SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-100837; File No. SR-ISE-2024-21)

August 27, 2024

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, to Adopt Rules to Permit the Listing of Two Monday Expirations for Options on SPDR Gold Shares, iShares Silver Trust, and iShares 20+ Year Treasury Bond ETF

I. Introduction

On May 16, 2024, Nasdaq ISE, LLC ("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 permit the listing of two Monday expirations for options on United States Oil Fund, LP ("USO"), United States Natural Gas Fund, LP ("UNG"), SPDR Gold Shares ("GLD"), iShares Silver Trust ("SLV"), and iShares 20+ Year Treasury Bond ETF ("TLT"). The proposed rule change was published for comment in the Federal Register on May 30, 2024.[3] On July 9, 2024, pursuant to Section 19(b)(2) of the Act,[4] 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the proposed rule change.[5] On August 21, 2024, the Exchange filed Amendment No. 1 to the proposed rule change, which superseded the original proposed rule change in its entirety.[6]

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

2 17 CFR 240.19b-4.

3 See Securities Exchange Act Release No. 100223 (May 23, 2024), 89 FR 46926.

4 15 U.S.C. 78s(b)(2).

5 See Securities Exchange Act Release No. 100478, 89 FR 57482 (July 15, 2024) (designating August 28, 2024 as the date by which the Commission shall either approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change).

6 In Amendment No. 1, the Exchange narrowed the scope of the proposed rule change to remove all aspects of the proposal that would have permitted the Exchange to list two Monday expirations for options on USO

The Commission did not receive any comments. The Commission is publishing this notice to solicit comments on Amendment No. 1 from interested persons and is approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

II. Description of the Proposed Rule Change, as Modified by Amendment No. 1[7]

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").[8] 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.[9] Today, the Exchange may list no more than a total of two Monday, Tuesday, Wednesday, and Thursday expirations on the SPDR S&P 500 ETF Trust ("SPY"), the Invesco QQQ Trust ("QQQ"), and the iShares Russell 2000 ETF ("IWM"). In addition, the Exchange permits the listing of two Wednesday expirations for options on GLD, SLV, and TLT (collectively, "ETPs").[10]

The Exchange proposes to expand the Short Term Option Series Program to permit the listing of two Monday expirations beyond the current week for options on GLD, SLV, and TLT ("Monday ETP Expirations"). The proposed Monday ETP Expirations would be similar to the

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and UNG. The full text of Amendment No. 1 is available on the Commission's website at: https://www.sec.gov/comments/sr-ise-2024-21/srise202421-509815-1478802.pdf.

7 For a full description of the proposed rule change, refer to Amendment No. 1, supra note 6.

8 See Supplementary Material .03 to Options 4, Section 5.

9 See id.

10 See Securities Exchange Act Release No. 98905 (November 13, 2023), 88 FR 80348 (November 17, 2023) (SR-ISE-2023-11) ("Wednesday ETP Expiration Order"). In addition, the Exchange may list two Wednesday expirations on USO and UNG. See Supplementary Material .03 to Options 4, Section 5.

current Monday SPY, QQQ, and IWM 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 GLD, SLV, and TLT to expire on any Monday of the month that is a business day and is not a Monday in which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire. In the case of a series that is listed on a Friday and expires on a Monday, it must be listed at least one business week and one business day prior to the expiration.[11] In the event a Monday ETP Expiration would 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.[12] As is the case with other equity options series listed pursuant to the Short Term Option Series Program, the proposed Monday ETP Expirations series would be p.m.-settled.

Monday ETP Expirations would be treated similarly to existing Monday SPY, QQQ, and IWM Expirations. The interval between strike prices for the proposed Monday ETP Expirations would be the same as those currently applicable to the Short Term Option Series Program.[13]

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[11] See Amendment No. 1, supra note 6, at 6.

[12] 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.

[13] See id. at 7. Specifically, the Monday ETP 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 id.

The Exchange represents that it would implement this rule change within 30 days after Commission approval and would issue an Options Trader Alert to notify Members of the implementation date.[14]

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.[15] In particular, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with Section 6(b)(5) of the Act,[16] which requires, among other things, that the Exchange's rules 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.

In support of its proposal, the Exchange states it does not believe that any market disruptions will be encountered with the introduction of Monday ETP Expirations.[17] The Exchange states that it currently trades Short Term Option Daily Expirations on SPY, QQQ, and IWM, including Short Term Option Daily Expirations that expire on Mondays, and has not experienced any market disruptions nor issues with capacity.[18] In addition, the Exchange states it has not experienced any market disruptions or issues with capacity in expanding the three ETPs

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14 See id. at 19.

15 In approving this proposed rule change, as modified by Amendment No. 1, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

16 15 U.S.C. 78f(b)(5).

17 See Amendment No. 1 at 8.

18 See id. at 8-9.

to the Wednesday expirations.[19] The Exchange states it has surveillance programs in place to support and properly monitor trading in Short Term Option Series that expire Monday for SPY, QQQ, and IWM, and the Exchange states that it has the necessary capacity and surveillance programs in place to support and properly monitor trading in the proposed Monday ETP Expirations.[20] The Exchange states that its proposed expansion of the Short Term Option Series Program to permit GLD, SLV, and TLT Monday Expirations would add a small overall number of weekly expiration dates because the Exchange will limit the number of Short Term Option Daily Expirations for these ETPs to two Monday expirations.[21]

The Exchange examined the average daily contracts traded in GLD, SLV, and TLT five months before and five months after the introduction of Wednesday expirations to assess whether there was new interest from adding these alternative expirations. According to data provided by the Exchange, there was a general volume increase in terms of average daily contracts traded in these three symbols in the five-month period following the introduction of Wednesday expirations.[22] Based on that data, the Exchange believes there is general demand for alternative expirations in GLD, SLV, and TLT, and that new interest would be attracted by adding alternative expirations (rather than existing interest being cannibalized).[23]

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19 See id. at 9.

20 See id.

21 See id. at 10. According to the Exchange, expanding the Short Term Option Series Program in this way would account for the addition of 4% (GLD), 8% (SLV), and 4% (TLT) of strikes for the respective symbol. See id. With respect to the impact on the Short Term Option Series Program for each symbol overall, the impact would be a 13% (GLD), 20% (SLV), and 18% (TLT) increase in strikes for the respective symbol. See id. at 10-11. With respect to the impact on the Short Term Option Series Program overall, the impact would be a 0.05% (GLD), 0.03% (SLV), and 0.04% (TLT) increase in strikes for the respective symbol. See id. at 11.

22 See id. at 13.

23 See id. The Exchange performed a similar analysis of average daily contracts traded in SPY and QQQ five months before and five months after the introduction of Tuesday and Thursday expirations on those symbols. See id. at 12. The Exchange's data similarly showed a volume increase in terms of average daily contracts traded in SPY and QQQ in the period following the introduction of Tuesday and Thursday

The Exchange also examined the lifecycle volume of GLD, SLV, and TLT in terms of average daily contracts traded, going from 50 days before expiration to the expiration date, to see how that lifecycle volume changed before and after the introduction of Wednesday expirations. The data provided by the Exchange shows an increase in volume in terms of average daily contracts traded as the expiration date approaches.[24] This is consistent across all three symbols as well as before and after the addition of Wednesday expirations.[25]

Additionally, the Exchange provided data that shows post-close movements between 4:00 and 5:30 p.m. Eastern Time that indicates that GLD, SLV, and TLT are generally less volatile (strike-wise) than SPY, QQQ, and IWM.[26] Further, the Exchange provided data that shows that GLD, SLV, and TLT are generally less volatile during the last 30 minutes of trading than SPY, QQQ, and IWM.[27]

The Exchange's proposal is reasonably designed as a limited expansion of Monday expirations. As noted above, the Exchange currently offers Short Term Option Daily Expirations on SPY, QQQ, and IWM, including Monday expirations. The Exchange proposes to limit the number of Monday ETP Expirations to two expirations beyond the current week. The Exchange also proposes to limit the listing of additional Monday expirations to the three ETPs, which generally have similar or lower volatility in terms of post-closing and end of day volatility as SPY, QQQ, and IWM. And, like SPY, QQQ, and IWM, the ETPs have multiple highly-

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expirations, which the Exchange states indicates the existence of genuine new interest in alternative expirations for those symbols. See id. at 12-13.

[24] See id. at 14-16.

[25] See id.

[26] See id. at 16.

[27] See id. at 17.

correlated instruments available for hedging.[28] In addition, the Exchange's data showing an increase in average daily contracts traded after the introduction of Wednesday expirations on the ETPs may indicate a demand for alternative expirations in the three ETPs. Further, the Monday ETP Expirations will be subject to the same rules for Monday expirations in SPY, QQQ, and IWM.

Based on the foregoing, the Commission believes the proposal reasonably balances the Exchange's desire to accommodate market participants by offering a wider array of investment opportunities with the need to avoid unnecessary proliferation of options series. Additionally, this limited expansion of Monday ETP Expirations may provide the investing public and other market participants more flexibility to closely tailor their investment and hedging decisions using options on these ETPs, thus allowing them to better manage their risk exposure. For these reasons, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with Section 6(b)(5) of the Act[29] and the rules and regulations thereunder applicable to a national securities exchange.

IV. Solicitation of Comments on Amendment No. 1 to the Proposed Rule Change

Interested persons are invited to submit written data, views, and arguments concerning whether Amendment No. 1 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

28 See Wednesday ETP Expiration Order, supra note 10, at 80349.

29 15 U.S.C. 78f(b)(5).

- Send an email to rule-comments@sec.gov. Please include file number SR-ISE-2024-21 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-2024-21. 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-2024-21 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

V. Accelerated Approval of the Proposed Rule Change, as Modified by Amendment No. 1

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 1, prior to the thirtieth day after the date of publication of notice of the filing of Amendment No. 1 in the Federal Register. As discussed above, in Amendment No. 1, the narrowed the scope of the proposed rule change to remove all aspects of the proposal that would have permitted the Exchange to list two Monday expirations for options on USO and UNG. The Commission believes that Amendment No. 1 merely narrows the scope of the proposed rule change, does not otherwise alter the substance of the proposed rule change, and does not raise any novel regulatory issues. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,[30] to approve the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

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[30] 15 U.S.C. 78s(b)(2).

VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[31] that the proposed rule change (SR-ISE-2024-21), as modified by Amendment No. 1, be and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[32]

Sherry R. Haywood,

Assistant Secretary.

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31 15 U.S.C. 78f(b)(2).

32 17 CFR 200.30-3(a)(12).