designates the proposal operative upon filing.[50]

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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–2026–36 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–2026–36. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (*https://www.sec.gov/rules/sro.shtml*). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–MIAX–2026–36 and should be submitted on or before September 17, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[51]

J. Matthew DeLesDernier,

Deputy Secretary.

[FR Doc. 2026–17457 Filed 8–26–26; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–106182; File No. SR–MEMX–2026–25]

Self-Regulatory Organizations; MEMX LLC; Notice of Filing of a Proposal To Adopt Rules for the Listing and Trading of Securities Event Contracts on the Exchange

August 24, 2026.

Pursuant to 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 August 11, 2026, MEMX LLC (the ''Exchange'') filed with the Securities and Exchange Commission (the ''Commission'') the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is filing with the Commission a proposed rule change to adopt new Chapter 30 of the Exchange Rules to provide for the listing and trading of securities event contracts on the Exchange's options platform (''MEMX Options''). The text of the proposed rule change is provided in Exhibit 5 and is available on the Exchange's website at *https://info.memxtrading.com/regulation/rules-and-filings/.*

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

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

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

1. Purpose

Background

Prediction markets recently have experienced significant growth and increasing customer interest as platforms for obtaining exposure to, and hedging risks associated with, objectively determinable events. These markets generally have developed on exchanges regulated by the Commodity Futures Trading Commission (''CFTC'') as designated contract markets and have offered event contracts referencing a broad range of political, economic, commercial, and other outcomes. At the same time, the Exchange believes that similar products would be valuable to investors in the securities markets by: (1) providing more tailored investment and hedging opportunities for both retail and institutional investors; and (2) creating valuable data that can then be used by investors in the pricing of the underlying securities or other derivatives such as standardized options.

Against this backdrop, the Exchange's proposal responds to this growing market demand for event-based products by establishing a framework for the listing and trading of securities event contracts as standardized options on the Exchange. In doing so, the proposal would bring these securities products within the established regulatory infrastructure applicable to listed options, including exchange trading and surveillance, standardized disclosure, and centralized clearance and settlement through a registered clearing agency, as further described below. To implement this framework, the Exchange proposes to adopt new Chapter 30 of the Exchange Rules governing the listing and trading of securities event contracts on MEMX Options.

Securities event contracts are cash-settled, European-style binary options that are based on the outcome of an event question related to the financial performance of an issuer of an NMS stock. A securities event contract provides a fixed payout if the condition specified in the contract terms occurs in the manner specified in the contract terms and expires without a payout if that condition does not occur. The proposed rules are intended to support securities event contracts based on

[50] For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[51] 17 CFR 200.30–3(a)(12), (59).

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

[2] 17 CFR 240.19b–4.

objective, verifiable events relating to the financial performance of the issuer of an underlying security. Under the proposal, the Exchange would initially list securities event contracts based on an underlying financial metric,[3] such as whether an issuer announces earnings, revenues, sales, or another key financial metric that is equal to or exceeds a specified threshold. At the same time, the proposed framework preserves flexibility for the Exchange to propose additional securities event contract types in the future, including contracts based on other events affecting the issuer's financial performance that may not involve an underlying financial metric, subject to a separate proposed rule change.

The proposal is designed to provide market participants with a more targeted means of obtaining exposure to, or hedging risks associated with, discrete issuer events that are material to the value of an underlying NMS stock. Existing listed options generally allow investors to express views or hedge risks based on movements in the market price of an underlying security or index. Certain investment or hedging views, however, may relate more directly to a particular issuer event or component of issuer performance—such as reported earnings, revenues, sales, or another objectively determinable financial metric or development affecting the issuer—than to the issuer's share price alone. Because the market price of an issuer's stock may be affected by numerous factors unrelated to a particular event, an investor may be correct about whether that event takes place but nevertheless receive an imperfect result from a trade based solely on the issuer's stock price.

Securities event contracts are intended to address that gap by allowing investors to trade standardized options that reference an issuer event that is material to the value of an underlying security, rather than the security's market price itself, and whose exercise value is determined by whether a specified event condition relating to the underlying security is satisfied, rather than by the magnitude of a price movement in that security. Unlike traditional listed calls and puts, the value of a securities event contract at expiration would be determined solely by whether the option is in-the-money, rather than the degree to which the option is in-the-money. As a result, payout at expiration would be all-or-nothing, providing market participants with a defined outcome and a fixed payout. Securities event contracts also would provide market participants with a known amount at risk at the time the position is entered. Additionally, securities event contracts would be cleared through a registered clearing agency, which would serve as the central counterparty to each transaction and facilitate risk mitigation through established clearing, settlement, contract adjustment, and other standardized operational processes.

The Exchange notes that Cboe Exchange, Inc. (''Cboe'') has filed a proposed rule change to permit the listing and trading of ''binary KPI options,'' which are binary options based on issuer-reported key performance indicators (''KPIs'').[4] Like the Cboe KPI Proposal, the Exchange's proposal is intended to permit market participants to obtain targeted exposure to specified issuer financial metrics through standardized, exchange-traded binary options that are resolved using objective issuer disclosures. The Exchange's proposal, however, establishes its own securities event contract framework and adopts different approaches in certain areas that the Exchange believes are more appropriately tailored to the characteristics of these products. Those differences are reflected in various aspects of the proposed Rule framework and are discussed in the relevant Rule-specific sections below.

Proposed Rule 30.1—Application of Securities Event Contract Rules

Proposed Rule 30.1 provides that Chapter 30 would apply only to securities event contracts traded on MEMX Options. The Exchange's Rules also would apply to securities event contracts unless those rules are specifically replaced or supplemented by Chapter 30 or the context otherwise requires. Accordingly, securities event contracts would trade within the Exchange's existing options regulatory framework, including applicable provisions governing access, trading conduct, surveillance, disciplinary authority, and other requirements designed to protect investors and the public interest.

The Exchange believes this approach is appropriate because the Exchange's proposed securities event contracts are options, but like other existing options products, such as index options, they have features that require targeted product-specific rules. Chapter 30 therefore would supplement the Exchange's existing options rules with provisions addressing product definitions, contract terms, contract designation, expiration, exercise price selection, order entry, contract adjustment, resolution, and position limits, each as further described below. Where the specialized provisions in Chapter 30 address a subject differently from the Exchange's generally applicable options rules, the Chapter 30 provisions would control with respect to securities event contracts.

Proposed Rule 30.2—Definitions

Proposed Rule 30.2 would define the key terms used throughout Chapter 30, which are noted below.

The term ''binary option'' would mean a European-style option contract having an exercise settlement amount that is fixed at the creation of the option.

The term ''Clearing Corporation'' would mean the registered clearing agency designated by the Exchange to clear securities event contracts.[5]

The term ''contract type'' would mean one of the types of securities event contracts enumerated in Rule 30.4(b).

The term ''definitive resolution source(s)'' would mean the source(s) of information used to determine the value of the underlying financial metric as specified in the contract terms.

The term ''event question'' would mean a binary yes-or-no question the outcome of which determines whether a securities event contract is considered in-the-money at expiration.

The term ''expiration date'' would mean the date on which the outcome of an event question is determined pursuant to Rule 30.5 and the Interpretations and Policies thereto.

[3] For purposes of this filing and the Rules proposed herein, references to a ''financial metric'' include both financial and operating metrics relating to an issuer. Although certain metrics may be characterized as operating metrics, such metrics generally reflect, influence, or otherwise relate to the issuer's financial performance and are therefore included within the broader concept of a financial metric as used herein. Similarly, references to an issuer's ''financial performance'' include the issuer's operating performance because operating performance generally reflects, influences, or is otherwise associated with the issuer's financial performance.

[4] *See* Securities Exchange Act Release No. 105877 (July 10, 2026), 91 FR 43418 (July 15, 2026) (SR–CBOE–2026–061) (Notice of Filing of a Proposed Rule Change to Amend its Rules to Permit the Listing of Binary Options Overlying Key Performance Indicators Reported by Certain Issuers of Stock) (the ''Cboe KPI Proposal'').

[5] The definition of Clearing Corporation reflects that the Exchange may designate the Options Clearing Corporation (''OCC'') or another registered clearing agency to clear securities event contracts. References in Chapter 30 and in this filing to the Clearing Corporation therefore are intended to be clearing agency-neutral. The proposed definition does not alter the requirement that clearing and settlement occur through a registered clearing agency subject to the applicable provisions of the Act and the rules and oversight applicable to that clearing agency.

The term ''exercise price'' would mean, where applicable, the value of the underlying financial metric to which the settlement value is compared to determine whether a securities event contract is considered in-the-money at expiration.

The term ''exercise settlement amount'' would mean the amount of cash that a holder will receive upon exercise of the contract.

The term ''no contract'' would mean a securities event contract that is considered in-the-money at expiration if the condition specified in the contract terms does not occur in the manner specified in the contract terms.

The term ''securities event contract'' would mean a binary option that is based on the outcome of an event question related to the financial performance of an issuer of an NMS stock.

The term ''settlement value'' would mean the value of the underlying financial metric on the expiration date as determined by an Official[6] pursuant to Rule 30.9.

The term ''underlying financial metric'' would mean the financial metric on which the event question is based as specified in the contract terms.

The term ''yes contract'' would mean a securities event contract that is considered in-the-money at expiration if the condition specified in the contract terms occurs in the manner specified in the contract terms.

Proposed Rule 30.3—Terms of Securities Event Contracts

Proposed Rule 30.3 describes the terms by which securities event contracts listed and traded on the Exchange are designated. Each securities event contract would be designated by expiration date, underlying security, contract type, event question, and, if applicable, exercise price. The rule would also require the Exchange to make available both yes contracts and no contracts for each securities event contract. The yes contract and no contract for an event question represent complementary outcomes, where a yes contract would be in-the-money if the specified condition occurs in the manner stated in the contract terms, while the associated no contract would be in-the-money if that condition does not occur in that manner. Because the two contracts reference the same event question and other material terms, they are directly linked and together create a single market for the two possible outcomes of that event question.

Proposed Interpretation and Policy .01 to Rule 30.3 would require the Exchange to publish the contract terms for securities event contracts in advance of listing and trading.

Proposed Interpretation and Policy .02 to Rule 30.3 provides that, unless otherwise specified, each securities event contract would have an exercise settlement amount of $1, and also provides that securities event contracts would not have a contract multiplier. Although the rules permit the Exchange to specify a different exercise settlement amount where appropriate, the Exchange intends for $1 to serve as the standard exercise settlement amount for securities event contracts, as a $1 exercise settlement amount provides a simple and intuitive framework for pricing the complementary contracts associated with a particular event question, enabling market participants to readily understand the relationship between a contract's price and its potential payout. The Exchange believes these default terms would make the product's economics straightforward and promote consistency and transparency across securities event contracts by establishing a standardized payout amount and avoiding the additional complexity associated with contract multipliers.

Proposed Rule 30.4—Designation of Securities Event Contracts

Proposed Rule 30.4(a) would permit the Exchange from time to time to approve for listing and trading securities event contracts based on two categories of eligible underlying securities selected by the Exchange. First, pursuant to proposed Rule 30.4(a)(1), the Exchange may select the NMS stocks of no more than 25 issuers, each of which, at the time of initial selection, is ranked in the top 25 of NMS stocks by market capitalization, equities volume, or options volume. Second, pursuant to proposed Rule 30.4(a)(2), the Exchange may select the NMS stock of any issuer for which securities event contracts or similar options are listed and traded on another national securities exchange pursuant to rules approved by the Commission. Proposed Rule 30.4(a)(3) provides that an issuer selected pursuant to paragraph (a)(2) would not count toward the limitation in paragraph (a)(1). The Exchange would identify eligible underlying securities through a notice distributed to Members and posted on the Exchange's website.

The objective eligibility criteria in proposed Rule 30.4(a)(1) confine the Exchange's initial selection authority to a limited universe of issuers that rank among the largest or most actively traded NMS stocks. Market capitalization, equities volume, and options volume are objective measures that reflect different, but relevant, aspects of public market interest and generally correlate with characteristics such as broad investor participation, significant liquidity, and robust public information and analyst coverage. A high market capitalization generally reflects issuer scale and broad investor ownership, while high equities or options volume reflects active participation, liquidity, and developed price discovery in markets related to the issuer. Allowing an issuer to qualify under any one of these criteria recognizes that issuer significance may be reflected in different ways and that market capitalization, equities volume, and options volume provide objective and relevant measures for identifying issuers that are most likely to be significant to market participants, while maintaining a bounded and transparent framework for issuer eligibility.

The limitation to no more than 25 issuers selected under proposed Rule 30.4(a)(1) is intended to provide the Exchange with sufficient flexibility to offer contracts on a meaningful range of issuers while maintaining a limited and manageable initial universe as the Exchange and its Members gain experience with trading in this new product. The proposed rule provides for assessing eligibility only at the time of initial selection and does not require that an issuer remain in the applicable top-25 ranking after selection. The Exchange may later determine to increase the number of issuers on which securities event contracts may be listed and, if it decides to do so, will file such change with the Commission as a proposed rule change.

Proposed Rule 30.4(b) provides that each securities event contract will specify the event question, the underlying financial metric, if applicable, and the definitive resolution source(s) that will be used to determine whether the event has or has not occurred. The rule would permit the Exchange to list four categories of contract types: Earnings Contracts, Revenue Contracts, Sales Contracts, and Other Key Financial Metric Contracts. Earnings Contracts would be based on whether an issuer announces earnings that are equal to or exceed a specified exercise price. Revenue Contracts would be based on whether an issuer announces revenues for the company, or a division, segment or product within the company, that are equal to or exceed a specified exercise price. Sales

[6] Proposed Rule 30.9(a) defines the term ''Official'' as an Officer of the Exchange or such other employee designee of the Exchange.

Contracts would be based on whether an issuer announces sales for the company, or a division, segment or product within the company, that are equal to or exceed a specified exercise price. Other Key Financial Metric Contracts would be based on whether an issuer announces a specified key financial metric other than earnings, revenues, or sales that is equal to or exceeds a specified exercise price, provided the metric is reported in the issuer's periodic reports filed with the Commission and is objectively determinable from those reports. Such metrics may include, for example, metrics relating to customers, users, subscribers, production, margins, cash flows, or other aspects of the issuer's financial performance.

The proposed contract types encompass earnings, revenues, sales, and other key financial metrics that are objective, quantifiable measures of an issuer's financial performance. Other Key Financial Metric Contracts would be limited to metrics reported by the issuer in its periodic reports filed with the Commission and objectively determinable from those reports. This category is directed to ''key'' financial metrics—measures used to describe significant aspects of the issuer's financial condition, results of operations, or business performance. In light of the nature of those measures and the disclosure framework through which they are reported, eligible metrics will bear a meaningful relationship to the issuer's business and financial performance and will be material to the value of the underlying NMS stock. The requirement that an eligible metric be reported in an applicable Commission report provides a reasonable and objective basis for identifying measures that are significant to investors' evaluation of the issuer. The Commission's disclosure framework is designed to provide investors with information relevant to evaluating an issuer's financial condition, results of operations, business performance, and securities. Consistent with that framework, Commission requirements and guidance direct issuers to focus on material information and key variables relevant to understanding its financial condition, results of operations, and business performance, including financial metrics that management uses to manage or monitor the business.[7]

Eligible metrics may include, for example, GAAP and non-GAAP financial measures, as well as operating measures relating to the issuer's business activities, products, customer base, production levels, or business segments. Because these metrics are publicly reported by the issuer in its Commission filings, they reflect information that is either required to be disclosed under the Commission's reporting framework or that the issuer has deemed sufficiently important to disclose to investors. Consequently, such metrics are commonly used by investors, analysts, and other market participants to evaluate issuer performance and the value of the underlying stock. Accordingly, this proposed category is limited to metrics that bear a meaningful relationship to the issuer's business, financial performance, and market valuation, and are therefore material to the value of the underlying NMS stock.

The proposed categories would permit contracts on consolidated company results as well as divisions, segments, products, or other components of the issuer's business where the applicable metric is reported in the issuer's periodic filings, thereby permitting market participants to obtain targeted exposure to the particular aspect of the issuer's financial performance relevant to their investment or hedging view.

Proposed Interpretation and Policy .01 to Rule 30.4 would require the contract terms for contracts listed pursuant to Rule 30.4(b) to identify the reporting period to which the underlying financial metric relates (for example, Q3 2027) and designate as the definitive resolution source the first periodic report (on Form 8–K, Form 10–Q or Form 10–K, as applicable) filed with the Commission that reports the applicable metric for that reporting period. This approach is intended to ensure that the contract terms identify with specificity both the financial period and the issuer disclosure that will resolve the event question and to anchor settlement to the issuer's initial public disclosure of the relevant metric through the Commission's reporting framework.

The Exchange intends for Chapter 30 to provide a flexible framework that can support other securities event contracts relating to an underlying security if the Exchange later determines that there is customer demand for additional contract types. Such contracts could be based on objective events that are not underlying financial metrics and therefore may not require an exercise price because the yes/no event question itself would determine whether the contract is in-the-money at expiration. In any case, the event question would be resolved by reference to the definitive resolution source(s) specified in the contract terms, which is intended to ensure that each contract can be settled by applying objective, pre-published criteria to public, verifiable information. The proposal does not permit the Exchange to list such additional contract types under the currently proposed rule. If the Exchange later seeks to add an additional contract type, it would file a proposed rule change with the Commission.

Proposed Rule 30.4(c) provides that securities event contracts listed and traded on the Exchange would constitute a separate class from other options overlying the same underlying NMS stock and constitute a separate class from other securities event contracts with different underlying financial metrics for the same issuer.

Proposed Rule 30.5—Expiration Date

Proposed Rule 30.5(a) would permit the Exchange, after approving a particular securities event contract class for listing and trading, to designate and open for trading series that expire from one day up to 12 months from the date they are listed. The Exchange believes it is appropriate to permit listing of securities event contracts that expire up to 12 months from the time they are listed to accommodate different issuer reporting periods (including semiannual reporting if the Commission approves recently proposed rules to permit such reporting), as well as to permit the Exchange to list expirations for consecutive calendar quarter periods or for one or more calendar quarters and an annual reporting period at the same time. Issuers disclose financial metrics in their periodic reports submitted to the Commission on periodic reporting cycles, and a 12-month outer limit would permit the Exchange to offer contracts corresponding to those cycles without providing the substantially longer-dated expirations available for certain traditional options.

[7] *See, e.g.,* Item 303(a) of Regulation S–K, 17 CFR 229.303(a) (stating that the objective of MD&A is to provide material information relevant to an assessment of financial condition and results of operations and that the discussion must address financial statements and other statistical data the registrant believes will enhance a reader's understanding); Rule 12b–20 under the Act, 17 CFR 240.12b–20 (requiring further material information necessary to make required statements, in light of the circumstances in which they are made, not misleading); Commission Guidance on Management's Discussion and Analysis of Financial Condition and Results of Operations, Securities Act Release No. 33–10751 and Exchange Act Release No. 34–88094 (Jan. 30, 2020), 85 FR 10568, 10569–70 (Feb. 25, 2020) (noting that companies should consider whether key variables management uses are material to investors and generally expecting disclosure of a metric to explain why it is useful to investors and how management uses it).

Proposed Rule 30.5(b) provides that securities event contracts based on an underlying financial metric would expire on the date the metric is first publicly announced in a definitive resolution source. That rule also provides that when listing a securities event contract, the Exchange would establish the expiration date by reference to the anticipated timing of the announcement of the relevant underlying financial metric, with the specific expiration date to be finalized when the issuer announces the date on which it will disclose the relevant metric for the applicable reporting period.

This proposed rule would permit the Exchange to list series that expire on the date the issuer announces its financial results for the applicable reporting period (such as a calendar quarter). The expiration date for a securities event contract would be the date on which an issuer discloses the applicable financial metric in its financial results (for example, the date on which it issues an earnings results press release) for the specified reporting period, with the specific expiration date to be finalized when an issuer announces the date on which it will disclose its financial results for that reporting period.[8]

While an expiration date for a securities event contract would be a specific date, as is the case for traditional options, the Exchange's proposed designation of expiration dates for securities event contracts would differ to reflect standard issuer disclosure practices. In some instances, an issuer might not establish the specific date on which it will announce its financial results for a reporting period until weeks prior to the release date. Consequently, unlike standard equity and index options that have an exact expiration date when series are first listed, a securities event contract would be listed for trading with a placeholder expiration date if the date the underlying financial metric will be released by the issuer is not publicly known. If a placeholder expiration date is required, it would be set as the first trading day that is three months following the date of the prior quarterly release date for a financial metric (for financial metrics announced quarterly) and six months following the date of the prior semiannual release date for a financial metric (for financial metrics announced semiannually, if the Commission approves proposed rules that would permit such reporting). Once the issuer announces the release date of the relevant financial metric, the expiration date would be updated as the finalized expiration date of the securities event contract. Ultimately, however, the expiration date for a securities event contract is an issuer's financial results release date (even if the exact date is not known in advance).

Proposed Interpretation and Policy .01 to Rule 30.5 provides that the expiration date determines the last possible date for an event to occur before a securities event contract is resolved. That rule further provides that, notwithstanding the announced expiration date, if an event question can be resolved before that date pursuant to the contract terms, the contract will expire as of the date and time the contract can first be resolved pursuant to public announcement in a definitive resolution source. This provision is designed to align contract expiration with the availability of the information necessary to resolve the contract and to prevent trading from continuing after the event question has become objectively resolvable pursuant to the contract terms.

The Exchange recognizes that information regarding an underlying financial metric may also become publicly available through a source other than the definitive resolution source before the announced expiration date. If there is such an unofficial disclosure of the metric before expiration, Interpretation and Policy .01 also provides that the Exchange may halt trading in the applicable series pursuant to Rule 20.3 (Trading Halts) while it evaluates the information. This authority is intended to address the unusual circumstance in which relevant information appears to have become publicly available through a source other than an official definitive resolution source. If the Exchange determines that the unofficial information is unreliable or insufficient to resolve the event question, trading may resume until the contract otherwise expires.

Proposed Interpretation and Policy .02 to Rule 30.5 provides that the last day of trading for securities event contracts based on an underlying financial metric would be determined by reference to the time that the issuer discloses its financial results for the relevant reporting period. If the issuer discloses its financial results for the relevant reporting period after the close of trading, the last day of trading would be the day of expiration. If the issuer discloses its financial results for the relevant reporting period prior to the opening of trading, the last day of trading would be the trading day before expiration. This approach is designed to permit trading through the final regular trading session before the information necessary to resolve the event question becomes public, while preventing trading after market participants have access to that information.

The Cboe KPI Proposal addresses the same timing issue by designating binary KPI options as A.M.-settled or P.M.-settled depending on whether the issuer discloses its financial results before the opening or after the close of regular trading hours. Although the practical timing of the final trading session under the Cboe KPI Proposal is generally aligned with the timing contemplated by the Exchange's proposal, the Exchange's proposal states the applicable timing convention directly rather than characterizing securities event contracts as A.M.-settled or P.M.-settled. In the traditional-options context, those designations ordinarily describe whether an option's settlement value is derived from the opening or closing price of an underlying security or index, whereas the proposed securities event contracts settle by reference to an issuer-reported financial metric. Accordingly, the Exchange's proposal ties the last trading day to the timing of the issuer's disclosure for the relevant reporting period, allowing the rule text to identify the operative event for determining the final trading session without requiring market participants to infer that result from a separate settlement classification. The Exchange believes this approach more directly describes the operation of securities event contracts and reduces the potential for investor confusion that may result from applying traditional A.M.- and P.M.-settlement terminology to contracts that do not settle based on opening or closing market prices.

Proposed Interpretation and Policy .03 to Rule 30.5 provides that, if the applicable underlying financial metric is not reported or otherwise unavailable on the expiration date (and will not be reported), settlement would occur as specified in the contract terms. Requiring the published contract terms to address this unusual circumstance is designed to provide market participants with advance notice of the applicable alternative settlement procedure and avoid an ad hoc determination after trading has occurred. The precise procedure may vary depending on the metric and the requirements of the

[8] For example, for a securities event contract series, the Exchange may designate the reporting period for a series to be the fourth quarter of 2026. The expiration date for that series would be the date on which the applicable issuer establishes as the date it will announce financial results for that quarter. The Exchange will issue a notice to Members when the specific expiration date for a securities event contract is finalized.

Clearing Corporation, but in all cases would be specified in the contract terms before the series is listed.

Proposed Interpretation and Policy .03 to Rule 30.5 further provides that, if an applicable underlying financial metric is restated after the expiration date and settlement of a securities event contract, the settlement value would not change. In other words, the value of the applicable underlying financial metric as reported by the issuer on the applicable expiration date would be final, and the amount paid (or not paid) at settlement would not change, regardless of whether the issuer later restates the metric. The Exchange believes this finality is necessary to provide certainty to market participants and the Clearing Corporation and to avoid reopening settled contracts based on information that becomes available only after the contract has expired.

Proposed Rule 30.6—Exercise Price

Proposed Rule 30.6(a) provides that the Exchange may list securities event contracts with or without an exercise price, depending on the contract type. When an exercise price is required pursuant to the contract terms, the Exchange may list multiple contracts in the same class with exercise prices that correspond to an appropriate range of potential settlement values. For contracts that do not reference a specific exercise price, the Exchange would publish sufficient information in the contract terms such that market participants can understand when a particular contract offered will be in-the-money or out-of-the-money at expiration.

Proposed Rule 30.6(b) provides that, for each securities event contract that has an exercise price, the exercise price would be fixed at an amount equal to a value of the underlying financial metric divided by a scaling factor. Because the value of certain financial metrics may be very large (*e.g.,* billions of dollars), the proposed scaling factor would permit the Exchange to express the corresponding exercise price in a manageable and readily understandable format. Scaling would change only how the metric threshold is displayed; it would not change the economic value represented by the exercise price or the comparison used to determine whether the contract is in-the-money.

Proposed Rule 30.6(b)(1) would establish the applicable scaling factor based on the value of the underlying financial metric most recently reported by the issuer in a periodic report filed with the Commission as of the time the applicable class is listed, as follows:

- If the most recently reported value is greater than or equal to one trillion, the exercise price would equal that value divided by one trillion. For example, an exercise price of 27.00 is equivalent to a value of the applicable underlying financial metric of 27,000,000,000,000.00.
- If the most recently reported value is greater than or equal to one billion but less than one trillion, the exercise price would equal that value divided by one billion. For example, an exercise price of 112.00 is equivalent to a value of the applicable underlying financial metric of 112,000,000,000.00.
- If the most recently reported value is greater than or equal to one million but less than one billion, the exercise price would equal that value divided by one million. For example, an exercise price of 900.00 is equivalent to a value of the applicable underlying financial metric of 900,000,000.00.
- If the most recently reported value is greater than or equal to one thousand but less than one million, the exercise price would equal that value divided by one thousand. For example, an exercise price of 42.00 is equivalent to a value of the applicable underlying financial metric of 42,000.00.
- If the most recently reported value is less than one thousand, the exercise price would equal that value and would not be divided by a scaling factor. For example, an exercise price of 774.00 is equivalent to a value of the applicable underlying financial metric of 774.00.

The Exchange would apply a different scaling factor to newly listed securities event contract series for a new expiration only after the value of the underlying financial metric in the issuer's periodic reports filed with the Commission has a value in a different scaling tier for four consecutive reporting periods or if the Exchange deems it necessary in the interests of a fair and orderly market. Application of a different scaling factor would not affect the exercise prices of any series of the securities event contracts previously opened. For example, if the Exchange begins listing a new class of securities event contracts and the most recently disclosed value of the underlying financial metric for the issuer at the time of that listing was for the third quarter of 2026 and was $892,000, the exercise prices for that class of securities event contracts would be scaled by 1,000, and thus exercise prices of 895, 995, and 1005, would represent $895,000, $995,000, and 1,005,000, respectively. If the issuer discloses a metric value of $1,020,000 in its fourth quarter 2026 periodic report, the Exchange would continue to list exercise prices scaled by 1,000. If the issuer then discloses metric values of $1,112,000, $1,237,000, and $1,064,000 for the first, second, and third quarters, respectively, of 2027, the Exchange would begin scaling the exercise prices by 1,000,000 for the fourth quarter 2027 expirations (or for the first quarter 2028 expirations if the Exchange had already listed fourth quarter 2027 expirations prior to the disclosure of the third quarter 2027 metric value). The Exchange believes this approach would promote consistency in the presentation of exercise prices and avoid changing the scale based on a temporary movement across a tier boundary, while allowing the Exchange to update the scale to reflect sustained changes in the issuer's reported metric. The fair-and-orderly-market exception would permit the Exchange to make an earlier change if continued use of the existing scale became impractical, misleading, or otherwise inconsistent with orderly trading.

The Exchange would announce in a notice to Members if the scaling factor applied to a securities event contract changes (for example, the metrics will be scaled in billions rather than in millions).

Proposed Rule 30.6(b)(2) provides that the Exchange may list securities event contract series with exercise prices representing negative values of the underlying financial metric. It is possible for a financial metric to have a negative value, such as earnings per share where the issuer reports a loss per share. For these series, the exercise price would equal the absolute value of the underlying financial metric and would be scaled in the same manner as a positive value, as described above. For example, if an issuer's earnings per share in the last reporting period was −$3.58 (and thus was a loss per share), a securities event contract for such issuer with an exercise price of 3.58 would reflect an expected loss of $3.58 per share. The Exchange would incorporate into symbology for securities event contracts whether the value of the exercise price is positive or negative, including if the Exchange lists securities event contract series with both positive and negative exercise prices. Whether a symbol reflects a positive or negative value would be available on contract specifications for the specific securities event contract on the Exchange's public website.

Proposed Interpretation and Policy .01 to Rule 30.6 provides that appropriate exercise prices for securities event contracts that have an exercise price may vary due to differences among issuers, contract types, and other factors. In determining which exercise prices to offer, the Exchange would consider information published by the issuer; market expectations that are relevant to the event question, such as information contained in research reports published by analysts covering the underlying security; the implied probabilities indicated by transactions in securities event contracts that have already been listed on a particular event question; and customer demand. The Exchange believes consideration of these factors is reasonably designed to support the listing of exercise prices that are responsive to market interest and within a range that is likely to be meaningful to market participants.

The Exchange's exercise price selection framework differs from the approach in the Cboe KPI Proposal, which would adapt a strike-interval and listing-range framework developed from conventions applicable to traditional options and would anchor initial listings to a band around the issuer's most recently reported financial metric. The Exchange believes that framework is not well suited to securities event contracts. Traditional equity-option strike grids are generally designed around the price of a continuously traded underlying security. The current market price provides a near-current reference point, and the strike intervals reflect market experience and assumptions concerning expected movements and volatility in stock prices. An issuer's financial metric, by contrast, is reported periodically and generally is not continuously observable. The most recently reported metric may be several weeks or months old and may become increasingly stale as the next reporting date approaches. During that period, issuer guidance, analyst reports, industry data, market conditions, and other public information may cause prevailing expectations for the next value to differ materially from the prior reported value. A rigid listing range centered on the previous quarter's value therefore may omit exercise prices that reflect the market's current view and may concentrate listings around thresholds that are no longer economically meaningful.

The assumptions embedded in traditional stock-price strike intervals also do not necessarily correspond to expected movements in issuer-reported metrics. Revenues may exhibit seasonality, margins may move within relatively narrow ranges, production values may change in discrete increments, subscriber measures may respond to product cycles, and cash flows may be comparatively irregular. The expected distribution and volatility of those values may differ substantially both from stock-price behavior and from one metric to another. The Exchange believes that importing a strike grid developed for a different product and reference interest could constrain the market before sufficient experience exists to determine appropriate listing conventions for securities event contracts.

The Exchange therefore believes its principles-based, contract-specific methodology is more appropriately tailored to the unique characteristics of securities event contracts and provides a reasonable framework for establishing exercise prices that reflect the particular metric, event question, and reporting context of each contract. The proposed factors permit exercise prices to reflect information and market expectations relating to the particular metric and event question, customer demand, and actual trading experience from previously listed contracts on the same event question as such product develops. This flexibility is not unbounded, however, as the Exchange would remain obligated under the rule to list exercise prices that correspond to an appropriate range of potential settlement values and, in administering the rule, the Exchange would exercise its discretion in a manner consistent with the maintenance of fair and orderly markets. The Exchange believes this approach is more likely to produce economically useful contract series, promote meaningful price discovery, and respond to legitimate investor demand than a framework anchored primarily to a potentially stale historical value and strike conventions developed for traditional options.

Proposed Rule 30.7—Entering Positions

Proposed Rule 30.7 establishes the trading mechanics for entering positions in securities event contracts. Proposed Rule 30.7(a) provides that Users seeking to enter a position must enter a bid to purchase either a yes contract or a no contract, and that to successfully establish a position, that order must be paired with a contraside no contract or yes contract, respectively, that references the same underlying event question, expiration date, and exercise price. Proposed Rule 30.7(b) provides that acceptable bid prices for securities event contracts range from $0.01 and $0.99, subject to a minimum pricing increment of $0.01, and the Exchange would execute a transaction in a securities event contract when the combined bids for the paired yes contract and no contract sum to $1.

Proposed Interpretation and Policy .01 to Rule 30.7 provides that the Exchange would not accept offers to sell securities event contracts. Instead, Users that wish to exit an established position in a yes contract or no contract would enter a bid to purchase the associated no contract or yes contract, respectively. Proposed Interpretation and Policy .02 to Rule 30.7 provides that securities event contracts must be paid in full when the User enters the position pursuant to the Rules of the Clearing Corporation.

The Exchange believes the proposed long-only yes/no contract structure provides a transparent and efficient framework for trading complementary outcomes of a single event question. Because the paired bids for a yes contract and associated no contract must sum to the $1 exercise settlement amount, execution prices directly reflect the market's relative valuation of the two possible outcomes. For example, a User that purchases a yes contract at $0.60 would be paired with a User that purchases the associated no contract at $0.40. At expiration, one of the two contracts would receive the $1 exercise settlement amount and the other would not receive a payout. A holder seeking to offset the economic exposure (or close out) of an existing position would do so by purchasing the complementary contract rather than entering a sell order. As a result, trading is organized around a single event question and its two complementary outcomes rather than around separate categories of option contracts.

This structure differs from the framework proposed for binary KPI options in the Cboe KPI Proposal, under which call and put contracts referencing the same event question may each be purchased or sold. The Exchange believes the yes/no structure is more directly tailored to the binary nature of securities event contracts because it presents the two possible outcomes of a single event question as complementary components of one market rather than as separate call and put markets. Securities event contracts are designed to answer a single question regarding whether a specified event condition is satisfied. The Exchange believes a corresponding yes contract and no contract more naturally reflect those two possible outcomes than a framework that applies traditional call and put terminology and trading mechanics to a binary event product.

The Exchange further believes that organizing trading around a single event question promotes a more coherent market structure. Under a framework that permits separate call and put contracts referencing the same binary event question to be purchased and sold, market participants may obtain equivalent economic exposure through multiple instruments trading in separate markets. As a result, trading interest relating to the same event question may become fragmented across separate call and put markets, creating the potential for pricing discrepancies among economically equivalent positions. Such discrepancies may obscure the relationship between complementary outcomes, impair pricing transparency, and create avoidable arbitrage opportunities that do not arise from differing views regarding the event itself but rather from inconsistencies between separate markets for the same underlying event question. By contrast, the Exchange's proposal directly links the two possible outcomes of a single event question through a fixed $1 exercise settlement amount and a requirement that the paired bids for the yes contract and associated no contract sum to that amount. The Exchange believes this approach concentrates trading interest in a single market, makes the relationship between the two outcomes readily observable, promotes more coherent pricing, and reduces the potential for pricing dislocations and arbitrage opportunities that may arise when economically equivalent exposures trade in separate markets.

The proposed permissible bid range also provides a product-specific execution price protection. Because an individual bid may not exceed $0.99 and paired bids must sum to exactly $1, no User may purchase a securities event contract for a price that is equal to or greater than the contract's maximum $1 exercise settlement amount. The Exchange believes this limitation is an important investor protection because a purchase at or above $1 would result in a guaranteed economic loss (or no gain) even if the contract ultimately is in-the-money and the investor correctly predicts the outcome.

The Cboe KPI Proposal, by contrast, would permit the Cboe exchange to designate a maximum execution price above the $1 exercise settlement amount and provides an example in which an execution above $1 is adjusted to $1.03. The Exchange disagrees with that approach. The Exchange does not believe that transaction, clearing, or other trading expenses justify permitting a contract to execute at a price greater than the maximum amount it can pay at settlement. Under the Exchange's proposal, an execution at a price exceeding the contract's maximum value could not occur. By contrast, the Cboe KPI Proposal contemplates adjusting executions to a designated maximum execution price that may remain above the contract's maximum payout. The Exchange believes that permitting transactions to occur at prices at or greater than the maximum possible value of the contract is inconsistent with the economics of a binary product and that preventing such executions altogether provides a clearer and more effective investor protection.

The Exchange's obvious error provisions would not apply to securities event contracts. The Exchange believes the fixed exercise settlement amount, the $0.01-to-$0.99 permissible bid range, and the requirement that complementary bids sum to $1 provide an appropriately tailored execution price protection that obviates the need for an obvious error process. In particular, the Exchange's System would prevent the most readily identifiable economically erroneous transaction—an execution above the maximum possible payout—before it occurs. The Exchange believes preventing such an execution is preferable to relying on a post-trade nullification or adjustment process.

Proposed Rule 30.8—Contract Adjustment

As described above, securities event contracts would be cleared by the Clearing Corporation, which would serve as the central counterparty to each transaction and facilitate standardized clearing, settlement, and contract administration processes pursuant to its Rules. Consistent with this centralized clearing framework, proposed Rule 30.8 provides that securities event contracts would be subject to adjustment only in accordance with and to the extent specified in the Rules of the Clearing Corporation. When any such adjustment has been determined, the Exchange will announce this adjustment, which will become effective at the time specified in that announcement.

The Exchange believes that limiting contract adjustments to those provided under the Rules of the Clearing Corporation provides a clear and transparent framework under which any adjustments to securities event contracts would be administered. A registered clearing agency designated to clear securities event contracts would be subject to Commission oversight and would possess expertise in the clearance and settlement of financial products. Because securities event contracts represent a novel product type, the Exchange anticipates that the Clearing Corporation would develop adjustment procedures designed to address the unique characteristics of these contracts and the types of events that may require adjustment. To the extent the Clearing Corporation adopts new adjustment procedures for securities event contracts, those procedures would be subject to the applicable regulatory process, including review and approval by the Commission, as applicable, before the Exchange commences trading in the product.

Proposed Rule 30.9—Resolution

Proposed Rule 30.9 establishes the process for resolving securities event contracts at expiration. Proposed Rule 30.9(a) provides that the outcome of an event question would be determined by an Officer of the Exchange or such other employee designee of the Exchange (an ''Official'') based on the published contract terms and the definitive resolutions source(s) specified for the contract. The Official's role would be limited to applying the pre-published contract terms to the specified public resolution source. For metric-based contracts, the settlement value would be the value reported in the applicable Commission filing.

Proposed Rule 30.9(b) further provides that securities event contracts would be cash settled at expiration and that in-the-money contracts would be automatically exercised and paid in cash pursuant to the Rules of the Clearing Corporation. A yes contract would be paid at expiration if the condition specified in the contract terms occurs in the manner specified in the contract terms, and a no contract would be paid at expiration if the condition does not occur in that manner. The Exchange believes that cash settlement is appropriate for securities event contracts because the contracts are designed to provide exposure to the occurrence or non-occurrence of an issuer-specific event rather than ownership or delivery of the underlying security.

Proposed Interpretation and Policy .01 to Rule 30.9 describes how the Exchange will determine whether a securities event contract is in-the-money at expiration. For securities event contracts that include an exercise price, such as the proposed contract types set forth in Rule 30.4(b), in-the-money status would be determined by comparing the settlement value of the underlying financial metric to the specified exercise price because the event question turns on whether that metric satisfies a specified threshold. For securities event contracts that do not include an exercise price, the published contract terms instead would specify the objective event that must occur for the contract to be in-the-money because the event question would depend solely on whether a discrete, objectively verifiable issuer event occurs in the manner specified in the contract terms, rather than whether a financial metric satisfies a numerical threshold. In either case, the contract terms would specify, before trading begins, the criteria for determining whether the contract is in-the-money, providing market participants with a clear understanding of how the contract will be resolved and when it will result in a cash payout.

Proposed Rule 30.10—Position Limits

Proposed Rule 30.10 establishes the position limit requirements for securities event contracts. Proposed Rule 30.10(a) provides that, in determining, compliance with Rule 18.7 (Position Limits), the position limit for securities event contracts would be the same as the applicable position limit for the stock of the issuer per expiration, and 100 securities event contracts would equal one standard option contract. Proposed Rule 30.10(d) would apply the same 100-to-one conversion for purposes of the large-position report required by paragraph (a) of Rule 18.10 (Reports Related to Position Limits).

The Exchange believes using the applicable equity-option position limit provides an objective and familiar framework for securities event contracts. The issuer's equity-option position limit reflects the size and trading characteristics of the market associated with that issuer and provides an established reference point for limiting concentrated options exposure. At the same time, each securities event contract has a maximum exercise settlement amount of $1 and no contract multiplier, whereas a standard equity option generally represents 100 shares. Treating 100 securities event contracts as one standard option contract therefore provides proportional treatment for position limit and reporting purposes that reflects the materially smaller fixed value of an individual securities event contract.

Proposed Rule 30.10(b) provides that positions in securities event contracts on the same underlying financial metric with different expiration dates would not be aggregated (as proposed position limits are calculated per expiration), and positions in securities event contracts for the same issuer with different underlying financial metrics would not be aggregated (as securities event contracts overlying different financial metrics, even for the same issuer, would be different classes, as described above). Accordingly, the proposed position limit would apply separately to each combination of underlying financial metric and expiration.

Proposed Rule 30.10(c) provides that securities event contacts would not be aggregated with other options contracts overlying the stock of the issuer. The Exchange believes non-aggregation is appropriate because conventional equity options and securities event contracts have different reference interests, payout structures, settlement conditions, and risk profiles.

Surveillance and Regulatory Oversight

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply the same program procedures to securities event contracts the Exchange applies to its other options products. 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, the Exchange has a Regulatory Services Agreement with the Financial Industry Regulatory Authority, Inc. (''FINRA'') for certain market surveillance, investigation and examinations functions. Pursuant to a multi-party 17d–2 joint plan, all options exchanges allocate amongst themselves and FINRA responsibilities to conduct certain options-related market surveillance that are common to rules of all options exchanges.[9] All options exchanges are also parties to the Options Regulatory Surveillance Authority plan under Regulation NMS Rule 608, pursuant to which FINRA conducts options-related insider trading surveillance, investigations, and enforcement for the U.S. options markets.

The Exchange believes its existing surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed securities event contracts. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of securities event contracts, including cooperation with FINRA to implement insider trading surveillances to incorporate the unique characteristics of securities event contracts. The Exchange will report any information regarding securities event contracts required to be reported to the Consolidated Audit Trail (''CAT'') in the same manner it reports this information to CAT for all other options the Exchange lists.[10] The Exchange believes that no technical changes are required to accommodate the reporting to CAT of information regarding securities event contracts (the Exchange represents, if later required by FINRA CAT, the administrator of the CAT, it will adhere to any new technical requirements FINRA CAT deems necessary to accommodate securities event contracts).

Implementation

The Exchange has analyzed its systems capacity and represents that it believes the Exchange has the necessary systems capacity to handle any potential additional message traffic associated with the listing of securities event contracts.

The Exchange will send quotation and transaction price information for securities event contracts to The Options Price Reporting Authority (''OPRA'') in the same manner it sends this information to OPRA for all other options the Exchange lists. The Exchange intends to follow OPRA's standard capacity monitoring process for securities event contracts (in accordance with OPRA instructions), which includes submission of quarterly capacity projections (the Exchange will include its projected securities event contracts volume in the applicable submission). Further, the Exchange does not believe that technical changes are required to accommodate the reporting to OPRA of quotation and transaction information regarding securities event contracts (however, the Exchange represents, if later required by OPRA, it will adhere to any new technical

[9] Section 19(g)(1) of the Act, among other things, requires every self-regulatory organization (''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. *See* 15 U.S.C. 78q(d)(1) and 17 CFR 240.17d–2. 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 compliance with 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.

[10] CAT reporting requirements will apply to broker-dealers with respect to securities event contracts in the same manner as they apply to any other options the Exchange lists. The Exchange believes that there will be no changes to the reporting specifications for broker-dealers to accommodate the reporting of information regarding securities event contracts to CAT.

requirements OPRA deems necessary to accommodate securities event contracts). The Exchange does not believe Members will experience any capacity issues as a result of this proposal and represents that it will monitor the trading volume associated with securities event contracts and the effect (if any) of securities event contracts on the capacity of the Exchange's automated system.

Pursuant to the Options Order Protection and Locked/Crossed Market Plan (''Linkage Plan''),[11] participant exchanges to the Linkage Plan established a framework to provide order protection. The Linkage Plan (and Exchange Rules 27.1 through 27.3 regarding intermarket linkage) applies during all trading sessions during which multiply listed options trade. Rule 21.9 (Order Routing) addresses order routing away from the Exchange to promote compliance with the Linkage Plan. If the proposed securities event contracts become multiply listed options, Users may designate an order for routing (or not available for routing), and the Exchange System is designed to, at all times, prevent trade-throughs and avoid displaying locked/crossed markets in accordance with the Linkage Plan (and Exchange Rules 27.1 through 27.3 regarding intermarket linkage).

The Options Listings Procedure Plan (the ''OLPP'') sets forth procedures to facilitate the listing and trading of standardized options. This plan currently describes procedures with respect to options issued by and cleared at the OCC. The Exchange will take steps necessary and within its authority to amend the OLPP to reflect listing procedures applicable to securities event contracts to the extent not cleared by the OCC.

The Exchange represents it will not list for trading securities event contracts until the registered clearing agency designated as the Clearing Corporation is authorized and operationally ready to clear the contracts and until all applicable filings and documents of the Clearing Corporation related to securities event contracts being cleared through the Clearing Corporation are approved by the Commission or effective after review by the Commission, as applicable.

As discussed in further detail below, the Exchange intends for securities event contracts to be treated as listed standardized options. Rule 9b–1 under the Act establishes a disclosure framework for standardized options pursuant to which investors receive a disclosure document describing the terms, characteristics, and risks of the product before trading. Depending on which registered clearing agency is designated as the Clearing Corporation, the applicable Rule 9b–1 disclosure document may be based on an existing options disclosure document utilized by that clearing agency, as modified or supplemented, as appropriate, or another comparable disclosure document prepared in connection with the clearance of securities event contracts. In either case, the disclosure document would contain substantially similar information regarding the terms, characteristics, risks, settlement mechanics, and other material features of securities event contracts and would be tailored, as necessary, to address the product's unique features and distinctions from traditional listed options. The Exchange believes that disclosure through the Rule 9b–1 framework would better serve the informational needs of investors than a traditional prospectus because securities event contracts are standardized options for which the principal investor considerations relate to the contract's terms, payout structure, settlement mechanics, and trading characteristics rather than the disclosure typically provided in connection with an offering of a corporate issuer's securities.

The Exchange will not commence listing and trading of securities event contracts until a registered clearing agency is authorized and operationally ready to clear the contracts; the applicable disclosure document under Rule 9b–1 is in place; any necessary changes relating to CAT, FINRA, OPRA, the Linkage Plan, and OLPP have been completed; and the Exchange has issued an implementation notice to Members.

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.[12] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[13] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[14] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

Securities Event Contracts Are Securities and Standardized Options

As an initial matter, the Exchange believes that the securities event contracts proposed herein would be ''securities'' under the Act.[15] Section 3(a)(10) of the Act[16] defines the term ''security'' to include, among other instruments, ''any . . . option . . . on any security . . . including any interest therein or based on the value thereof.''[17] Listed options that fall within this statutory definition are subject to the Commission's jurisdiction and generally must trade on a national securities exchange that is registered pursuant to Section 6 of the Act.[18]

Today, standardized options are generally offered based on the price of the underlying security or index and include puts, calls, and other complex instruments whose value is based on the price of the underlying security or securities. The Exchange's proposal would expand the universe of listed options to include contracts based on the issuer achieving financial metrics that are material to the price of the underlying NMS stock rather than the stock's share price itself. Such securities event contracts would be based on an interest in and relate to the value of the underlying NMS stock. While the definitions in the Act are somewhat overlapping, classifying these securities as binary options contracts rather than security-based swaps is in keeping with the relevant statutory definitions and the SEC's prior interpretations thereof.

Moreover, trading such instruments as binary options would promote a fair and orderly market and facilitate new

[11] The Linkage Plan requires U.S. options exchanges to establish a framework for providing order protection and addressing locked and crossed markets in eligible options classes. The Linkage Plan is a national market system plan approved by the Commission pursuant to Section 11A of the Act and Rule 608 thereunder. The full text of the Linkage Plan is available at *https://www.theocc.com/getcontentasset/7fc629d9-4e54-4b99-9f11-c0e4db1a2266/dfc3d011-8f63-43f6-9ed8-4b444333a1d0/options_order_protection_plan.pdf.*

[12] 15 U.S.C. 78f(b).

[13] 15 U.S.C. 78f(b)(5).

[14] *Id.*

[15] For the same reasons discussed herein, the Exchange believes that securities event contracts are also ''securities'' under the Securities Act of 1933, as amended (the ''Securities Act''). *See* 15 U.S.C. 77b(a)(1).

[16] 15 U.S.C. 78c(a)(10).

[17] *Id.*

[18] 15 U.S.C. 78f.

investment and hedging opportunities on a Commission-regulated exchange. In certain cases, financial instruments may contain features similar to both options contracts and security-based swaps. As compared to characterizing an instrument as a security-based swap, which would typically be traded bilaterally in the over-the-counter (''OTC'') market, categorizing an instrument as an options contract comes with a more robust set of regulatory requirements and market practices that the Exchange believes would aid in the development of such securities event contracts. To the extent there is uncertainty regarding how best to characterize these contracts under the statute, the Exchange believes that the best interpretation is the one that promotes innovation and competition while providing robust investor protection guardrails on a regulated exchange.

As discussed above, the Exchange is proposing to list securities event contracts for trading on its registered U.S. options exchange, MEMX Options. MEMX Options currently trades standardized options based on the price of an underlying NMS stock, *i.e.,* ordinary puts and calls. Securities event contracts would be different from the contracts currently traded on MEMX Options primarily in two separate respects: (1) securities event contracts would have a fixed or ''binary'' payout at expiration, regardless of the magnitude of the difference between the option's exercise price and the settlement value for the underlying; and (2) the price of such contracts would be based on the issuer achieving financial metrics that are material to the price of the underlying NMS stock rather than the stock's share price itself. The Exchange does not believe that either of those differences is germane to whether this product is an options contract as defined in the Act.

Notably, options as defined in Section 3(a)(10) encompass not only options on a security but further include options on any interest in a security or based on the value thereof. This broad statutory language is sufficient to support the trading of securities event contracts on a Commission-regulated options exchange, including contracts that reference an issuer's earnings, revenues, sales, or other financial metrics on which investors traditionally base investment decisions. Indeed, such options contracts would reference financial metrics that are material to the value of the underlying security and are therefore included in the issuer's financial reports submitted to the Commission, including Form 8–K, Form 10–K and Form 10–Q filings.

This read of the statute is also consistent with the Commission's own interpretation of the statute when analyzing its application to similar products offered by another national securities exchange. Consider the Commission's approval of proposals by Cboe to list and trade: (1) credit default options; [19] and (2) credit default basket options.[20] As the Commission explained in its order approving credit default options for trading on Cboe, ''credit default options . . . are binary options that are automatically exercised upon the occurrence of specified credit events or expire worthless.'' [21] While such products were therefore different in certain important respects from existing options contracts, ''[a]fter careful analysis, the Commission [found] that credit default options are options based on the value of a security or securities'' [22] and also ''options on an interest in, or based on the value of an interest in, a security or securities.'' [23] The Commission made a similar finding when it later approved Cboe's proposal to introduce credit default basket options.

All of the above would also be true of securities event contracts traded on MEMX Options. Similar to Cboe's credit default options and credit default basket options, the Exchange's proposed securities event contracts are ''binary options that are automatically exercised upon the occurrence of specified . . . events or expire worthless.'' [24] The Commission has repeatedly found that contracts with a binary payout structure may nevertheless be properly classified as options contracts under the Act and, while most options contracts have historically had a variable payment structure, such a structure is not required by the Act, which does not specify a particular payment structure. In addition, while in some cases binary options offered by other securities exchanges have referenced the price of some underlying security or index, such binary options also encompass contracts like the ones discussed above that are instead based ''upon the occurrence of specified events.'' [25]

When classifying similar products in the past the Commission has interpreted the relevant statutory language to ''include options whose pricing in the secondary market moves in relation to the value of the underlying security or securities.'' [26] As was the case with Cboe's credit default options, this requirement is satisfied where there is a ''close empirical correlation between the pricing of'' [27] the option contract and the relevant underlying security or securities. Like Cboe's credit default options and credit default basket options, the Exchange intends only to list securities event contracts that are closely correlated with the pricing of the underlying security. Such contracts may include contracts based on an issuer's earnings, revenues, sales, or other financial metrics—such as metrics relating to customers, users, subscribers, production, margins, cash flows, or other aspects of the issuer's financial performance—reported in the company's periodic reports filed with the Commission on Form 8–K, Form 10–K, or Form 10–Q. This information, which is reported by issuers in their financial reports, is considered material to the price of the underlying NMS stock and easily meets the requirement that there be a close empirical relationship between the pricing of the option and the underlying security. Indeed, such information is generally considered to be the most important information disclosed to investors under the federal securities laws and fundamental price movements often happen following its disclosure.

Pursuant to Section 3(a)(68) of the Act,[28] a ''security-based swap'' [29] is a ''swap'' [30] as defined in the Commodity Exchange Act that is based on: (1) ''an index that is a narrow-based security index, including any interest therein or on the value thereof;'' [31] (2) ''a single security or loan, including any interest therein or on the value thereof;'' [32] or (3) ''the occurrence, nonoccurrence, or extent of the occurrence of an event relating to a single issuer of a security or the issuers of securities in a narrow-based security index, provided that such event directly affects the financial statements, financial condition, or financial obligations of the issuer.'' [33] In turn, the Commodity Exchange Act defines ''swap'' to include ''any

[19] *See* Securities Exchange Act Release No. 55871 (June 6, 2007), 72 FR 32372 (June 12, 2007) (SR–CBOE–2006–84).

[20] *See* Securities Exchange Act Release No. 56275 (August 17, 2007), 72 FR 47097 (August 22, 2007) (SR–CBOE–2007–26).

[21] *See* supra note 19.

[22] *Id.*

[23] *Id.*

[24] *Id.*

[25] *Id.*

[26] *Id.*

[27] *Id.*

[28] 15 U.S.C. 78c(a)(68).

[29] *Id.*

[30] 7 U.S.C. 1a(47).

[31] 15 U.S.C. 78c(a)(68)(A)(ii)(I).

[32] 15 U.S.C. 78c(a)(68)(A)(ii)(II).

[33] 15 U.S.C. 78c(a)(68)(A)(ii)(III).

agreement, contract, or transaction . . . that is a put, call, cap floor, collar, or similar option of any kind that is for the purchase or sale, or based on the value, of 1 or more . . . securities.'' [34]

All listed options contracts, including those currently traded on MEMX Options and other U.S. options exchanges, would therefore fall within the statutory definition of security-based swap, unless an exclusion applies. Importantly then, the Commodity Exchange Act defines the term ''swap'' to specifically exclude ''any . . . option . . . on any security . . . or group or index of securities, including any interest therein or based on the value thereof,'' that is subject to both the Act and Securities Act.[35] As a practical matter, this exclusion means that listed options contracts traded on U.S. options exchanges like MEMX Options are therefore not considered security-based swaps under the Act, notwithstanding that they would otherwise meet the relevant statutory definition.

In determining whether a particular security is a security-based swap under the Act, the Commission must therefore determine not only whether the product falls within the security-based swap definition but *also* whether it is an ''option . . . on any security . . . or group or index of securities, including any interest therein or based on the value thereof.'' [36] If the Commission concludes that the product in question falls within the statutory definition of an option, then the product is excluded from the definition of security-based swap. For the reasons discussed above, the Exchange's proposed securities event contracts would be properly classified as options on a security, including any interest therein or based on the value thereof, and therefore should not be considered security-based swaps if traded on a national securities exchange under Commission rules that apply to the trading of options contracts.

The Exchange also believes that securities event contracts would be ''standardized options'' for purposes of Rule 9 b–1 under the Act.[37] Rule 9 b–1 establishes a disclosure framework for standardized options traded on a national securities exchange and cleared through a registered clearing agency. Rule 9 b–1(a)(4) [38] defines a standardized option to include an options contract trading on a national securities exchange that relates to an options class whose terms are limited to specific expiration dates and exercise prices, as well as other securities the Commission may designate by order. Under the current proposal, securities event contracts would have standardized terms established by Exchange rule, including specific expiration dates and exercise prices, and therefore would fall within the express definition of standardized options in Rule 9 b–1(a)(4). Additionally, securities event contracts would be cleared through the registered clearing agency designated as the Clearing Corporation, automatically exercised if in-the-money, and cash settled pursuant to the Rules of the Clearing Corporation. Accordingly, the Exchange believes that securities event contracts would be appropriately encompassed within the regulatory framework applicable to standardized options.

As noted above, the applicable Rule 9 b–1 disclosure document would be in place before the Exchange commences listing and trading of securities event contracts. Depending on the registered clearing agency designated as the Clearing Corporation, the applicable Rule 9 b–1 disclosure document may be the same as or similar to an existing options disclosure document utilized by that clearing agency, as modified or supplemented, as appropriate, or another comparable disclosure document prepared in connection with the clearance of securities event contracts. In either case, the document would describe the terms, characteristics, risks, settlement mechanics, and other material features of securities event contracts and would be tailored, as necessary, to address the product's unique features and distinctions from traditional listed options.

The Exchange believes the Rule 9 b–1 disclosure framework is appropriately tailored and would better serve the informational needs of investors than a traditional prospectus because securities event contracts are standardized options for which the principal investor considerations relate to the contract's terms, payout structure, settlement mechanics, and trading characteristics rather than the disclosure typically provided in connection with an offering of a corporate issuer's securities. Providing this information through the options disclosure framework would ensure that investors receive meaningful and appropriately tailored disclosure concerning the characteristics and risks of the contracts in a form established for standardized options and familiar to options market participants.

Classifying securities event contracts as securities options under the Act is consistent with the Commission's established regulatory framework for binary options, including investor protection objectives, and preserves the integrity of antimanipulation restrictions, insider trading prohibitions, and material nonpublic information (''MNPI'') controls. More specifically, because these contracts are tied to Commission disclosure rules and regulations and MNPI risks that are substantially identical to those present in traditional securities trading, aligning securities event contracts with the securities regulatory framework preserves the integrity of insider trading prohibitions and the Commission's disclosure regime. Listing securities event contracts on a registered national securities exchange subjects trading activity to SRO and Commission surveillance for, among other things, manipulative trading and insider trading, affording investors the full protections of the federal securities laws. Further, classifying securities event contracts as security options under the Act allows these contracts to be quoted by the same liquidity providers that quote listed options today, all of whom are Commission-registered and regulated broker-dealers who are also subject to FINRA and exchange SRO oversight, and allows such contracts to be traded by the same retail customer base that trade other binary options products today.

For these reasons, the Exchange believes that securities event contracts, as proposed, are appropriately classified as binary options eligible to trade on a registered national securities exchange and as standardized options subject to the disclosure framework established by Rule 9b–1. This classification reflects the economic substance and standardized structure of the product, is consistent with the Act and the Commission's prior interpretations, and is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, foster regulatory and clearing coordination, and protect investors and the public interest consistent with Section 6(b)(5) of the Act.[39]

Proposal

The Exchange believes the proposal is consistent with Section 6(b) of the Act,[40] in general, and furthers the objectives of Section 6(b)(5) of the Act,[41] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and

[34] 7 U.S.C. 1a(47)(A)(i).

[35] 7 U.S.C. 1a(47)(B)(iii).

[36] *Id.*

[37] 17 CFR 240.9b–1.

[38] 17 CFR 240.9b–1(a)(4).

[39] 15 U.S.C. 78f(b).

[40] 15 U.S.C. 78f.

[41] 15 U.S.C. 78f(b).

equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The proposal would establish a comprehensive framework for the listing and trading of securities event contracts on MEMX Options. As described above, securities event contracts would be cash-settled, European-style binary options based on the objective event questions relating to the financial performance of issuers of NMS stocks. The proposed rules would place these products within the Exchange's established listed-options regulatory framework while adopting product-specific provisions addressing contract designation, eligible underlying securities, eligible contract types, expiration, exercise prices, trading mechanics, adjustments, resolution, settlement, and position limits. The Exchange believes this structure is reasonably designed to apply the protections and operational infrastructure of the listed-options markets to issuer-related event products that constitute securities, while tailoring the rules to the fixed-payout and event-based characteristics of the contracts.

The proposal is not limited to creating a new investment product. It also establishes the conditions under which such a product may be listed, traded, resolved, cleared, surveilled, and reported. The proposed rules therefore address the principal investor-protection and market-integrity considerations presented by securities event contracts: the issuer and metric on which a contract may be based; the public information that will control resolution; the timing of expiration and the final trading session; the manner in which exercise prices will be selected and displayed; the prices at which transactions may occur; the process for entering and exiting positions; the treatment of adjustments and settlement; the limits applicable to concentrated positions; and the surveillance and regulatory infrastructure that will apply. The Exchange believes the proposal, considered as a whole, is reasonably designed to provide transparent contract terms, objective resolution, bounded Exchange discretion, standardized trading and settlement, and effective regulatory oversight.

The Exchange believes the proposal is designed to remove impediments to and perfect the mechanism of a free and open market by providing market participants with a standardized, exchange-traded means of obtaining exposure to, or hedging risk associated with, discrete issuer-specific financial outcomes. Existing equity and options markets allow investors to express views concerning the market price of an issuer's stock. The market price of a stock, however, reflects numerous contemporaneous factors, including macroeconomic conditions, industry developments, capital structure, interest rates, market sentiment, and other issuer-specific information. An investor may therefore correctly assess a particular financial outcome—such as earnings, revenues, sales, production, margins, or subscriber levels—while receiving an imperfect economic result through a position whose value depends on the issuer's overall stock price.

Securities event contracts are designed to isolate the specified financial metric or other event question as the contractual reference point. The value of the contract at expiration would depend on whether the stated condition is satisfied, rather than on the magnitude or direction of the movement in the underlying stock. The Exchange believes this targeted exposure may permit investors to implement investment and hedging strategies that are not replicated as directly through conventional equity options. In addition, prices for complementary yes contracts and no contracts may convey market participants' collective probability assessments concerning the relevant issuer-reported outcome. The Exchange believes that transparent, exchange-displayed prices for these contracts may contribute to price discovery regarding issuer-specific expectations, while the fixed settlement amount and all-or-nothing payout provide a readily understandable risk profile.

The proposal would also bring this form of event-based exposure within the regulated exchange environment. Securities event contracts would trade pursuant to Exchange Rules governing access, order handling, trading conduct, surveillance, investigations, discipline, and other matters applicable to listed options except where Chapter 30 provides product-specific treatment. Quotation and transaction information would be disseminated through OPRA, and, if the contracts become multiply listed, order protection and routing would operate pursuant to the Linkage Plan and the Exchange's linkage rules. The Exchange believes these features promote transparency, fair access, and competition and are therefore consistent with the protection of investors and the public interest.

Proposed Rule 30.1—Application of Securities Event Contract Rules

Proposed Rule 30.1 would provide that Chapter 30 applies only to securities event contracts traded on MEMX Options and that the Exchange's Rules also apply unless specifically replaced or supplemented by Chapter 30 or the context otherwise requires. The Exchange believes this approach is appropriate because securities event contracts would be classified as options but have features that require targeted product-specific rules. Chapter 30 therefore would supplement the existing options rules with provisions addressing product definitions, contract terms, contract designation, expiration, exercise prices, order entry, contract adjustment, resolution, and position limits. Applying the Exchange's existing options rules except where Chapter 30 provides otherwise is reasonably designed to prevent regulatory gaps and to subject securities event contracts to the established requirements governing, among other things, access, order handling, trading conduct, surveillance, investigations, and discipline. Accordingly, proposed Rule 30.1 is designed to protect investors and the public interest and to promote just and equitable principles of trade by applying a comprehensive and coherent body of Exchange Rules to the product.

Proposed Rule 30.2—Definitions

Proposed Rule 30.2 would define the key terms used throughout Chapter 30. The Exchange believes a defined terms framework is particularly important for a novel product, and clear and consistent definitions are reasonably designed to protect investors and promote just and equitable principles of trade by reducing ambiguity concerning what the product references, when it expires, how the outcome is determined, which public source controls settlement, and when each complementary contract is in-the-money. The definitions also facilitate consistent administration by the Exchange, Members, the Clearing Corporation, surveillance personnel, and other market participants. Defining the Clearing Corporation generically as the registered clearing agency designated by the Exchange is reasonably designed to preserve operational flexibility while ensuring that the entity responsible for clearance and settlement is subject to Commission oversight.

Proposed Rule 30.3—Terms of Securities Event Contracts

Proposed Rule 30.3 would require each securities event contract to be designated by expiration date, underlying security, contract type, event question, and, if applicable, exercise price, and would require the Exchange to make available both a yes contract and a no contract for each event question. Proposed Interpretation and Policy .01 would require the Exchange to publish the contract terms before listing and trading. The Exchange believes advance publication of standardized terms promotes just and equitable principles of trade and protects investors because all market participants would receive the same information concerning the reference interest, reporting period, possible outcomes, payout criteria, expiration, and resolution methodology before entering a position

Proposed Interpretation and Policy .02 provides that, unless otherwise specified, each securities event contract has an $1 exercise settlement amount and no contract multiplier. As described above, the Exchange intends for $1 to serve as the standard settlement amount because it provides a simple and intuitive framework for pricing the complementary contracts associated with a particular event question and enables market participants to readily understand the relationship between a contract's price and its potential payout. The Exchange believes these default terms protect investors and perfect the mechanism of a free and open market by making the product's economics straightforward, promoting consistency and transparency across series, and avoiding the additional complexity associated with a contract multiplier.

The requirement to offer both yes contracts and no contracts reflects the two possible outcomes of the same event question and establishes the foundation for the linked trading structure in proposed Rule 30.7. At the contract-designation stage, that requirement protects investors by making both sides of the binary question explicit and by ensuring that the complementary relationship is reflected in the standardized terms rather than requiring investors to infer the opposite exposure from traditional call and put terminology.

Proposed Rule 30.4—Designation of Securities Event Contracts

The Exchange believes proposed Rule 30.4 is consistent with the Act because it establishes a bounded, objective, and transparent framework governing the issuers and underlying securities on which the Exchange may list securities event contracts, the financial metrics that may serve as the basis for those contracts, and the public issuer disclosures that will govern their resolution. Taken together, these provisions are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest by limiting the currently authorized products to contracts based on objectively determinable measures of an issuer's financial performance that are material to the value of the underlying NMS stock.

The proposed issuer-eligibility standards are designed to promote just and equitable principles of trade, protect investors, and support market integrity and informed trading by limiting the Exchange's initial selection authority under proposed Rule 30.4(a)(1) to no more than 25 issuers whose NMS stocks rank among the top 25 by market capitalization, equities volume, or options volume. As described above, these objective criteria identify a limited universe of issuers with substantial public market interest, as reflected through issuer size or active trading in the issuer's stock or related options. Such issuers generally are more likely to have broad market participation, significant liquidity, and robust public information and analyst coverage. These characteristics provide market participants with information relevant to evaluating the financial metrics underlying securities event contracts and support the Exchange's ability to surveil and administer the products. The limitation on the number of Exchange-selected issuers further supports a measured introduction of the product by maintaining a limited and manageable universe while permitting the Exchange to offer contracts on a meaningful range of issuers. Assessing eligibility only at the time of initial selection avoids unnecessary disruption to outstanding products and investor positions based solely on later changes in relative rankings, while preserving the Exchange's discretion to determine whether and when to list contract series on a particular eligible issuer based on issuer-specific developments, investor interest, market conditions, and other relevant factors.

Proposed Rule 30.4(a)(2) would permit the Exchange to select the NMS stock of an issuer for which securities event contracts or similar options are listed and traded on another national securities exchange pursuant to Commission-approved rules. As described above, this provision would allow the Exchange to compete in a product that has already been authorized for that issuer under another exchange's approved rules without requiring a duplicative issuer-specific rule filing, thereby removing impediments to and perfecting the mechanism of a free and open market.

The protections arising from the issuer-eligibility standards are reinforced by the limitations applicable to the financial metrics on which securities event contracts may be based. The currently authorized contract types are limited to contracts based on objective, quantifiable measures of an issuer's financial performance. Earnings, revenues, and sales are widely recognized measures of issuer performance that issuers routinely disclose in their Commission filings and that investors and other market participants commonly consider when evaluating an issuer's business, financial condition, and securities. As described above, Other Key Financial Metric Contracts would be limited to issuer-reported metrics that are objectively determinable from the applicable filing with the Commission and material to the value of the underlying NMS stock. Consistent with the designation of these measures as ''key'' metrics, the Exchange would select only metrics that bear a meaningful relationship to the issuer's business, financial performance, and market valuation, and are therefore material to the value of the underlying NMS stock.

The requirement that a financial metric underlying an Other Key Financial Metric Contract be reported in the issuer's applicable Commission filing provides a reasonable and objective standard for establishing a baseline pool of eligible financial metrics from which the Exchange can identify significant measures of an issuer's performance that are material to the value of the underlying security. Crucially, eligibility under the proposed framework does not depend solely on a metric being reported in an issuer's Commission filings. Rather, the category is strictly confined to key financial measures—describing significant aspects of the issuer's financial condition, results of operations, or business performance—that bear a meaningful relationship to the issuer's financial performance and are therefore material to the value of the underlying security.

Anchoring eligible metrics to the Commission's disclosure framework ensures that the underlying data is subject to rigorous regulatory disclosure requirements and Commission guidance, which, as noted above, directs issuers to focus on material information and key variables that management uses to monitor the business.[42] Because these measures are publicly reported by the issuer and represent the types of information commonly considered by investors, analysts, and other market participants when evaluating an issuer's financial performance and stock value, they possess a meaningful relationship to the value of the underlying security.

Consistent with this framework, eligible metrics include GAAP and non-GAAP financial measures, as well as operating measures relating to the issuer's business activities, products, customer base, production levels, or business segments, provided they represent key indicators of performance. Conversely, the proposed framework protects investors and the public interest by excluding metrics that are not included in the issuer's Commission filings, are derived from unverified third-party sources, or are otherwise immaterial, ancillary, trivial, or lacking a material relationship to the issuer's financial performance. Ultimately, the Exchange believes that narrowing the scope to key, verifiable measures of an issuer's financial performance ensures that trading in the proposed securities event contracts is based exclusively on objective, high-integrity financial metrics—thereby protecting investors from market confusion, preventing fraudulent and manipulative acts and practices, and perfecting the mechanism of a free and open market consistent with the requirements of the Act.

By requiring the contract terms to identify the applicable reporting period and specifying that the first applicable Commission filing reporting the relevant metric will resolve the event question, proposed Interpretation and Policy .01 would anchor settlement to the issuer's initial public disclosure of that metric through the Commission's reporting framework and prevent trading in the contract after the relevant information capable of resolving the event question has been publicly disclosed by the issuer. Because the resolution source will be an issuer filing made available through the Commission's reporting framework, the resolution process will be tied to public information subject to the federal securities law reporting framework applicable to issuer filings, including applicable reporting, certification, and antifraud requirements. The Exchange believes that these features would provide an objective, transparent, publicly available, and reproducible basis for settlement, thereby promoting just and equitable principles of trade and protecting investors and the public interest.

Proposed Rule 30.4(c), which provides that securities event contracts listed and traded on the Exchange constitute a separate class from other options overlying the same underlying NMS stock and from other securities event contracts with different underlying financial metrics for the same issuer, is designed to align the classification of each product with the underlying economic characteristics of that product and promote clarity in the administration and trading of the products. Securities event contracts differ from other options overlying the same NMS stock because they are based on a specified event question relating to the issuer rather than on the stock's market price, while securities event contracts based on different underlying financial metrics of the same issuer differ because each metric presents a separate event question resolved by reference to the applicable issuer disclosure and settlement value; in each case, the products involve different reference interests, settlement determinations, and economic exposures, and therefore warrant separate class treatment.

Proposed Rule 30.5—Expiration Date

The Exchange believes proposed Rule 30.5 is consistent with the Act because it establishes transparent and objective standards governing the permissible duration, expiration, final trading session, early resolution, and settlement finality of securities event contracts. The Exchange believes the range of permissible expirations under proposed Rule 30.5(a) would remove impediments to and perfect the mechanism of a free and open market and a national market system because, as discussed above, they will align with the reporting periods for which the proposed issuers disclose financial results and submit corresponding reports to the Commission. These expirations will, therefore, permit investors to incorporate securities event contracts into their investment strategies that correspond to issuers' financial results. Further, as discussed above, the Exchange believes aligning expirations with Commission-regulated sources will reduce the potential for manipulation of the underlying financial metrics, which will ultimately protect investors and the public interest.

The Exchange believes that proposed Rule 30.5(b) and Interpretation and Policy .01 thereto would promote just and equitable principles of trade and protect investors by tying a contract's expiration to the issuer's first public announcement of the relevant underlying financial metric. This approach aligns expiration with the time when the information necessary to resolve the event question becomes available and prevents trading after the relevant information has been released, thereby supporting fair and orderly markets and investor protection. Proposed Rule 30.5(b) also addresses the practical circumstance that an issuer may not announce the precise disclosure date for a reporting period until relatively close to the scheduled disclosure. As described above, it would permit the Exchange to establish the anticipated expiration date when a series is listed and use a placeholder based on the issuer's prior reporting cycle when necessary, after which the Exchange would revise the expiration date once the issuer announces the relevant date. The Exchange believes this approach would promote just and equitable principles of trade and support fair and orderly markets by accommodating issuer disclosure practices while providing market participants with advance information regarding expected duration of the series.

The authority to halt trading under proposed Interpretation and Policy .01 when information regarding the underlying financial metric appears to have become publicly available through a source other than a definitive resolution source provides an additional investor-protection safeguard. A trading halt would permit the Exchange to evaluate whether an unusual or unofficial disclosure is reliable and whether continued trading would be consistent with a fair and orderly market. At the same time, permitting trading to resume if the information is determined to be unreliable or insufficient to resolve the event question would avoid allowing incomplete information or unverified reports to prematurely terminate legitimate trading. The Exchange believes this measured approach is reasonably designed to protect investors while preserving trading where the contract has not become objectively resolvable under its terms.

The last trading day conventions in proposed Interpretation and Policy .02 likewise are designed to protect investors and promote just and

[42] *See supra* note 7.

equitable principles of trade by permitting trading through the final regular trading session before the information necessary to resolve the event question becomes public, while preventing trading after market participants have access to that information. Where the issuer discloses its financial results after the close of trading, permitting trading through the expiration date preserves the final trading session preceding the disclosure; where the issuer discloses its financial results before the opening of trading, establishing the prior trading day as the last day of trading prevents trading after the relevant information has been released.

The Exchange believes Interpretation and Policy .03 would promote just and equitable principles of trade and protect investors by requiring the contract terms to address in advance the unusual circumstance in which the applicable underlying financial metric is not reported or otherwise will be unavailable. Specifying the applicable procedure before a series is listed would provide market participants with advance notice of the possible settlement treatment, permit that treatment to be reflected in trading decisions, and avoid an ad hoc determination after trading has occurred. Although the precise procedure may vary depending on the metric and the requirements of the Clearing Corporation, requiring the procedure to be established in the published contract terms prior to the commencement of trading in the product would promote objective and consistent treatment and foster cooperation and coordination in the clearance and settlement of securities transactions.

The Exchange believes treating the value reported by the issuer on the applicable expiration date as final notwithstanding a subsequent restatement is reasonably designed to protect investors, promote just and equitable principles of trade, and support the prompt and orderly settlement of securities event contracts. Finalizing settlement at expiration would provide investors and the Clearing Corporation with certainty and avoid operational burdens associated with reversing payments or recalculating positions after a series has expired. Applying the same expiration-date value to all contracts would ensure uniform treatment and provide finality to the settlement process.

Proposed Rule 30.6—Exercise Price

The Exchange believes the exercise price framework under proposed Rule 30.6(a) is consistent with the Act because it provides a reasonable, principles-based, and appropriately bounded method for tailoring the exercise price structure for a particular securities event contract to the characteristics of such contract. Permitting securities event contracts to be listed with or without an exercise price, depending on the contract type, avoids imposing a numerical threshold where one is not economically relevant. Where an exercise price is appropriate, permitting multiple contracts in the same class with exercise prices that correspond to an appropriate range of potential settlement values would allow market participants to express differing views regarding the expected value of the applicable financial metric. Where a contract does not reference a specific exercise price, requiring the contract terms to provide sufficient information to determine whether the contract will be in-the-money or out-of-the-money would preserve objective administration and protect investors. The Exchange believes this product-specific flexibility removes impediments to and perfects the mechanism of a free and open market while supporting economically meaningful series.

Proposed Interpretation and Policy .01 would further these objectives by requiring the Exchange to consider information relevant to the particular issuer, contract type, event question, and reporting context when determining which exercise prices to offer. The Exchange believes that requiring consideration of the factors described in that rule would promote just and equitable principles of trade and protect investors by helping ensure that exercise price selections reflect current information, prevailing expectations, and actual trading experience, thereby supporting the listing of exercise prices that are responsive to market interest and within a range likely to be meaningful to market participants.

The Exchange believes the scaling of exercise prices under proposed Rule 30.6(b) is reasonable and will protect investors, as it will permit the Exchange to list exercise price values in amounts similar to current exercise price values for other options. As noted above, values of certain underlying financial metrics may be large (*e.g.,* in the billions). The proposed scaling will permit the Exchange, for example, to list an exercise price of 27 rather than 27,000,000,000, which the Exchange believes will be simpler for investors to understand (as it will be made clear that 27 will reflect billions in this example) and consistent with current exercise price levels. The proposed scaling also permits the exercise prices for securities event contracts to fit within current system capabilities regarding exercise price values. The Exchange believes scaling rather than modifying its systems (and potentially causing investors to modify their systems) will benefit investors by allowing them to trade securities event contracts in the same manner as they trade other options today.

The Exchange believes applying a different scale generally only to new expirations after the metric has remained in another scaling tier for four consecutive reporting periods avoids changing the scale based on a temporary movement across a tier boundary, while allowing the Exchange to update the scale to reflect sustained changes in the issuer's reported metric. The fair-and-orderly-market exception would permit the Exchange to make an earlier change if continued use of the existing scale became impractical, misleading, or otherwise inconsistent with orderly trading.

Proposed Rule 30.7—Entering Positions

The Exchange believes proposed Rule 30.7 is consistent with the Act because it establishes a transparent, efficient, and appropriately protective framework for entering and managing positions in securities event contracts, promotes fair and orderly markets, and protects investors. The framework is tailored to the binary nature of the product by organizing trading in a single market around complementary yes/no outcomes of a single event question, using a transparent pricing structure, applying objective execution parameters that protect against economically unreasonable executions, and providing a clear means of entering and offsetting positions.

By structuring the product as long-only positions in complementary yes contracts and no contracts, proposed Rule 30.7(a) would promote just and equitable principles of trade and enhance pricing transparency. Securities event contracts are designed to address whether a specified event condition occurs. As described above, organizing trading around the two complementary outcomes of that single event question, rather than separate call and put markets, would concentrate trading interest in one market, make the relationship between the outcomes readily observable, and reduce the potential for pricing discrepancies or other dislocations among economically equivalent positions. Interpretation and Policy .01 would support these objectives by providing that Users may not sell securities event contracts and that a User seeking to offset an established position must purchase the associated complementary contracts. This mechanism would provide a consistent means of managing an existing position while preserving the single-market structure and avoiding the fragmentation and potential confusion that could result from separate purchase and sale markets for equivalent event exposures.

The pricing requirements in proposed Rule 30.7(b) likewise are reasonably designed to promote just and equitable principles of trade and protect investors. Limiting bids to $0.01 through $0.99, in minimum $0.01 increments, would provide a uniform and readily understood pricing framework. Requiring the paired bids for the yes and no contracts to sum to the $1 exercise settlement amount would directly link the prices of the complementary outcomes and ensure that the price of each contract reflects the market's relative valuation of the two possible outcomes.

As described above, these requirements also would provide appropriately tailored execution price protection by preventing an investor from purchasing a contract for an amount equal to or greater than its maximum possible settlement value. The Exchange believes this pre-trade protection is reasonably designed to protect investors and maintain fair and orderly markets because the fixed exercise settlement amount, permissible bid range, and requirement that complementary bids sum to $1 would enable the Exchange's System to prevent an execution at or above the contract's maximum possible payout before it occurs. The Exchange believes this protection is preferable to relying on a post-trade nullification or adjustment process and obviates the need for the Exchange's obvious error provisions.

Additionally, the Exchange believes excluding securities event contracts from the obvious error provisions in Rule 20.6 is consistent with the Act and promotes just and equitable principles of trade because the standard obvious error framework, which evaluates whether an execution price deviates from a ''theoretical value'' by a prescribed amount, is incompatible with the structure of securities event contracts. Securities event contracts have no continuously observable theoretical value (unlike equity and index options) prior to the date of the relevant disclosure that resolves the event question. Rather, their exercise settlement amount is fixed at a pre-specified dollar amount, and the corresponding value of the contract depends entirely on whether the specified event condition is satisfied, which, for the proposed contract types, is based on a single, publicly verifiable financial metric disclosed in Commission filings. Applying an obvious error framework premised on theoretical value calculations to a product with a binary, fixed payout would be technically inapplicable and could produce unjust or arbitrary results. Moreover, because settlement of the proposed securities event contracts is determined by issuer-reported financial metrics disclosed through Commission filings (*i.e.,* figures produced pursuant to established accounting standards, subject to independent audit, and certified under the Sarbanes-Oxley Act), the settlement process is itself governed by a comprehensive external regulatory framework. The Exchange believes that establishing any alternative dispute mechanism in this context would be not only unnecessary, but potentially disruptive to market integrity, as it may introduce an element of post-hoc discretion into a settlement process that is expressly designed to be objective, verifiable, and rule-bound.

The Exchange accordingly believes that the non-applicability of Rule 20.6 to securities event contracts is a reasonable and justified product-specific accommodation that promotes orderly trading and clear, consistent treatment of transactions in these contracts.

The Exchange believes proposed Interpretation and Policy .02 would foster cooperation and coordination with the registered clearing agency responsible for clearing and settling securities event contracts by requiring positions to be paid in full when they are established pursuant to the Rules of the Clearing Corporation, *i.e.,* on a T+1 basis, thereby reducing settlement and counterparty risk, providing the Clearing Corporation with a fully funded obligation for each position, and supporting the prompt and orderly clearance and settlement of the contracts.

Proposed Rule 30.8—Contract Adjustment

The Exchange believes proposed Rule 30.8 is designed to foster cooperation and coordination with the registered clearing agency responsible for clearing and settling securities event contracts and to protect investors by requiring adjustments to be administered only in accordance with and to the extent specified in the Rules of the Clearing Corporation. As noted above, the Exchange believes that limiting adjustments to those provided under the Rules of the Clearing Corporation would provide a clear and transparent framework under which adjustments would be administered. Moreover, the Exchange believes this centralized framework places adjustment determinations within the rules and procedures of an entity with specialized clearing expertise and applicable regulatory oversight, while public notice of any adjustment and its effective time promotes uniform and predictable treatment. The Exchange notes that the proposed approach is consistent with how adjustments are handled for traditional equity and index options.

Proposed Rule 30.9—Resolution

The Exchange believes proposed Rule 30.9 is consistent with the Act because it establishes a clear, objective, and pre-specified framework for determining the outcomes of securities event contracts and settling those contracts at expiration. The Exchange believes proposed Rule 30.9(a) would promote just and equitable principles of trade, protect investors, and reduce the potential for inconsistent outcomes by limiting the Official's role to applying the pre-published contract terms to the public information contained in the applicable definitive resolution source(s). For metric-based contracts, using the value reported in the applicable Commission filing would provide an objective, public, and verifiable basis for determining the settlement value.

The Exchange believes the cash-settlement and automatic-exercise requirements in proposed Rule 30.9(b) would facilitate cooperation and coordination with the Clearing Corporation and support the prompt and orderly clearance and settlement of securities event contracts. Because these contracts are designed to provide exposure to the occurrence or non-occurrence of an issuer-specific event rather than ownership or delivery of the underlying security, cash settlement is appropriately tailored to the product. Providing for automatic exercise and cash payment pursuant to the Rules of the Clearing Corporation also would promote uniform treatment and reduce the potential for uncertainty in the settlement process, thereby promoting just and equitable principles of trade and fostering cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities.

The Exchange believes that proposed Interpretation and Policy .01 to Rule 30.9 would protect investors and promote fair and orderly markets by ensuring that the settlement outcome corresponds to the specified contract terms for a particular securities event contract. For contracts with an exercise price, comparing the settlement value with that price would establish a clear boundary for determining whether the issuer's reported performance satisfies the contract's specified condition. For contracts without an exercise price, resolving the contract by reference to the occurrence or non-occurrence of the specified event would preserve the binary structure of the product. By tying each resolution to the specified metric threshold or event condition in the contract terms, these mechanics would provide an objective and uniform basis for contract resolution, thereby supporting orderly trading and settlement.

Proposed Rule 30.10—Position Limits

The Exchange believes the proposed amendments related to position limits for securities event contracts are consistent with the Act because they establish a rational position limit framework for securities event contracts that protects against manipulation while facilitating legitimate trading activity in a novel product. The Exchange believes that setting the position limit for securities event contracts as the same as the applicable position limit for the stock of the issuer, with 100 securities event contracts equaling one standard option contract, is appropriate. These position limits were previously approved by the Commission as consistent with the Act for standard equity options. Therefore, the Exchange believes these same limits are appropriate for securities event contracts for the related equities, as the Commission has ultimately determined that option positions on an equity up to that amount are unlikely to permit a single investor from influencing the value of that equity. As proposed, securities event contracts, which have no multiplier, will count toward applicable limits on a proportional basis relative to standard equity options on the issuer's stock, which carry a multiplier of 100. Because the proposed securities event contracts have no multiplier, while standard option contracts have a multiplier of 100, the notional value of a securities event contracts is significantly less than the notional value of standard option contracts. For example, 250,000 contracts with a value of $1.00 with a multiplier of 100 would equate to $2,500,000 notional value, while 250,000 securities event contracts with a value of $1.00 (which is the default exercise settlement amount of a securities event contract) and no multiplier would equate to $250,000 notional value. Counting 100 securities event contracts as one standard option contract for purposes of calculating compliance with position limits effectively calibrates these limits so that investors may hold positions in securities event contracts in an economically equivalent number of contracts they may hold in standard equity options. Therefore, the Exchange believes this proposed treatment is consistent with just and equitable principles of trade, as it counts option positions in a manner equivalent with their value.

The Exchange further believes the proposal is reasonable given the nature of securities event contracts and their relationship to the underlying issuer. Because securities event contracts have a fixed notional value (*i.e.,* the exercise settlement amount) and settle on an all-or-nothing basis based on an underlying financial metric of the issuer rather than the price of the issuer's stock as with a standard equity option, the Exchange believes the proposed position limits appropriately reflect the distinct structure of these contracts and limits the potential for any single market participant to exert undue influence over securities event contract settlement. With respect to securities event contracts, the economic risk of a position is binary, in that the contract either settles in-the-money at $1.00 or out-of-the money at $0.00. Additionally, with respect to securities event contracts, the maximum notional exposure per contract is fixed in advance; it cannot exceed the $1.00 exercise settlement amount. Moreover, unlike stock prices or index values, securities event contract positions would not influence a company's financial or operational outcomes; the number of option contracts outstanding or trading volume, for instance, has no effect on revenue or operational metrics.

Further, the Exchange's proposal to provide that positions in securities event contracts on the same underlying financial metric with different expiration dates and positions in securities event contracts for the same issuer with different underlying financial metrics are not aggregated reflects the distinct structure of securities event contracts. Each securities event contract expiration corresponds to a separate event tied to a specific issuer reporting period. Thus, the Exchange believes aggregating positions across different expiration dates would not accurately reflect the risk profile of these positions and would impose an unnecessary burden on market participants seeking exposure to company financial metric events across different reporting periods.

Similarly, the Exchange believes that position limits for securities event contracts with respect to a single issuer but with different underlying financial metrics should not be aggregated. Financial metrics may measure different aspects of an issuer's financial performance and may differ in their economic significance, volatility, and sensitivity to issuer-specific developments. Although some financial metrics may be closely related, positions in separate securities event contracts would not necessarily represent equivalent economic exposure or create the same potential for concentrated risk or manipulation. An issuer-level aggregate limit could therefore treat economically distinct contracts as interchangeable and unnecessarily restrict legitimate trading without providing commensurate investor protection. The Exchange believes that applying position limits separately to securities event contracts referencing each financial metric would be more appropriately tailored to the characteristics of the relevant financial metric and consistent with the protection of investors and the maintenance of fair and orderly markets.

Similarly, the Exchange believes it is reasonable to provide that securities event contracts are not aggregated with other options contracts overlying the stock of the issuer. Because securities event contracts and equity options overlying the same issuer have different risk profiles (*i.e.,* securities event contracts settle based on a financial metric of the issuer rather than its stock price), the Exchange believes it would be inappropriate and misleading to require aggregation of these positions for purposes of position limits. As noted above, securities event contracts are based solely on whether a single, specified-issuer financial metric meets a discrete threshold at a defined future date, and their value reflects the market's probability assessment of that singular outcome. Standard equity options, on the other hand, reflect a broad array of factors bearing on the price of the underlying security, including macroeconomic conditions and sector dynamics, of which any individual financial metric is only one component. Because the two products are not priced off of a common reference and do not represent economically equivalent or fungible exposures, aggregating positions across them would not meaningfully advance the prevention of manipulative practices with respect to the underlying security.

The Exchange further notes that this proposed non-aggregation framework is not unprecedented. The rules of Cboe provide that positions in Cboe's Single Stock Dividend Options (''SSDOs'') will not be aggregated with positions in ordinary options overlying the stock of the issuer underlying the SSDOs.[43] The rationale underlying that rule is directly analogous to the rationale supporting non-aggregation of securities event contracts with standard listed equity options on the same issuer. In its SSDO filing,[44] Cboe noted that SSDOs are based solely on expected dividends for an issuer and will reflect the forward value of that expectation. Because the pricing of ordinary options and SSDOs differs dramatically as a result of fundamentally different inputs, Cboe concluded that there was no need to aggregate positions across the two product types to prevent manipulative practices involving the underlying. The Commission found this approach appropriate and consistent with the Act in its approval of that proposal.[45]

The same logic applies to the proposed securities event contracts. Like SSDOs, securities event contracts derive their value from a single, specified variable (whether a particular issuer financial metric meets a discrete contractual threshold at a defined date) and their pricing reflects the market's probability assessment of that singular outcome. In contrast, as noted above, standard equity options on the same issuer reflect a full spectrum of factors which may affect the underlying security's price. The pricing of securities event contracts and standard equity options on the same issuer will therefore differ substantially, for the same structural reasons that the Commission found dispositive in the SSDO context. The Exchange accordingly believes that non-aggregation of securities event contracts with standard equity options is appropriate and consistent with the Act.[46]

The Exchange also believes that having 100 securities event contracts equal one standard option contract for purposes of the report required by Exchange Rule 18.10(a), as provided in proposed Rule 30.10(d), is consistent with the Act. By establishing tailored reporting requirements for securities event contracts, the Exchange will be able to monitor Member positions effectively and detect any accumulation of positions that may approach or exceed applicable limits, to the benefit of investors. The Exchange believes it is consistent with just and equitable principles of trade for 100 securities event contracts to equal one standard option contract for purposes of determining whether the report in Rule 18.10(a) is required given the size of securities event contracts. As discussed above, proposed securities event contracts have no multiplier, while standard option contracts have a multiplier of 100. Therefore, the notional value of a securities event contract is significantly less than the notional value of standard option contracts. For example, 200 contracts with a value of $1.00 with a multiplier of 100 would equate to $20,000 notional value, while 200 securities event contracts with a value of $1.00 (which is the default exercise settlement amount of a securities event contract) and no multiplier would equate to $200 notional value. Counting 100 securities event contracts as one standard option contract for purposes of this report effectively calibrates the reporting requirement so that investors are required to submit the report for an economically equivalent number of contracts, which promotes just and equitable principles of trade.

The Exchange believes the proposal will provide the Exchange and regulators with visibility into large position concentrations in securities event contracts, preserving the ability to identify unusual activity and respond to any unforeseen concerns, while calibrating the threshold to a metric that is meaningful for this contract given its lack of multiplier, unlike standard equity options. The Exchange believes this reporting framework, coupled with the proposed position limits, provides a fully adequate regulatory framework for these instruments.

Surveillance and Regulatory Oversight

As noted above, the Exchange believes it has an adequate surveillance program in place to surveil for any potentially heightened insider trading or manipulation risks presented by the proposed securities event contracts. The Exchange notes that the settlement value for the types of securities event contracts proposed herein is determined by the relevant disclosure in the issuer's financial results, which figures are produced through the accounting and reporting processes of the issuer, subject to independent audit, and disclosed in filings with the Commission. Because settlement is decoupled from the market price of the underlying security, no amount of trading activity in that security could alter the revenue, earnings, sales, or other financial metric that determines contract settlement. Any manipulation of the reported metric would constitute securities fraud and expose the issuer to liability under federal securities law, separate and apart from any exchange-related violation.

Moreover, the specifically proposed securities event contracts present a more defined surveillance profile than other event contracts available in the market today. Because settlement is tied to a well-defined set of publicly reported issuer financial metrics, the relevant surveillance framework operates as a focused subset of the insider trading surveillances the Exchange already applies to standard equity options. The legal prohibition on trading in the issuer's securities, including options, while in possession of material non-public information about an unreported financial metric is not novel, but rather the same prohibition the Exchange enforces today in connection with standard equity options overlying the same issuer.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because securities event contracts will be available to all market participants who wish to trade such options on the same terms and in the same manner (including with respect to the payout terms and amount). All market participants will be subject to the same rules applicable to securities event contracts, as described in this proposed rule change. Except as set forth in the proposed rule change, securities event contracts will trade in the same manner as other options on the Exchange.

The Exchange does not believe the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because other options exchanges may

[43] *See* Cboe Rule 4.8(g).

[44] *See* Securities Exchange Act Release No. 64654 (June 13, 2011), 76 FR 35503 (June 17, 2011) (SR–CBOE–2011–039).

[45] *See* Securities Exchange Act Release No. 64991 (July 29, 2011), 76 FR 47280 (August 4, 2011) (SR–CBOE–2019–033).

[46] The Exchange notes that binary option contracts (Binary Return Derivatives (''ByRDs'')) approved for trading at NYSE American and NYSE Arca, Inc. are similarly not aggregated with positions in other options on the same underlying security for purposes of determining compliance with the position limits. *See* NYSE American Rule 904Byrds (b) and NYSE Arca Rule 5.86–O(b).

propose similar products, as evidenced by Cboe's proposal for a similar ''binary KPI option'' product in the Cboe KPI Proposal.[47] Additionally, as noted above, substantively similar products to securities event contracts, as proposed, are available in the OTC market and various other markets.

The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues who offer similar products. The Exchange believes the proposed rule change will provide investors with a comparable alternative to the OTC market and other venues. The Exchange believes it may be a more attractive alternative to the OTC market and certain other venues, as market participants will benefit from being able to trade these options in an exchange environment, which provides, among other things: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness. As a result, the Exchange believes that the proposed rule change may relieve any burden on, or otherwise promote, competition, as it will allow the Exchange to offer a securities exchange-listed alternative to the products currently available in these other markets.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

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

IV. Solicitation of Comments

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

Electronic Comments:

• Use the Commission's internet comment form (*https://www.sec.gov/rules/sro.shtml*); or

• Send an email to *rule-comments@sec.gov.* Please include file number SR–MEMX–2026–25 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–MEMX–2026–25. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (*https://www.sec.gov/rules/sro.shtml*). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–MEMX–2026–25 and should be submitted on or before September 17, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[48]

J. Matthew DeLesDernier,

Deputy Secretary.

[FR Doc. 2026–17465 Filed 8–26–26; 8:45 am]

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[47] *See supra* note 4.

[48] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–106180; File No. SR–SAPPHIRE–2026–33]

Self-Regulatory Organizations; MIAX Sapphire, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Exchange Rule 404, Series of Option Contracts Open for Trading, To Amend the Short Term Option Series Program With Respect to Qualifying Securities

August 24, 2026.

Pursuant to 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 August 13, 2026, MIAX Sapphire, LLC (''MIAX Sapphire'' or ''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 the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the Short Term Option Series Program with respect to Qualifying Securities.

The text of the proposed rule change is available on the Exchange's website at *https://www.miaxglobal.com/markets/us-options/miax-sapphire/rule-filings,* and at the Exchange's principal office.

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

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

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

1. Purpose

The Exchange proposes to amend the Short Term Options Series Program in Interpretation and Policy .02 to Exchange Rule 404. Specifically, the Exchange proposes to amend the Qualifying Securities to: (1) permit the listing of up to two Tuesday and Thursday Expirations for options on certain Exchange Traded Funds that meet the current criteria in addition to the existing Monday and Wednesday Expirations; and (2) permit the listing of up to two Monday and Wednesday Expirations for options on additional Exchange-Traded Fund Shares that meet new criteria. The Exchange also proposes to designate the Exchange-Traded Fund Shares that meet the current criteria in Interpretation and

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

[2] 17 CFR 240.19b–4.