SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-102580; File No. SR-MIAX-2025-08)

March 11, 2025

Self-Regulatory Organizations: Notice of Filing of a Proposed Rule Change by Miami International Securities Exchange, LLC to Amend Certain MIAX Options Exchange Rules to Permit the Listing and Trading of Cash-Settled Index Options on the Bloomberg US Large Cap Price Return Index (the "B500 Index")

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on March 10, 2025, Miami International Securities Exchange, LLC ("MIAX" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change as described in Items I and II below, which Items have been prepared by MIAX. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to: (1) amend certain of the Exchange's index option rules (Chapter XVIII) to permit the listing and trading of cash-settled equity index options on the Bloomberg US Large Cap Price Return Index (the "B500 Index") that are A.M.-settled index options; (2) establish rule text to permit the Exchange to list and trade cash-settled B500 Index options that are P.M.-settled index options; (3) establish rule text to allow the Exchange to list broad-based index options with nonstandard expirations; and (4) establish the parameters for the data and analysis that the Exchange will include in an annual report to the Securities and Exchange Commission ("Commission") regarding B500 Index options that are traded on the Exchange for a period of five years.

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

2 17 CFR 240.19b-4.

The text of the proposed rule change is available on MIAX's website at https://www.miaxglobal.com/markets/us-options/all-options-exchanges/rule-filings, at MIAX's principal office, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

The Exchange proposes to: (1) amend certain of the Exchange's index option rules to permit the listing and trading of cash-settled B500 Index options that are A.M.-settled index options; (2) establish rule text to permit the Exchange to list and trade cash-settled B500 Index options that are P.M.-settled index options; (3) establish rule text to allow the Exchange to list broad-based index options with nonstandard expirations; and (4) establish the parameters for the data and analysis that the Exchange will include in an annual report to the Commission regarding B500 Index options that are traded on the Exchange for a period of five years.

Background

The B500 Index is a broad-based, float[3] market-capitalization-weighted benchmark of the

[3] As part of the construction of the B500 Index, Bloomberg Index Services Limited ("BISL"), the administrator of the B500 Index, performs a liquidity screening for each component security that is initially eligible to be included in the B500 Index. Part of the liquidity screening process involves removing all securities from the B500 Index that failed the minimum free-float shares screening. Free-float shares are

500 most highly capitalized U.S.-listed companies.[4] All constituents of the B500 Index[5] are securities consisting of common stocks, real estate investment trusts ("REITs"), and tracking stocks, which are primarily listed on a U.S. securities exchange, as provided for in the Methodology Guide.[6] The components of the B500 Index are determined from the U.S.-listed companies that have the largest cumulative free-float market capitalization. Each component security of the B500 Index must also meet certain minimum eligibility and liquidity screening requirements, as detailed in the Methodology Guide.[7] BISL is the administrator of the B500 Index and monitors and maintains the B500 Index, including handling the quarterly and semi-annual rebalances.[8]

Proposal to Amend Certain Exchange Rules to List A.M.-Settled B500 Index Options

The Exchange proposes to amend certain Exchange rules to permit the listing and trading

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used in calculation of the B500 Index. BISL calculates the free-float shares figure by subtracting shares held by insiders and those deemed to be stagnant shareholders from the shares outstanding. Securities should have free-float market capitalization equal to or greater than 50% of the equity universe minimum size requirement (total market capitalization) to be included in the index. See Bloomberg US Domestic Equity Indices Methodology, at page 6, dated September 2024, available at https://assets.bbhub.io/professional/sites/10/Bloomberg-US-Domestic-Equity-Indices-Methodology.pdf (the "Methodology Guide").

4 See Bloomberg US Large Cap Index Fact Sheet, dated December 31, 2024, available at https://assets.bbhub.io/professional/sites/27/Bloomberg-US-Large-Cap-Index-Fact-Sheet.pdf (the "Fact Sheet").

5 References to the "B500 Index" are to the "Bloomberg US Large Cap Price Return Index," as described in the Methodology Guide. The Exchange notes that the Bloomberg US Large Cap Total Return Index and Bloomberg US Large Cap Net Return Index have different calculations than the Bloomberg US Large Cap Price Return Index. For example, the Bloomberg US Large Cap Total Return Index reflects reinvestment of gross dividends and the Bloomberg US Large Cap Net Return Index reflects the reinvestment of net of tax dividends. See Methodology Guide, supra note 3, at pages 14-15.

6 See Methodology Guide, supra note 3. Each component security of the B500 Index must be primarily listed on one of the following U.S. securities exchanges: NYSE, NYSE American, NYSE ARCA, IEX, NASDAQ CM, NASDAQ GS, NASDAQ GM and CBOE BZX. See id., at page 4.

7 See Methodology Guide, supra note 3, at pages 4-7.

8 See Methodology Guide, supra note 3, at page 18.

of B500 Index options that are A.M.-settled index options, as described further below.[9]

Initial and Maintenance Listing Criteria

The Exchange believes that the B500 Index meets the definition of a broad-based index as set forth in Exchange Rule 1802(d) (i.e., an index designed to be representative of a stock market as a whole or of a range of companies in unrelated industries). Additionally, the proposed A.M.-settled B500 Index options with third Friday-of-the-month expirations satisfy the initial listing criteria for options on a broad-based index, as set forth in Exchange Rule 1802(d):

(1) the index is broad-based, as defined in Rule 1801(l);[10]

(2) options on the index are designated as A.M.-settled;

(3) the index is capitalization-weighted, modified capitalization-weighted, price-weighted, or equal dollar-weighted;[11]

(4) the index consists of 50 or more component securities;

(5) component securities that account for at least ninety-five percent (95%) of the weight of the index have a market capitalization of at least $75 million, except that component securities that account for at least sixty-five percent (65%) of the weight of the index have a market capitalization of at least $100 million;

(6) component securities that account for at least eighty percent (80%) of the weight of the index satisfy the requirements of Rule 402 applicable to individual underlying securities;

(7) each component security that accounts for at least one percent (1%) of the weight of the index has an average daily trading volume of at least 90,000 shares during the last six month period;

(8) no single component security accounts for more than ten percent (10%) of the

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9 The term "A.M.-settled index option" means an index options contract for which the current index value at expiration shall be determined as provided in Exchange Rule 1809(a)(5). See Exchange Rule 1801(c). The Exchange uses the phrase "A.M., cash-settled options" (or substantively similar wording) when referring to "A.M.-settled index options" in this filing. The term "P.M.-settled index option" is defined in proposed new subparagraph (6) to Exchange Rule 1809, as described below.

10 The term "market index" and "broad-based index" mean an index designed to be representative of a stock market as a whole or of a range of companies in unrelated industries. See Exchange Rule 1801(l).

11 As noted above, the B500 Index is a float market-capitalization-weighted index, which satisfies the requirement in Exchange Rule 1802(d)(3). See supra note 3.

weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than thirty-three percent (33%) of the weight of the index;

(9) each component security must be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act;

(10) non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the index;

(11) the current index value is widely disseminated at least once every fifteen (15) seconds by OPRA, CTA/CQ, NIDS or one or more major market data vendors during the time options on the index are traded on the Exchange;[12]

(12) the Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange's current ISCA allocation and the number of new messages per second expected to be generated by options on such index;

(13) an equal dollar-weighted index is rebalanced at least once every calendar quarter;

(14) if an index is maintained by a broker-dealer, the index is calculated by a third-party who is not a broker-dealer, and the broker-dealer has erected an informational barrier around its personnel who have access to information concerning changes in, and adjustments to, the index; and

(15) the Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

The proposed A.M.-settled B500 Index options will be subject to the maintenance and listing standards set forth in Exchange Rule 1802(e):

(1) the requirements set forth in subparagraphs (d)(1) – (d)(3) and (d)(9) – (d)(15) must continue to be satisfied. The requirements set forth in subparagraphs (d)(5) – (d)(8) must be satisfied only as of the first day of January and July in each year; and

(2) the total number of component securities in the index may not increase or decrease by more than ten percent (10%) from the number of component securities in the index at the time of its initial listing.[13]

12 The B500 Index will be disseminated more frequently at 1-second intervals.

13 In the event the B500 Index fails to satisfy the maintenance listing standards, the Exchange will not open for trading any additional series of options of that class unless the continued listing of that class of index

Reporting Authority

The Exchange proposes to amend Interpretation and Policy .01 to Exchange Rule 1801 to add the B500 Index to the table showing each underlying index and its reporting authority designated by the Exchange. Specifically, the Exchange proposes to add a new row to the table in Interpretation and Policy .01 to Exchange Rule 1801 to state that the underlying index is the B500 Index and the reporting authority is BISL. BISL monitors and maintains the B500 Index and rebalances the B500 Index quarterly and on a semi-annual basis, as described in the Methodology Guide.[14] The shares of the B500 Index (referred to in the Methodology Guide as "Index Shares"[15]) are updated on a quarterly basis on the second Wednesday of March, June, September and December, using data as of one day in the last week of January, April, July and October.[16] BISL will announce any changes to the shares of the B500 Index at least ten business days in advance of such changes.[17] In addition, the composition of the B500 Index is determined in a reconstitution on a semi-annual basis on the second Wednesday of March and September, using data as of one day in the last week of January and July.[18] BISL will announce any changes to the composition of the B500 Index at least ten business days in advance of such changes.[19]

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options has been approved by the Commission under Section 19(b)(2) of the Exchange Act. See Exchange Rule 1802(e).

14 See supra note 3.

15 The term "Index Shares" refers to shares of a component security within the B500 Index. The number of Index Shares are updated at each quarterly rebalance and adjusted intra-quarter for corporate actions. The term "rebalance" refers to the selection and weighting of securities in the B500 Index based upon the rules set forth in the Methodology Guide and the process of applying a selection and re-weighting of securities to the B500 Index. See Methodology Guide, supra note 3, at page 26, Appendix 6, Glossary of Terms.

16 See Methodology Guide, supra note 3, at page 18.

17 See id.

18 See id.

19 See id.

Expiration Months, Exercise Style, and Settlement

For A.M.-settled B500 Index options, the Exchange plans to only list third Friday-of-the-month expirations. The Exchange proposes to amend Exchange Rule 1809(a)(3) to provide that the Exchange may list up to twelve (12) standard expiration months for options on the B500 Index. The Exchange proposes to amend Exchange Rule 1809(a)(4), "European-Style Exercise," to establish subparagraph (ii) to provide that the proposed B500 Index options will be European-style exercise, i.e., options on the B500 Index may exercise only at expiration. The Exchange also proposes to amend Exchange Rule 1809(a)(5), A.M.-Settled Index Options, to establish subparagraph (ii)(B) to specify that the B500 Index options will be A.M., cash-settled contracts.[20] The proposed rule text for expirations months, exercise style and settlement method for A.M.-settled B500 Index options is consistent with index options rules in place at other exchanges that list options on broad-based equity indexes.[21]

The notional value of each A.M.-settled B500 Index option contract would be calculated using a $100 multiplier, and the minimum trading increment would be $0.05 for options trading below $3.00 and $0.10 for all other series.[22] Strike price intervals would be set at no less than $5.00.[23]

The proposed A.M.-settled B500 Index options would be similar to other broad-based equity index options that are listed on other exchanges in terms of expirations listed, exercise

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20 A.M.-settlement is consistent with the generic listing criteria for broad-based indexes, and thus it is common for index options to be A.M.-settled. See Exchange Rule 1802(d)(2).

21 See e.g., Cboe Exchange, Inc. ("Cboe") Rulebook, Chapter 4. Options Listing, Section B. Index Options, Rule 4.13(a)(2)-(4) and Nasdaq ISE, LLC ("ISE") Rulebook, Options 4A: Options Index Rules, Section 12. Terms of Index Options Contracts, Rule 12(a)(3)-(5).

22 See Exchange Rule 510(a).

23 See Exchange Rule 1809(c)(1).

style and settlement. For example, Cboe lists S&P® 500 Index options ("SPX").[24] Cboe may list up to twelve (12) standard third Friday-of-the-month SPX expirations, which are European-style exercise, and A.M.-settled using the opening sales price in the primary market of each component security on the expiration date.[25] Further, each SPX option has a $100 multiplier; strike price intervals no less than $5.00; and the minimum tick increments for SPX options trading below $3.00 is 0.05 ($5.00), and for all other series, 0.10 ($10.00). All of the contract specifications described above for SPX are similar to the proposed specifications for A.M.-settled B500 Index options.[26]

Proposal to Establish Exchange Rules to List P.M.-Settled B500 Index Options

The Exchange proposes to establish new rules to permit the listing and trading of P.M. cash-settled options on the B500 Index, whose exercise settlement value will be based on the closing index value of the B500 Index on the expiration day.

In particular, the Exchange proposes to add subparagraphs (a)(6) and (a)(6)(i) to Exchange Rule 1809, Terms of Index Options Contracts. Proposed subparagraph (a)(6) would be titled "P.M.-Settled Index Options," and provide as follows:

> The last day of trading for P.M.-settled index options shall be the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last business day before its expiration date. The current index value at expiration of the index is determined by the last reported sale price of each component security. In the event that the primary market for an underlying security

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[24] Cboe also lists P.M.-settled standard third Friday expirations on the S&P 500® Index, as well as nonstandard expirations that expire weekly on Monday, Tuesday, Wednesday, Thursday, and Friday (collectively, "SPX Weeklies"), and on the last trading day of each month ("SPX EOMs"). The ticker for SPX Weeklies and SPX EOMs is "SPXW." References to "SPX" in this filing are to the A.M.-settled S&P 500® Index options. SPXW options also third Friday P.M.-settled options on the S&P 500® Index.

[25] See SPX Options Product Specification, available at https://www.cboe.com/tradable_products/sp_500/spx_options/specifications/?_gl=1*1hegxc2*_up*MQ..*_ga*MjY1Njg1OTIzLjE3Mzk5MDE4ODI.*_ga_5Q99WB9X71*MTczOTkxMjUzMi4yLjAuMTczOTkxMjUzMi4wLjAuMA (last visited February 18, 2025).

[26] See id.

> does not open for trading on the expiration date, the price of that security shall be the last reported sale price prior to the expiration date. The following P.M.-settled index options are approved for trading on the Exchange:…

Proposed subparagraph (a)(6)(i) would provide that "[i]n addition to A.M.-settled B500 Index options approved for trading on the Exchange pursuant to Rule 1809(a)(5), the Exchange may also list options on the B500 Index whose exercise settlement value is the closing value of the B500 Index on the expiration day (P.M.-settled third Friday-of-the-month B500 options series)."

Reporting Authority

As described above, the Exchange proposes to amend Interpretation and Policy .01 to Exchange Rule 1801 to provide that BISL will be the designated reporting authority for the B500 Index for all expirations. BISL monitors and maintains the B500 Index, including the quarterly and semi-annual rebalances, and would be listed as the reporting authority for all series of options[27] and classes of options[28] that the Exchange lists on the B500 Index (i.e., B500 Index options with A.M. and P.M.-settlement).

Expiration Months, Exercise Style, and Settlement

As described above, the Exchange proposes to amend Exchange Rule 1809(a)(3) to provide that the Exchange may list up to twelve (12) standard expiration months for A.M. and P.M.-settled series of B500 Index options with third Friday-of-the-month expirations. This is consistent with index options rules in place at other exchanges that list options on broad-based equity indexes with third Friday-of-the-month expirations with both A.M. and P.M.-settlement.[29]

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27 The term "series of options" means all option contracts of the same class having the same exercise price and expiration date. See Exchange Rule 100.

28 The terms "class of options" or "option class" mean all option contracts covering the same underlying security. See Exchange Rule 100.

29 See supra note 21.

Further, the Exchange proposes to amend Exchange 1809(a)(4) to provide that B500 Index options will be European-style exercise, which would include B500 Index options with third Friday-of-the-month expirations with both A.M. and P.M.-settlement. This is also consistent with index options rules in place at other exchanges that list options on broad-based equity indexes with third Friday-of-the-month expirations with both A.M. and P.M.-settlement.[30] Proposed subparagraph (a)(6)(i) to Exchange Rule 1809 would provide for the Exchange to be able to list B500 Index options that are P.M.-settled index options. This is also in line with other exchanges' rules.[31] The proposed contract would use a $100 multiplier, and the minimum trading increment would be $0.05 for options trading below $3.00 and $0.10 for all other series.[32] Strike price intervals would be set at no less than $5.00.[33]

The proposed P.M.-settled B500 Index options would be similar to other broad-based equity index options that are listed on other exchanges in terms of expirations listed, exercise style and settlement. For example, Cboe lists SPXW options, with one of the listed series[34] being P.M.-settled contracts with third Friday-of-the-month expirations. For SPXW, Cboe may list up to twelve (12) standard third Friday-of-the-month SPX expirations, which are European-style exercise, and P.M.-settled using the closing sales price in the primary market of each

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30 See Cboe Rulebook, Chapter 4. Options Listing, Section B. Index Options, Rule 4.13(a)(2)-(4) and ISE Rulebook, Options 4A: Options Index Rules, Section 12. Terms of Index Options Contracts, Rule 12(a)(3)-(5).

31 See ISE Rulebook, Options 4A: Options Index Rules, Section 12. Terms of Index Options Contracts, Rule 12(a)(6) and Nasdaq PHLX LLC ("PHLX") Rulebook, Options 4A, Options Index Rules, Section 12. Terms of Index Options Contracts, Rule 12(a)(6).

32 See Exchange Rule 510(a).

33 See Exchange Rule 1809(c)(1).

34 The terms "series" and "series of options" mean all option contracts of the same class that are the same type of option and have the same exercise price and expiration date. See Cboe Rulebook, Chapter 1. General Provision, Rule 1.1. Definitions. The term "class" means all option contracts with the same unit of trading covering the same underlying security or index. Id.

component security on the expiration date.[35] Each SPXW option has a $100 multiplier, strike price intervals no less than $5.00, and the minimum tick increment for SPXW options trading below $3.00 is 0.05 ($5.00), and for all other series, 0.10 ($10.00), similar to the proposed P.M.-settled B500 Index options.[36] All of the contract specifications described above for SPXW options with third Friday-of-the-month expirations are similar to the proposed specifications for P.M.-settled B500 Index options with third Friday-of-the-month expirations.[37]

Trading Hours

Pursuant to Exchange Rule 1808(a), transactions in index options may be effected on the Exchange between the hours of 9:30 A.M. and 4:15 P.M. Eastern Time, unless the Exchange provides otherwise in this rule text. The Exchange proposes to amend Exchange Rule 1808(a) to establish new subparagraph (a)(1), which will provide rule text for trading hours for P.M.-settled B500 Index options. In particular, the Exchange proposes that transactions in P.M.-settled B500 Index options may be effected on the Exchange between the hours of 9:30 A.M. and 4:15 P.M. Eastern Time, except on the last trading day, in which the trading hours will be between 9:30 A.M. and 4:00 P.M. Eastern Time. This proposed rule is substantively similar to the rule for trading hours for SPXW options with third Friday-of-the-month expirations.[38]

The Exchange notes that it proposes to establish rule text for nonstandard expirations, described below, which includes trading hours for nonstandard expirations. For purposes of proposed Exchange Rule 1808(a)(1), the trading hours would apply only to P.M.-settled B500 Index options with third Friday-of-the-month expirations, and any other index options that the

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35 See supra note 25.

36 See id.

37 See id.

38 See Cboe Rulebook, Chapter 5. Options Trading, Section A. General Provisions, Rule 5.1(b)(2)(C).

Exchange may propose to add in the future with P.M.-settlement and third Friday-of-the-month expirations that do not fit in the nonstandard expirations program.

Proposal to Establish Exchange Rules to Provide that the Exchange May List Nonstandard Expirations on Certain Index Options

Next, the Exchange proposes to establish rules to permit the listing and trading of P.M.-settled index options on broad-based indexes with nonstandard expiration dates. In particular, the Exchange proposes to establish rules to permit both weekly expirations ("Weekly Expirations") and end of month expirations ("EOM Expirations"). Contract terms for the Weekly Expirations and EOM Expirations will be similar to those of the A.M.-settled index options, except that the exercise settlement value will be based on the index value derived from the closing prices of component stocks on the expiration date, i.e., for the B500 Index, the closing prices of the component securities comprising the B500 Index. At the time of this filing, the only options the Exchange proposes to list with nonstandard expirations are B500 Index options.

Weekly Expirations

The Exchange proposes to establish new Interpretation and Policy .06 to Exchange Rule 1809, Terms of Index Options Contracts, which will be titled "Nonstandard Expirations." The Exchange proposes to establish subparagraph (a) to new Interpretation and Policy .06, which would permit the Exchange to open for trading Weekly Expirations on any broad-based index eligible for standard options trading to expire on any Monday, Tuesday, Wednesday, Thursday or Friday (other than the third Friday-of-the-month or days that coincide with an EOM Expiration). Weekly Expirations would be subject to all provisions of Exchange Rule 1809 and would be treated the same as options on the same underlying index that expire on the third Friday of the expiration month. Unlike the standard third Friday-of-the-month A.M.-settled index options, however, Weekly Expirations would be P.M.-settled index options. New series in Weekly Expirations could be added up to and including on the expiration date for an expiring Weekly Expiration.

Pursuant to proposed Interpretation and Policy .06(a) to Exchange Rule 1809, the maximum number of expirations that may be listed for each Weekly Expiration (i.e., a Monday expiration, Tuesday expiration, Wednesday expiration, Thursday expiration or Friday expiration, as applicable) in a given class would be the same as the maximum number of expirations permitted in Exchange Rule 1809(a)(3) for options with third Friday-of-the-month expirations on the same broad-based index.[39] Pursuant to Exchange Rule 1809(a)(3), as proposed to be amended herein, the Exchange may list up to twelve standard monthly expirations for A.M.-settled and P.M.-settled B500 Index options. Accordingly, pursuant to the above, the Exchange would be able to list up to twelve Monday Weekly Expirations, plus twelve Tuesday Weekly Expirations, plus twelve Wednesday Weekly Expirations, plus twelve Thursday Weekly Expirations plus twelve Friday Weekly Expirations.

The Exchange proposes that Weekly Expirations need not be for consecutive Monday, Tuesday, Wednesday, Thursday or Friday expirations as applicable; however, the expiration date of a non-consecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively. Weekly Expirations that are first listed in a given class may expire up to four weeks from the actual listing date. If the Exchange lists EOM Expirations (defined below) and Weekly Expirations, as applicable, in a given class, the Exchange will list an EOM Expiration instead of a Weekly Expiration that

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[39] As described above, for the B500 Index, the Exchange proposes to be able to list up to twelve (12) standard monthly expirations. Accordingly, if approved, the Exchange would be able, but not required, to list up to twelve (12) Weekly Expirations in each class.

expires on the same day in the given class. Other expirations in the same class are not counted as part of the maximum number of Weekly Expirations for an applicable broad-based index class. If the Exchange is not open for business on a respective Monday, the normally Monday expiring Weekly Expirations will expire on the following business day. If the Exchange is not open for business on a respective Tuesday, Wednesday, Thursday, or Friday, the normally Tuesday, Wednesday, Thursday, or Friday expiring Weekly Expirations will expire on the previous business day. If two different Weekly Expirations would expire on the same day because the Exchange is not open for business on a certain weekday, the Exchange will list only one of such Weekly Expirations.

The proposed rule text described above for Weekly Expirations is substantively similar to the rule text that was approved by the Commission for weekly expirations in the nonstandard expiration programs in place at competing exchanges.[40]

EOM Expirations

Next, the Exchange proposes to add new Interpretation and Policy .06(b) to Exchange Rule 1809, titled "End of Month ("EOM") Expirations", pursuant to which the Exchange would be able to open for trading EOM Expirations on any broad-based index eligible for standard third Friday-of-the-month options trading to expire on the last trading day of the month. Broad-based, P.M.-settled B500 Index options with EOM Expirations would be subject to all provisions of Exchange Rule 1809(a) and treated the same as options on the same underlying index that expire on the third Friday of the expiration month. However, the EOM Expirations would be P.M.-settled and new series in EOM Expirations could be added up to and including on the expiration

[40] See e.g., Cboe Rulebook, Chapter 4. Options Listing, Section B. Index Options, Rule 4.13(e)(1) and ISE Rulebook, Options 4A: Options Index Rules, Section 12. Terms of Index Options Contracts, Supplementary Material .07(a).

date for an expiring EOM contract.

The maximum number of EOM Expirations that could be listed in a given class would be the same as the maximum number of expirations permitted for standard options on the same broad-based index.[41] EOM Expirations would not need to be for consecutive end of month expirations. However, the expiration date of a non-consecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively. EOM Expirations that are first listed in a given class could expire up to four weeks from the actual listing date. Other expirations in the same class would not be counted as part of the maximum numbers of EOM Expirations for a broad-based index class.

The proposed rule text for EOM Expirations is substantively similar to the rule text that was approved by the Commission for EOM Expirations in the nonstandard expiration programs in place at competing exchanges.[42]

Contract Terms and Trading Hours for Weekly and EOM Expirations

Weekly Expirations and EOM Expirations would be subject to the same rules that govern the trading of standard monthly broad-based index options, including sales practice rules and margin requirements. Contract terms for Weekly Expirations and EOM Expirations would be the same as those for standard monthly broad-based index options.

Option positions on a broad-based index with nonstandard expirations shall be aggregated for any applicable reporting and other requirements. For instance, the reporting

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41 As described above, for the B500 Index, the Exchange proposes to be able to list up to twelve (12) standard monthly expirations that expire on the third Friday of each month (unless the Friday is an Exchange holiday). Accordingly, if approved, the Exchange would be able, but not required, to list up to twelve (12) EOM Expirations.

42 See e.g., Cboe Rulebook, Chapter 4. Options Listing, Section B. Index Options, Rule 4.13(e)(2) and ISE Rulebook, Options 4A: Options Index Rules, Section 12. Terms of Index Options Contracts, Supplementary Material .07(b).

requirements described under Exchange Rule 310(a) would apply to a Member's[43] aggregated position in B500 Index options, which would include all positions held in A.M.-settled B500 Index options, P.M.-settled B500 Index options, B500 Index options with Weekly Expirations and EOM Expirations, and any other B500 Index option expirations the Exchange may list pursuant to its rules (e.g. Quarterly Options Series[44]). The Exchange proposes to add nonstandard expirations to Exchange Rule 1804(d) to reflect the Exchange's default aggregation requirement for broad-based index option position holders.[45] The Exchange notes that the proposed aggregation requirement is consistent with the aggregation requirements for other types of option series (e.g. quarterly expiring options) that are listed on the Exchange and which do not expire on the customary "third Friday". This proposed change also tracks substantively similar rule text for nonstandard expirations for broad-based index options listed and traded on at least one competing options exchange.[46]

Pursuant to proposed Interpretation and Policy .06(c) to Exchange Rule 1809, transactions in Weekly Expirations and EOM Expirations could be effected on the Exchange between the hours of 9:30 A.M. (Eastern Time) and 4:15 P.M. (Eastern Time), except that on the last trading day, transactions in expiring P.M.-settled index options may be effected on the Exchange between the hours of 9:30 A.M. (Eastern time) and 4:00 P.M. (Eastern time). This is

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43 The term "Member" means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

44 The term "Quarterly Options Series" means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and that expires at the close of business on the last business day of a calendar quarter. See Exchange Rule 100. Pursuant to Interpretation and Policy .03 to Exchange Rule 404, once B500 Index options are initially listed, the Exchange may list and trade options series that expire at the close of business on the last business day of a calendar quarter ("Quarterly Options Series").

45 The Exchange does not propose to establish position limits or exercise limits for all series of B500 Index options. Accordingly, the proposed rule text regarding aggregating positions in nonstandard expirations in Exchange Rule 1804(d) would not apply to B500 Index options, if approved by the Commission.

46 See, e.g., ISE Rulebook, Options 4A: Options Index Rules, Section 6(d).

also in line with the substantively similar rule text for transaction times for index option expirations in place on at least one competing exchange.[47]

The proposed contracts would use a $100 multiplier, and the minimum trading increment would be $0.05 for options trading below $3.00 and $0.10 for all other series.[48] Strike price intervals would be set at no less than $5.00.[49]

Proposal to Establish the Parameters for the Data and Analysis to be Included in the B500 Index Options Annual Report[50]

The Exchange commits to providing certain data items listed below (along with analysis of the data) on an annual basis for five (5) years and as discussed further below conducting an in-depth analysis at the Exchange's determination or upon the Commission's request. The Exchange believes the data items listed below and the analysis of the data (the "Annual Report") will help track the development of the B500 Index options market over time. Furthermore, the Exchange believes that an in-depth analysis will help examine the concerns that trading activity associated with the expiration of P.M.-settled index options may contribute to excess volatility and the reversal around the market close.

The Exchange believes that the introduction of P.M.-settled options on the B500 Index (e.g., Weekly and EOM Expirations), in addition to the proposed A.M.-settled options on the B500 Index, will expand hedging tools available to market participants while also providing greater trading opportunities. By offering an expanded suite of expirations along with third Friday-of-the-month A.M.-settled expirations, the proposal will allow market participants to

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47 See ISE Rulebook, Options 4A: Options Index Rules, Section 12. Terms of Index Options Contracts, Supplementary Material .07(c).

48 See Exchange Rule 510(a).

49 See Exchange Rule 1809(c)(1).

50 The proposed Annual Report will provide data covering all expirations and series of B500 Index options.

purchase B500 Index options in a manner more aligned with specific timing needs and more effectively tailor their investment and hedging strategies and manage their portfolios. The Exchange believes this will allow market participants to incorporate daily changes in the markets in their investment and hedging strategies, which may reduce the premium cost of buying protection.

In addition, because P.M.-settlement permits trading throughout the day on the day the contract expires, the Exchange believes this feature will permit market participants to more effectively manage overnight risk on A.M.-settled products and trade out of their positions up until the time the contract settles. For example, listing Weekly Expirations and EOM Expirations on the B500 Index may help open interest spread out across many expiration dates which, in turn, mitigates the concern that option expiration may have a disruptive effect on the market to some extent. The Exchange believes that the proposed suite of B500 Index options are similar to at least one suite of index option products that currently exists that allows investors to trade, for example, weekly and end of month expirations, all with P.M.-settlement, on a different broad-based equity index comprised of large cap U.S.-listed securities, which utilizes a different methodology and has different component securities.[51]

In the options market currently, market participants regularly trade similar or related products in conjunction with each other, which contributes to overall market liquidity. Currently, market participants have relatively little choice in hedging the broader U.S. equity

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[51] See, e.g., Cboe SPX® Index Options Fact Sheet, version 4.1, available at https://cdn.cboe.com/resources/spx/spx-fact-sheet.pdf?_gl=1*7uh2bf*_up*MQ..*_ga*NDU2NTczNTEyLjE3MzQ5NzY1NDA.*_ga_5Q99WB9X71*MTczNDk3NjUzOS4xLjEuMTczNDk3NjU0MS4wLjAuMA (last visited December 23, 2024) ("SPX Fact Sheet"). As noted in the Cboe Fact Sheet for SPX® Index Options, Cboe offers third Friday-of-the-month expirations; Monday through Friday daily expirations; and end of month expirations for SPX Index options. Id.

market other than with SPX[52] or SPY[53] options. Since SPX is a singly-listed product on Cboe, there is a single point of failure. In the event that there is a disruption in the underlying index, this single point of failure may cause market participants to move positions and trading into SPY, which is an adequate hedge, but comes with its own set of differences, such as tax treatment.[54] The B500 Index would provide investors another instrument to hedge the broader U.S. equity market in the event that there is a disruption to the S&P 500 Index and the derivative products based on S&P 500 Index (and vice versa).

Data and Analysis to be Included in the Annual Report

If approved, the Exchange commits to provide the data and analysis described below on an annual basis for a period of five years from the launch of B500 Index options following the Commission's approval of this proposed rule change. The purpose of the Annual Report is to study, among other things, the impact, if any, of B500 Index options with P.M.-settlement on the underlying securities that comprise the B500 Index, as well as other linked-markets (e.g. hedging instruments for B500 Index options), such as B500 Index futures and B500 Index ETFs, to the extent possible. For example, the Exchange seeks to analyze whether listing and offering P.M.-settled B500 Index options for trading will increase volatility around the market close in linked-

52 Id.

53 The SPDR® S&P 500® ETF Trust ("SPY") seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the S&P 500® Index. SPY seeks to achieve its investment objective by holding a portfolio of the common stocks that are included in the S&P 500® Index, with the weight of each stock in the portfolio substantially corresponding to the weight of such stock in the S&P 500® Index. See SPDR® S&P 500® ETF Trust Prospectus, dated January 26, 2024, available at https://www.ssga.com/us/en/intermediary/resources/doc-viewer#spy&prospectus (last visited January 10, 2025). Options on SPY are multi-listed on every U.S. registered securities exchange.

54 Under section 1256 of the Tax Code, profit and loss on transactions in certain exchange-traded options, including SPX Options, are entitled to be taxed at a rate equal to 60% long-term and 40% short-term capital gain or loss, provided that the investor involved and the strategy employed satisfy the criteria of the Tax Code. See supra note 51. Unlike index options such as SPX, ETF options (such as SPY) do not receive the tax benefits of Section 1256 and gains or losses receive short-term capital gains tax rates.

markets, as well as its underlying component securities.

As described herein, the Exchange proposes to list and trade P.M.-settled B500 Index options, such as with Weekly and EOM Expirations, similar to the current suite of index options available to investors to hedge the broader U.S. equity market.[55] The Exchange believes there could be certain challenges in designing a study that analyzes the impact of P.M.-settled B500 Index options. One such challenge, for example, may be in trying to distinguish whether the impact, if any, on underlying component securities contained in the B500 Index is due to trading in B500 Index options, or the result of trading in other equity index options that contain those same components in their indices and trade on competing exchanges.[56]

In general, the Annual Report would contain an analysis of volume, end-of-day open interest, exercised contracts, and trading patterns, to the extent possible, in B500 Index options and B500 Index futures. The analysis would examine the size and trading activity which may be measured by open interest, exercised contracts, and trading volume, of B500 Index options and futures over time. Furthermore, as determined by the Exchange in light of the growth of the B500 Index option market after launch,[57] or upon request by the Commission, the Exchange would provide an additional in-depth analysis of volatility and trading activity around B500 Index options P.M.-settlement (e.g. within 15 minutes of the market close with respect to the B500 Index, component securities of the B500 Index, and other linked-markets (e.g., B500 Index

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55 See supra note 51.

56 The Exchange discusses one approach to address this challenge further below. Mainly, the Exchange may examine the impact of P.M.-settlement on two groups of component securities of the B500 Index: (1) component securities that are in both the B500 Index and S&P® 500 Index (or other comparable equity index); and (2) component securities that are included in the B500 Index but not in the S&P® 500 Index (or other comparable equity index).

57 For example, the Exchange may look to see if open interest in B500 Index options met or exceeded a certain percentage of open interest in SPX options with similar expirations. This is but one example of the type of data regarding open interest that the Exchange would look at when determining whether to perform an analysis of index price volatility around the close.

futures and B500 Index ETFs)). The Exchange would make all underlying data of data items included in the Annual Report and in-depth analysis publicly available in machine-readable format.[58]

Volume and Open Interest Data for Options on the B500 Index – All Expirations

At a minimum, the Annual Report would contain the following volume and open interest data for A.M.-settled and P.M.-settled B500 Index option expirations:

(1) number of exercised contracts for all expirations (i.e. Monday, Tuesday, Wednesday, Thursday, Friday Weekly Expirations, EOM Expirations, A.M.-settled and P.M.-settled third Friday-of-the-month expirations, and quarterly expirations for A.M.-settled and P.M.-settled B500 Index options);

(2) monthly volume aggregated for A.M.-settled and P.M.-settled B500 Index options;

(3) monthly volume aggregated by expiration type (i.e. Monday, Tuesday, Wednesday, Thursday, and Friday Weekly Expirations, EOM Expirations, A.M.-settled and P.M.-settled third Friday-of-the-month expirations, and quarterly expirations for A.M.-settled and P.M.-settled B500 Index options);

(4) month-end open interest aggregated for A.M.-settled and P.M.-settled B500 Index options; and

(5) month-end open interest for A.M.-settled and P.M.-settled B500 index options aggregated by expiration date.[59]

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58 Another options exchange group provided underlying data for their proprietary index option products as part of their reports to the Commission in "txt." format. See, generally, monthly data files for NQX index options from Nasdaq, available at https://www.nasdaqtrader.com/Trader.aspx?id=currentregulatory (last visited February 19, 2025).

59 These were the primary data points provided by ISE in the NDXP Annual Report to the Commission for options on the Nasdaq-100® Index with P.M.-settlement ("NDXP"), which index options were originally approved on a pilot basis as part of ISE's non-standard expirations pilot program. See NDXP Annual

The volume and open interest data described above would be aggregated by calendar month, similar to how at least one other exchange provided its data and analysis for proprietary index option products.[60]

Volume and Open Interest Data for Futures on the B500 Index

The Annual Report would also contain the following volume and open interest data for futures contracts on the B500 Index, to extent that such data is available and the futures are actually listed and traded:[61] (1) monthly volume aggregated for all trades; and (2) month-end open interest aggregated for all expirations of B500 Index futures.

Time Series Analysis of Open Interest Data for Options on the B500 Index

In addition, the Annual Report would contain an analysis of trading in B500 Index option series, including a time series analysis of open interest by calendar month throughout the year.[62]

In-Depth Analysis

Also, as determined by the Exchange based on the size of the B500 Index option market or upon request by the Commission, the Exchange will provide an analysis on trading activity and volatility that may be associated with P.M.-settlement of B500 Index options with respect to

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Report (2022), available at https://www.nasdaqtrader.com/content/files/NDXP-ISE-pilot-report-2022.pdf (the "NDXP Annual Report").

60 See id. See also, e.g., Nasdaq Reduced Value Index Options (NQX) Report, P.M. Settled Pilot Data in Aggregate file, available at https://www.nasdaqtrader.com/Trader.aspx?id=currentregulatory (last visited December 23, 2024).

61 The Exchange anticipates that MIAX Futures Exchange, LLC ("MIAX Futures"), a wholly-owned subsidiary of the Exchange's parent company, Miami International Holdings, Inc. ("MIH"), will have (or already has) self-certified with the Commodity Futures Trading Commission ("CFTC") to list and trade futures on the B500 Index pursuant to Section 5c(c) of the Commodity Exchange Act ("CEA") and CFTC Regulation 40.2(a).

62 As noted above, the Exchange is able to provide day-over-day open interest data; however, the Exchange is not privy to OCC data regarding intra-day open interest and does not believe that such data is made available. This is in line with the open interest data provided by other exchanges for their proprietary index option products. See, e.g., supra note 59; see also Nasdaq Reduced Value Index Options (NQX) Report, P.M. Settled Pilot Data in Aggregate file, available at https://www.nasdaqtrader.com/Trader.aspx?id=currentregulatory (last visited December 23, 2024).

the B500 Index, component securities of the B500 Index, and B500 Index futures (or, other linked-markets). The empirical design discussed below serves as one example of methodologies that may be employed in an in-depth analysis. The Exchange acknowledges that it may utilize, in its own discretion, or pursuant to Commission request, different designs and methodologies from such examples as discussed below, depending on how the B500 Index options market and linked-markets develop overtime. One example of empirical methods for studying trading activity and volatility around the market close may include a "difference-in-differences" analysis with control sample, similar to those employed in a study conducted on behalf of the Commission's Division of Economic and Risk Analysis.[63] Comparing volatility of treatment group and control group around the market close may help analyze the impact associated with P.M.-settlement of B500 Index options on the B500 Index, component securities, and B500 Index futures. In the below, the Exchange discusses examples of control sample construction.

One purpose of the control sample is to compare how the underlying components of the B500 Index trade pre- and post-launch of options on the B500 Index. First, the Exchange will take a control sample using select components of the B500 Index from one year prior to the launch of options on the B500 Index. The Exchange will then review trade data for those same underlying components, on a sample basis[64], following the launch of B500 Index options, and compare those underlying components' trading activity to the control sample components' trading activity. The Exchange will evaluate the post-launch underlying components' trading behavior with the pre-launch underlying components' trading behavior to see whether there is

63 See Securities and Exchange Commission, Division of Economic Risk and Analysis, Memorandum, Cornerstone Analysis of PM Cash-Settled Index Option Pilots (February 2, 2021) ("DERA Staff PM Pilot Memo"), available at: https://www.sec.gov/files/analysis_of_pm_cash_settled_index_option_pilots.pdf.

64 The sample basis could be once a month, or more or less frequently, as the Exchange determines based on how the market for options on the B500 Index develops.

any material impact (to the extent possible) on the underlying components due to the launch of B500 Index options.

For example, the Exchange may select symbol "IBM" and look at IBM's trading activity in each month for one year prior to the launch of B500 Index options, and then the corresponding months following the launch of B500 Index options. The Exchange would look to see if there was a spike in volatility of IBM in a certain month following the launch of B500 Index options compared to the same month in the year prior to the launch of B500 Index options. The Exchange would then complete this analysis for a sampling of components, including for (1) components that are in both the B500 Index and S&P 500 Index (or other comparable equity index), and (2) for components that are included in the B500 Index but not in the S&P® 500 Index (or other comparable equity index).[65] In so doing, the Exchange would analyze whether there was any variance between the same components in both indices that may be the result of the launch of B500 Index options.

Position and Exercise Limits

The Exchange proposes to amend the table in Exchange Rule 1804(a) to provide that B500 Index options (all expirations) will not be subject to position limits. As noted above, the B500 Index will settle using published prices from the 500 most highly capitalized U.S.-listed companies. Because the market for each of the underlying component securities of the B500

65 As of January 7, 2025, the Exchange believes that, based on publicly available information, there were 67 components in the B500 Index that are not also components in the S&P 500 Index. This is due, in part, to the methodology used to compute the B500 Index. For example, the B500 Index methodology utilizes a rules-based approach to add or delete a component security while the S&P500® Index utilizes a committee-based approach. Further, the B500 Index may include securities immediately after their initial public offering and does not have a profitability requirement. Compare S&P U.S. Indices Methodology (dated February 2025), available at https://www.spglobal.com/spdji/tc/documents/methodologies/methodology-sp-us-indices.pdf (last visited January 14, 2025) with Methodology Guide, supra note 3. Even with the differences in index construction, the Exchange believes that both indexes are approximately 99% correlated. This is likely due to the lowest weighted securities being the main different components for each index.

Index is so large, the Exchange believes that there is minimal risk of manipulation by virtue of position size in B500 Index options. Further, the Exchange believes its reporting and other requirements will guard against the potential for manipulation. Pursuant to Exchange Rule 310(a), Members would be required to file a report with the Exchange that includes data related to the option positions held in the aggregate in B500 Index options and, in the case of short positions, whether such positions were covered or uncovered. The Exchange also has the ability to impose additional margin requirements for under hedged positions in B500 Index options pursuant to Exchange Rule 1504(b). As described further below, the Exchange believes it has sufficient surveillance in place to detect potential market manipulation by virtue of position size in B500 Index options. The Exchange also proposes to not impose exercise limits for B500 Index options in order to provide market participants the ability to fully unwind positions in light of the Exchange's proposal to not impose position limits. The Exchange notes that SPX and SPXW options are also not subject to any position or exercise limits, as well as several other broad-based indexes.[66] Accordingly, the Exchange proposes to amend Exchange Rule 1804(a) to specify that there will be no position limits for options on the B500 Index and, as a result, no exercise limits would apply pursuant to Exchange Rule 1807.

Capacity to Handle Message Traffic Associated with B500 Index Options

The Exchange has analyzed its capacity and represents that it has the necessary systems capacity to handle any additional messages associated with the listing of the maximum number expirations permitted for B500 Index options. The proposed rule change will allow the Exchange to list the same, or fewer, number of expirations for B500 Index options as at least one

66 See Cboe Rulebook, Chapter 8. Business Conduct, Section B. Position Limits, Exercise Limits, Liquidation and Reporting, Rules 8.31(a) and 8.41(b). See also, e.g., ISE Rulebook, Options 4A: Options Index Rules, Sections 6 and 10 (providing for no position or exercise limits for certain broad-based index options listed on ISE with A.M. and P.M.-settlement).

other exchange currently is able to list for its own broad-based equity index option suite of products.[67] Further, the Exchange is a participant of the Listing Options Market Structure Working Group ("LOMSWG") and, in its work with the Options Price Reporting Authority ("OPRA"), believes that OPRA also has the necessary capacity to handle additional messages associated with listing all B500 Index option expirations.

Surveillance

The Exchange represents that it has in place adequate surveillance procedures to monitor trading in B500 Index options in order to ensure the maintenance of fair and orderly markets. The surveillance program includes real-time patterns for price and volume movements and post-trade surveillance patterns (e.g., spoofing, marking the close, pinging, and phishing). The Exchange will apply those same program procedures to trading in B500 Index options, including nonstandard expirations. The Exchange will review activity in the underlying components of the B500 Index when conducting surveillances for market abuse or manipulation in the options on the B500 Index. Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition to obtaining surveillance data from the Exchange's affiliates, MIAX PEARL, LLC ("MIAX Pearl"), MIAX Emerald, LLC ("MIAX Emerald"), and MIAX Sapphire, LLC ("MIAX Sapphire"), the Exchange will be able to obtain information from Cboe, NYSE American, and other markets through ISG. The Exchange also has a Regulatory Services Agreement with FINRA. Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market

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[67] See SPX Fact Sheet, supra note 51.

surveillance that are common to rules of all options exchanges.

Precedent for P.M.-Settled Index Options and Nonstandard Expirations

The Exchange believes that ample precedent exists for P.M.-settled broad-based index options.[68] More recently, ISE received approval from the Commission to make permanent its proposed rules to list and trade options on the Nasdaq 100 Reduced Value Index ("NQX") with P.M.-settlement.[69] The Exchange will monitor for any potential market disruptions or the development of any factors that could cause such disruptions to the underlying components of the B500 Index.

The Exchange believes all of the proposed changes do not present any new or novel issues for the Commission to consider. Several competing options exchanges currently have rule text that allow those exchanges to list and trade P.M., cash-settled index options.[70] The Exchange proposes to establish substantively similar rule text in this proposal to be able to list and trade P.M., cash-settled index options on the B500 Index, similar to Cboe, ISE and PHLX.

Further, competing exchanges previously established rule text to list and trade nonstandard expirations for broad-based index options, substantively similar to the Exchange's proposal herein, including for weekly expirations and end of month expirations. For example, starting 2006, the Commission approved a number of proposals permitting the Cboe to introduce

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68 See supra note 51.

69 See Securities Exchange Act Release No. 98450 (September 20, 2023), 88 FR 66111 (September 26, 2023) (SR-ISE-2023-08) (Order Granting Approval of a Proposed Rule Change, as Modified by Amendment No. 1, To Make Permanent Certain P.M.-Settled Pilots).

70 See e.g., Cboe Rulebook, Chapter 4: Options Listing, Section B. Index Options, Rule 4.13(e); ISE Rulebook, Options 4A, Section 12(a)(6), P.M.-Settled Index Options and Nasdaq PHLX LLC ("PHLX") Options Rules, Options 4A, Section 12(a)(6). See also Securities Exchange Act Release Nos. 82911 (March 20, 2018), 83 FR 12966 (March 26, 2018) (SR-ISE-2017-106) (Order Granting Approval of a Proposed Rule Change, as Modified by Amendment No. 1, To Permit the Listing and Trading of NQX Index Options on a Pilot Basis) and 81293 (August 2, 2017), 82 FR 37138 (August 8, 2017) (SR-PHLX-2017-04) (Order Granting Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To Permit the Listing and Trading of P.M.-Settled NASDAQ–100 Index® Options on a Pilot Basis).

options with P.M.-settlement, including P.M.-settled index options expiring weekly (other than the third Friday of the month) and at the end of each month,[71] as well as P.M.-settled S&P® 500 Index options and Mini-S&P® 500 Index options expiring on the third Friday of the month.[72] Likewise, ISE sought to permit the listing and trading of nonstandard expirations for certain broad-based index options, and in February 2018, the Commission approved ISE's nonstandard expirations pilot program.[73] The Commission subsequently approved a proposed rule change by ISE to allow ISE to also list P.M.-settled Tuesday and Thursday expirations on the Nasdaq-100 Index.[74] Thereafter, in March 2018, the Commission approved ISE's proposal to permit the listing and trading of options based on the Nasdaq 100 Reduced Value Index.[75] Nasdaq, ISE and PHLX currently list options with all weekly expirations on the Nasdaq-100® Micro Index ("XND") and Nasdaq-100® PM-Settled Index ("NDXP").[76]

The Exchange provides the above history in order to show that the proposal to add rule text to establish the Nonstandard Expirations Program, as well as third Friday-of-the-month broad-based index options with P.M.-settlement, is not new or novel. Like Cboe's rules and ISE's rules, the Exchange's proposal seeks to establish (i) rule text that will allow the Exchange to list and trade A.M. and P.M., cash-settled options on the B500 Index, and (ii) a nonstandard

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71 See Securities Exchange Act Release Nos. 62911 (September 14, 2010), 75 FR 57539 (September 21, 2010) (SR-CBOE-2009-075); 76909 (January 14, 2016), 81 FR 3512 (January 21, 2016) (SR-CBOE-2015-106); and 78531 (August 10, 2016), 81 FR 54643 (August 16, 2016) (SR-CBOE-2016-046).

72 See Securities Exchange Act Release Nos. 68888 (February 8, 2013), 78 FR 10668 (February 14, 2013) (SR-CBOE-2012-120); and 70087 (July 31, 2013), 78 FR 47809 (August 6, 2013) (SR-CBOE-2013-055).

73 See Securities Exchange Act Release No. 92612 (February 1, 2018), 83 FR 5470 (February 7, 2018) (SR-ISE-2017-111).

74 See Securities Exchange Act Release No. 95393 (July 29, 2022), 87 FR 47807 (August 4, 2022) (SR-ISE-2022-13).

75 See Securities Exchange Act Release No. 82911 (March 20, 2018), 83 FR 12966 (March 26, 2018) (SR-ISE-2017-106).

76 See XND Fact Sheet, available at https://www.nasdaq.com/XNDindexoptions and NDXP Fact Sheet, available at https://www.nasdaq.com/NDXP-factsheet (both last visited February 20, 2025).

expirations program for all Weekly Expirations (Monday through Friday) and EOM Expirations on the same index. As discussed above, the proposed rule text for the Exchange to be able to list and trade A.M. and P.M., cash-settled index options on the B500 Index is substantively similar to rule text approved by the Commission for other options exchanges to list and trade similar types of equity index options. The proposed rule text to establish a nonstandard expirations program is also substantively similar to the nonstandard expiration programs and rule text that were previously approved by the Commission and currently in place at competing options exchanges for broad-based index options.[77] The Exchange believes this proposal may further competition in the marketplace for broad-based equity index options, which will benefit investors looking to hedge exposure to the broader U.S. equity market.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[78] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[79] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, remove

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77 See ISE Rulebook, Options 4A, Section 12, Supplementary Material to Options 4A, Section 12, .07 Nonstandard Expirations Program; see also Securities Exchange Act Release Nos. 98450 (September 20, 2023), 88 FR 66111 (September 26, 2023) (SR-ISE-2023-08) (Order Granting Approval of a Proposed Rule Change, as Modified by Amendment No. 1, To Make Permanent Certain P.M.-Settled Pilots) and 99104 (December 7, 2023), 88 FR 86404 (December 13, 2023) (SR-ISE-2023-32) (expanding the nonstandard expiration program to allow ISE to list nonstandard expirations on Tuesdays and Thursdays, in addition to Mondays, Wednesdays and Fridays); Cboe Rulebook, Chapter 4, Section B, Rule 4.13(e), Nonstandard Expirations Program.

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

79 15 U.S.C. 78f(b)(5).

impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. The Exchange believes the proposed changes are consistent with Section 6(b)(8) of the Act[80] in that they do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the introduction of B500 Index options will enhance competition by providing investors with an alternative product to hedge against the risk associated with the broader U.S. equity market.

The Exchange believes that the proposal to list and trade options on the B500 Index will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because the Exchange believes that the proposed rule change will further the Exchange's goal of introducing new and innovative products to the marketplace.

The Exchange believes that the proposed rule change will not impose any burden on competition pursuant to Section 6(b)(8) of the Act and, instead, enhance competition because the Exchange believes there is unmet market demand for exchange-listed options on the B500 Index, which is a representation of the 500 most highly capitalized U.S.-listed companies. As a result, the Exchange believes that the B500 Index options are designed to provide new and additional opportunities for investors to hedge the market risk associated with the B500 Index and gain directional exposure to the broader U.S. equity market. The Exchange also believes that introducing a competing equity index option, such as B500 Index options with various expiration times and dates, will benefit investors by providing more choice for market participants to hedge exposure to the broader U.S. equity market.

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[80] 15 U.S.C. 78f(b)(8).

The Exchange believes that the proposal to establish P.M.-settled index option rules and nonstandard expiration rules, which will allow the Exchange to list B500 Index options with Weekly and EOM Expirations (all P.M.-settled), will benefit investors and remove impediments to a free and open market because this suite of products will expand hedging tools available to market participants while also providing greater trading opportunities. By offering an expanded suite of expirations along with the proposed third Friday-of-the-month A.M.-settled expirations, the proposed suite of B500 Index options will allow market participants to purchase B500 Index options in a manner more aligned with specific timing needs and more effectively tailor their investment and hedging strategies and manage their portfolios, thereby facilitating transactions in such options. In particular, the proposed rule change will benefit investors and remove impediments to a free and open market by allowing market participants to roll their positions on more trading days, thus with more precision, spread risk across more trading days and incorporate daily changes in the markets, which may reduce the premium cost of buying protection.

The Exchange also believes that the proposal to establish rule text for nonstandard expirations in certain broad-based index options, such as B500 Index options, protects investors because nonstandard expirations with P.M.-settlement permits trading throughout the day on the day the contract expires, which the Exchange believes will permit market participants to more effectively manage overnight risk and trade out of their positions up until the time the contract settles. The increased number of expirations on the same underlying index may also lead to smaller market disruption. The Exchange notes that a similar suite of index option products currently exists that allow investors to trade weekly and end of month expirations, all with P.M.-settlement, on a different U.S. broad-based equity index that, although has a different composition and methodology, closely tracks the performance of the B500 Index.[81] The Exchange also believes that the introduction of nonstandard expiration options, such as B500 Index options, will attract order flow to the Exchange, increase the variety of listed options to investors, and provide a valuable hedge tool to investors.

The Exchange believes that the proposed rule change to establish nonstandard expirations removes impediments to a free and open market because the additional expirations for broad-based index options that the Exchange may list (including B500 Index options) may attract additional participation from more types of market participants. The Exchange believes this may help remove impediments to and perfect the mechanism of a free and open market and a national market system by catering to more market participants, which may, in turn, attract more order flow in broad-based equity index options, including B500 Index options. Greater order flow may benefit all investors by providing more trading opportunities and tighter spreads for broad-based equity index options. Further, the proposed rule text for nonstandard expirations is substantively similar to the rule text that competing exchanges established for their proprietary index option products, particularly with respect to products that offer exposure to large-cap U.S.-listed equity stocks and the broader U.S. equity market as a whole. Accordingly, the Exchange believes that the proposed rule change will allow the Exchange to offer alternative equity index options for investors of the broader U.S. equity market, which also removes impediments to and perfects the mechanism of a free and open market and a national market system.

The Exchange also believes that P.M.-settlement will be attractive to more types of market participants that want to use these options to hedge an entire week of risk without leaving residual risk on the day of expiration, and without having to actively manage these positions, for

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[81] See supra notes 4 and 51.

example, by rolling their hedge into the next expiration. For this reason, other popular index option products transitioned to P.M.-settlement.[82] The Exchange believes that market participants may similarly want P.M.-settlement for broad-based index options with nonstandard expirations, such as options on the B500 Index, and proposes to establish such rule text so that it can compete effectively with similar broad-based index options offered by other options exchanges.

All B500 Index options will be subject to the same rules that presently govern the trading of index options, including sales practice rules, margin requirements, and trading rules. The Exchange therefore believes that the rules applicable to trading in B500 Index options are consistent with the protection of investors and the public interest. The Exchange also represents that it has sufficient systems capacity and adequate surveillance procedures to handle trading in B500 Index options.

The Exchange believes its proposal to not impose position or exercise limits on B500 Index options is designed to prevent fraudulent and manipulative practices and promote just and equitable principles of trade because the B500 Index will settle using published prices from the 500 most highly capitalized U.S.-listed companies. Because the market for each of the underlying component securities of the B500 Index is so large, the Exchange believes that there is minimal risk of manipulation by virtue of market participants' position size in B500 Index options. Further, the Exchange believes its reporting and other requirements will guard against the potential for manipulation. Pursuant to Exchange Rule 310(a), Members would be required to file a report with the Exchange that includes data related to the option positions held in the aggregate in B500 Index options and, in the case of short positions, whether covered or

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[82] See supra notes 71 and 72.

uncovered. The Exchange also has the ability to impose additional margin requirements for under hedged positions in B500 Index options pursuant to Exchange Rule 1504(b).

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply those same program procedures to B500 Index options, including nonstandard expirations, which the Exchange applies to its other options products. In particular, the surveillance program includes real-time patterns for price and volume movements and post-trade surveillance patterns (e.g., spoofing, marking the close, pinging, and phishing). The Exchange believes this surveillance program is designed to prevent fraudulent and manipulative practices and promote just and equitable principles of trade. The Exchange will review activity in the underlying components of the B500 Index when conducting surveillances for market abuse or manipulation in the options on the B500 Index. Additionally, the Exchange is a member of the ISG under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition to obtaining surveillance data from the Exchange's affiliates, MIAX Pearl, MIAX Emerald, and MIAX Sapphire, the Exchange will be able to obtain information from Cboe, NYSE American, and other markets through ISG. In addition, the Exchange has a Regulatory Services Agreement with FINRA.[83] Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillance that are common to rules of all options exchanges.[84]

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83 The Exchange notes that it handles all real-time market surveillance and will refer to FINRA when it detects potential fraud or manipulation.

84 Section 19(g)(1) of the Act, among other things, requires every SRO registered as a national securities exchange or national securities association to comply with the Act, the rules and regulations thereunder, and the SRO's own rules, and, absent reasonable justification or excuse, enforce compliance by its members and persons associated with its members. Section 17(d)(1) of the Act allows the Commission to relieve an SRO of certain responsibilities with respect to members of the SRO who are also members of another SRO ("common members"). Specifically, Section 17(d)(1) allows the Commission to relieve an SRO of its responsibilities to: (i) receive regulatory reports from such members; (ii) examine such members for

The Exchange believes that existing surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed B500 Index options. Further, the Exchange represents that it will implement any new surveillance procedures it deems necessary to effectively monitor the trading of B500 Index options.

The Exchange believes that the Annual Report, as described above, is designed to mitigate any potential concerns regarding P.M.-settlement of B500 Index options, including Weekly Expirations and EOM Expirations. Specifically, the Exchange believes that the Annual Report will provide the Commission with data and analysis to monitor for and assess any potential adverse market effects after the introduction of B500 Index options to the market. The Exchange also believes the Annual Report will allow the Commission to assess whether the underlying component securities and the third Friday-of-the-month expirations on the B500 Index experience any potential adverse market effects or volatility around the close.

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.

Inter-Market Competition

The A.M.-settled options on the B500 Index with third Friday-of-the-month expirations satisfy the initial listing standards set forth in the Exchange's Rules, and the proposed number of expirations, settlement, and exercise style are consistent with current rules applicable to broad-

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compliance with specified provisions of the Act and the rules and regulations thereunder, and the rules of the SRO; or (iii) carry out other specified regulatory responsibilities with respect to such members. See 15 U.S.C. 78q(d)(1) and 17 CFR 240.17d-2.

based index options with A.M.-settlement.[85] Options on the B500 Index will provide investors with additional opportunities to hedge the market risk associated with the broader U.S. equities market. Further, options on the B500 Index would be available for trading to all market participants.

The proposed rule change will facilitate the listing and trading of novel options products that may enhance competition among market participants, to the benefit of investors and the marketplace. The listing of options on the B500 Index may enhance competition by providing investors with an additional investment vehicle, in a fully-electronic trading environment, through which investors can gain and hedge exposure to the broader U.S.-listed equities market. To the extent that investors consider options on the B500 Index to be substitutes for existing investment products traded on other exchanges, this product may offer a competitive alternative to other investment products that seek to allow investors to gain broad market exposure to the U.S. equities market.

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 proposed nonstandard expirations rule text will allow the Exchange to offer B500 Index options to all market participants. Furthermore, it is possible for other exchanges to develop or license the use of a substantially similar index to compete with the B500 Index and seek Commission approval to list and trade options on such an index.

Intra-Market Competition

[85] The Exchange did not file pursuant to Rule 19b-4(e) of the Exchange Act to list A.M.-settled B500 Index options with standard third Friday-of-the-month expirations because the Exchange proposes to list such options with no position or exercise limits.

The Exchange does not believe that the proposed rule changes will impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act because B500 Index options will be available to all market participants. By listing B500 Index options with A.M. and P.M.-settlement, as well as Weekly and EOM Expirations, the proposed rule change will provide all investors that participate in the B500 Index options market greater trading and hedging opportunities and flexibility to meet their investment and hedging needs. The Exchange also believes the proposed rule change to establish rules for nonstandard expirations for broad-based index options will not impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act because any options that the Exchange does list pursuant to such rules will also be available to all Exchange participants.

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

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

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

A. by order approve or disapprove such proposed rule change, or

B. institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include file number SR-MIAX-2025-08 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-MIAX-2025-08. 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-MIAX-2025-08 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[86]

Sherry R. Haywood,

Assistant Secretary.

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[86] 17 CFR 200.30-3(a)(12).