would be able to obtain information from Nasdaq regarding trading in shares of the Commodity-Based Trusts underlying the proposed options. Together, the information available through ISG and from Nasdaq would enable the Exchange to detect and investigate potentially manipulative trading patterns. The remaining up to 15% of NAV that may not be covered by surveillance sharing agreements does not materially diminish the Exchange's ability to detect and prevent manipulation. The portion of the Trust holdings not covered by surveillance sharing agreements would constitute a small fraction of the Trust's total value, and attempts to manipulate the price of these minor constituent assets would need to have a disproportionately large price impact on the constituent assets in order to meaningfully affect the NAV of the Trust and, consequently, the price of the options.

The proposal is also consistent with the Act's investor-protection objectives because it preserves the liquidity conditions on which reliable options pricing depends. Having adequate liquidity in the Trust's constituent digital commodities ensures that the creation and redemption process for Trust shares, which depends on the ability to acquire or deliver the underlying commodity in specified quantities, functions efficiently. Commodity-Based Trust Shares are issued in return for a deposit of a specified quantity of the underlying commodities and may be redeemed by the Trust upon delivery of the specified quantity to the redeeming holder. When the underlying commodity market is sufficiently liquid, the create and redeem mechanism keeps

the market price of the Trust shares closely tethered to the Trust's net asset value. A tight NAV-to-share price relationship, in turn, produces reliable pricing inputs for options overlying the Trust shares, directly protecting options investors from the risk of trading instruments whose reference prices (the price of the Trust's shares) have become disconnected from fundamental value.

The multi-asset structure of the Trust also provides a structural safeguard against manipulation. Attempts to manipulate the price of these minor constituent assets would need to have a disproportionately large price impact on the constituent assets in order to meaningfully affect the NAV of the Trust and, consequently, the price of the options. Commodity-Based Trust Shares listed on national securities exchanges are subject to ongoing listing requirements, including transparency obligations regarding the Trust's holdings, NAV calculations, and creation and redemption mechanisms. These features provide the Exchange and market participants with continuous visibility into the composition and value of the Trust, creating an additional layer of protection against manipulation. Finally, the Exchange currently surveils the trading of options on Commodity-Based Trust Shares and will continue to do so under the proposed amended criteria.

Additionally, the $700 million average daily market-value requirement ensures that the global supply of each constituent digital commodity is large enough that the introduction of listed options on Commodity-Based Trust Shares, and the hedging activity they generate, will not become a source of market disruption. The market supply requirement continues to serve as a good measure of liquidity to prevent the addition of options trading on Commodity-Based Trust Shares from disrupting the market for the underlying securities. The minimum global-supply threshold ensures that hedging-related demand will remain a modest fraction of overall market

activity, thereby preserving stable, competitive pricing conditions for all market participants.

The proposed amendment to permit up to 15% of the NAV of the Commodity-Based Trust's holdings to consist of digital commodities that do not meet the comprehensive surveillance sharing agreement requirement does not diminish this liquidity-based investor-protection framework. Each digital commodity held by the Trust, including those within the 15% buffer, must independently satisfy the $700 million average daily market-value threshold. Accordingly, every constituent asset, regardless of whether it underlies a derivatives contract on a surveilled market, must demonstrate the same baseline level of global liquidity before the Exchange may list options on the Trust. The liquidity standard thus operates as a uniform floor that applies to 100% of the Trust's commodity holdings, even where the surveillance requirement applies to only 85%.

The remaining up to 15% of NAV that may not be covered by surveillance sharing agreements does not materially diminish the Exchange's ability to detect and prevent fraud and manipulation, consistent with Section 6(b)(5)'s objectives of preventing fraudulent and manipulative acts and practices and protecting investors and the public interest. That portion of the Trust holdings would constitute a small fraction of the Trust's total value, and an attempt to manipulate the price of these minor constituent assets would need to have a disproportionately large price impact on those assets in order to meaningfully affect the NAV of the Trust and, consequently, the price of the options. This structural dilution of any single constituent's influence across the broader Trust portfolio provides an investor-protection safeguard inherent in the design of multi-asset Commodity-Based Trusts, operating in addition to — rather than in place of — the 85% surveillance framework and the ongoing listing and disclosure requirements described elsewhere in this filing.

Continuous disclosure obligations provide a further safeguard against manipulation. Commodity-Based Trust Shares are subject to ongoing listing requirements at Nasdaq Rule 5711(d), including transparency obligations regarding the Trust's holdings at Nasdaq Rule 5711(d)(v) and Nasdaq Rule 5711(d)(vii), as well as the continued listing requirements at Nasdaq Rule 5711(d)(viii)(B). These continuous disclosure requirements provide the Exchange and market participants with real-time visibility into the composition and value of the Trust, ensuring that liquidity conditions can be monitored on an ongoing basis and creating an additional layer of protection against manipulation. Because option values derive from the Trust share price, this transparency matters: it allows market participants to use the creation and redemption process to keep the price of the Trust's Shares tethered to NAV, giving the options a reliable reference price. Any attempt to move the Trust share price to profit in the options would create a visible deviation from a publicly known NAV, inviting offsetting creation or redemption activity and detection through the Exchange's surveillance. Additionally, the options on the Commodity-Based Trust Shares are subject to continued listing requirements at Options 4, Section 3(h)(3) and Options 4, Section 4(g).

In addition, the Exchange will continue to require each underlying digital commodity to have a requisite amount of deliverable supply, which, in addition to all the other criteria the underlying ETF is required to satisfy under Nasdaq Rule 5711(d), ensures adequate liquidity prior to listing. With this proposed change, a majority of the holdings of the Commodity-Based Trust would continue to underlie a derivatives contract that trades on a market with which the Exchange has a comprehensive surveillance sharing agreement, whether directly or through common membership in the ISG, thereby providing the Exchange with the information necessary to adequately surveil options on qualifying Commodity-Based Trust Shares. Today, the

Exchange has a comprehensive surveillance sharing agreement in place with both CME Group Inc. ("CME") and Coinbase Derivatives through its common membership in ISG. This facilitates the sharing of information that is available to CME and Coinbase Derivatives through their surveillance of their respective markets, including their surveillance of their respective digital asset futures markets. Further, ISE could obtain information directly from Nasdaq regarding trading in Commodity-Based Trust Shares for the purpose of investigating a suspected manipulation or other trading abuse.

Options on Commodity-Based Trust Shares that are listed pursuant to Options 4, Section 3(h)(vi) would trade in the same manner as options on other ETFs on the Exchange. The Exchange Rules that currently apply to the listing and trading of all options on ETFs on the Exchange, including, for example, Rules that govern listing criteria, expirations, exercise prices, minimum increments, position and exercise limits, margin requirements, customer accounts and trading halt procedures would apply to the listing and trading of options on Commodity-Based Trust Shares that are listed pursuant to Options 4, Section 3(h)(vi) in the same manner.

The Exchange represents that the same surveillance procedures applicable to all other options on other ETFs currently listed and traded on the Exchange will apply to the trading of options on Commodity-Based Trust Shares that are listed pursuant to Options 4, Section 3(h)(vi). The Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading options on ETFs, including the listing of options on Commodity-Based Trust Shares that are listed pursuant to Options 4, Section 3(h)(vi).

Additionally, the Exchange has analyzed its capacity and represents that it believes the Exchange and OPRA have the necessary systems capacity to handle the additional traffic

associated with the listing of new series of options on ETFs, including the trading of options on Commodity-Based Trust Shares that are listed pursuant to Options 4, Section 3(h)(vi), up to the number of expirations currently permissible under the Exchange Rules.

B. Self-Regulatory Organization's Statement on Burden on Competition

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

The Exchange does not believe that the proposal to amend the term and meaning of "crypto asset" to "digital commodity" within Options 4, Section 3(h), will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the term aligns with the terminology utilized in Nasdaq Rule 5711(d). Options on qualifying Commodity-Based Trust Shares would need to satisfy the initial listing standards set forth in the Exchange Rules in the same manner as any other ETF before the Exchange could list options on them. Additionally, options on qualifying Commodity-Based Trust Shares will be equally available to all market participants who wish to trade such options. The Exchange Rules currently applicable to the listing and trading of options on ETFs on the Exchange will apply in the same manner to the listing and trading of all options on qualifying Commodity-Based Trust Shares.

The Exchange does not believe that the proposal to amend the term and meaning of "crypto asset" to "digital commodity" within Options 4, Section 3(h), will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Other options exchanges are free to amend their listing rules, as applicable, to permit them to list and trade options on Commodity-Based Trust Shares that hold digital commodities.

The Exchange does not believe that its proposal to amend Options 4, Section 3(h)(3)(B) to require that at least 85% of the NAV of the Commodity-Based Trust Share holdings underlie a derivatives contract that trades on a market with which the Exchange has a comprehensive surveillance sharing agreement, whether directly or through common membership in the ISG, will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because all options on Commodity-Based Trust Shares will be listed pursuant to the same listing standards and will be available to all market participants.

The Exchange does not believe that its proposal to amend Options 4, Section 3(h)(3)(B) to require that at least 85% of the NAV of the Commodity-Based Trust Share holdings underlie a derivatives contract that trades on a market with which the Exchange has a comprehensive surveillance sharing agreement, whether directly or through common membership in the ISG, will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Other options exchanges are free to amend their listing rules, as applicable, to permit them to list and trade options on Commodity-Based Trust Shares that hold digital commodities.

Additionally, the Exchange notes that listing and trading options on qualifying Commodity-Based Trust Shares on the Exchange will subject such options to transparent exchange-based rules while enhancing price discovery and liquidity, rather than trading such options in the OTC market. The Exchange believes that the proposed rule change may relieve any burden on, or otherwise promote, competition as it is designed to increase competition for order flow on the Exchange in a manner that is beneficial to investors by providing them with a lower-cost option to hedge their investment portfolios in a timely manner.

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

No written comments were either solicited or received.

IV. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 2, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[24] In particular, the Commission finds that the proposed rule change, as modified by Amendment No. 2, is consistent with Section 6(b)(5) of the Act,[25] 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.

The Exchange proposes to amend ISE Options 4, Section 3(h)(vi) to permit the Exchange to list options on Commodity-Based Trust Shares that holds a digital commodity or multiple digital commodities, provided that the Trust meets certain requirements, as described above.[26] The proposal will allow ISE to list options on Commodity-Based Trust Shares without further approval from the Commission, thereby permitting the Exchange to list these options soon after Nasdaq lists the underlying Commodity-Based Trust Shares. Permitting the listing and trading

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

25 15 U.S.C. 78f(b)(5).

26 The Exchange represents that to the extent legislation is enacted defining "digital commodity" or a substantially similar term, the Exchange will submit a rule filing to conform the definition in proposed ISE Options 4, Section 3(h) to the statutory definition. See Amendment No. 2 at 7.

of these options on the Exchange will provide investors with an additional vehicle for gaining and hedging exposure to the underlying Commodity-Based Trust Shares.

Options on Commodity-Based Trust Shares that hold a digital commodity or multiple digital commodities will be subject to initial and continued listing requirements that are similar to the Exchange's current initial and continued listing requirements for options on Commodity-Based Trusts Shares that hold a single crypto asset or multiple crypto assets.[27] Under the proposal, each digital commodity that a Commodity-Based Trust holds must (A) have an average daily market value of at least $700 million over the last 12 months; and (B) underlie a derivatives contract that trades on a market with which the Exchange has a comprehensive surveillance sharing agreement, whether directly or through common membership in ISG, except that up to 15% of the NAV of the Commodity-Based Trust's holding in the aggregate may consist of digital commodities that do not meet this requirement. The Exchange will consider suspending opening transactions in Commodity-Based Trust Share options if the requirements in proposed ISE Options 4, Section 3(h)(3) are no longer satisfied.[28]

The Exchange represents that the same surveillance procedures applicable to ETF options currently listed and traded on the Exchange will apply to the trading of options on Commodity-Based Trust Shares.[29] The Exchange states that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior that might arise from listing and trading options on ETFs, including the listing of options on Commodity-Based Trust Shares.[30] As discussed above, under proposed Options 4, Section 3(h)(3)(B), each digital commodity held

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27 See Options 4, Sections 3(h)(3) and Options 4, Section 4.

28 See ISE Options 4, Section 4(g)(3).

29 See Amendment No. 2 at 14. The Exchange's rules use the term "exchange-traded fund" to refer to several types of investment products, including Commodity-Based Trusts. See Options 4, Section 3(h).

30 See Amendment No. 2 at 14.

by a Commodity-Based Trust must underlie a derivatives contract that trades on a market with which the Exchange has a comprehensive surveillance sharing agreement, whether directly or through common membership in ISG, except that up to 15% of the NAV of the Commodity-Based Trust's holdings in the aggregate may consist of digital commodities that do not meet this requirement.[31] The requirement in Options 4, Section 3(h)(3)(B), which is consistent with the Commodity-Based Trust Share listing standards in Nasdaq Rule 5711(d)(iv)(A)(2) and (C), should assist the Exchange in investigating suspected manipulations or other trading abuses in Commodity-Based Trust Share options.[32]

For these reasons, the Commission finds that the proposed rule change, as modified by Amendment No. 2, is consistent with the requirements of the Act.

V. Solicitation of Comments on Amendment No. 2 to the Proposed Rule Change

Interested persons are invited to submit written data, views, and arguments concerning whether the proposed rule change, as modified by Amendment No. 2, 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-2026-42 on the subject line.

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31 See proposed ISE Options 4, Section 3(h)(3)(B).

32 See Nasdaq Rule 5711(d)(iv)(C). See also Securities Exchange Act Release No. 105995 (July 27, 2026), 91 FR 48204 (July 30, 2026) (order approving File No. SR-Nasdaq-2026-032) ("Commodity-Based Trust Shares Order"). In the Commodity-Based Trust Shares Order, the Commission stated that the requirement that each exchange-traded product ("ETP") holds at least 85% of its investments in commodities approved by the Commission to underlie an ETP as primary investments will enable adequate surveillance of the shares on the listing exchange. See Commodity-Based Trust Shares Order, 91 FR at 48206.

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-2026-42. 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 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-2026-42, and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

V. Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 2

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 2, prior to the thirtieth day after the date of publication of notice of the filing of Amendment No. 2 in the Federal Register. Amendment No. 2 revises the proposal to: (1) represent that the Exchange will submit a proposed rule change to modify its definition of "digital commodity" if legislation is enacted that defines "digital commodity" or a substantially similar term; (2) state that, for purposes of calculating the 15% limitation in proposed Options 4, Section 3(h)(3)(B), any derivatives held by the Trust will be calculated based on their gross notional value; (3) state that it is unlikely that an attempt to manipulate 15% of the assets of a

Commodity-Based Trust would affect the price of the proposed options; (4) state that the Exchange would be able to obtain information from Nasdaq regarding Commodity-Based Trust Shares for purposes of investigating a suspected manipulation or other trading abuse involving the proposed Commodity-Based Trust Share options; (5) describe the continued listing requirements for the proposed options; (6) describe the surveillance procedures and trading rules that would apply to the proposed options; (7) represent that the Exchange and OPRA have the necessary systems capacity to handle the additional traffic that would be associated with listing the proposed options; (8) correct a grammatical error in the text of the proposed rule; and (9) make additional non-substantive changes to the proposal.

Amendment No. 2 raises no novel regulatory issues that have not previously been subject to comment and strengthens and clarifies the proposal by describing the surveillance procedures and Exchange rules, including the continued listing requirements, that will apply to the proposed options. The representations, the clarifications, and additional information included in Amendment No. 2, provide additional support for the proposal and assist the Commission in evaluating the proposal and determining that the proposal is consistent with the Act. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,[33] to approve the proposed rule change, as modified by Amendment No. 2, on an accelerated basis.

[33] 15 U.S.C. 78s(b)(2).

VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Exchange Act,[34] that the proposed rule change (SR-ISE-2026-42), as modified by Amendment No. 2, is approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[35]

Sherry R. Haywood,

Assistant Secretary.

[34] 15 U.S.C. 78s(b)(2).

[35] 17 CFR 200.30-3(a)(12).