

# Regulatory Notice

## 26-21

## Options

### FINRA Amends Rules and Updates Interpretations to Address Binary Options

Effective Date: October 22, 2026

#### Summary

FINRA has adopted amendments to its rules and updated its interpretations to address binary options. The amendments to Rules 2220 (Options Communications), 2360 (Options), and 4210 (Margin Requirements) clarify the application of the rules to binary options, including options whose payout is based on the value of an issuer's reported financial or operating metrics and options cleared by a registered clearing agency other than The Options Clearing Corporation (OCC). The updates to FINRA's interpretations further clarify the application of the margin rules to binary options. These changes are intended to ensure the appropriate application of the existing regulatory framework to binary options products.

The amendments were effective on October 22, 2026.

The rule text is available in the online FINRA manual, and the interpretations are available on FINRA's [Interpretations of Rule 4210](#) page.

Questions concerning the amendments to Rules 2220 and 2360 should be directed to:

- ▶ Matthew Vitek, Associate General Counsel, Office of General Counsel (OGC), at (202) 386-6940 or by [email](#); or
- ▶ Erica Proctor, Associate General Counsel, OGC, at (202) 728-8864 or by [email](#).

Questions concerning the amendments to Rule 4210 and updates to the margin interpretations should be directed to:

- ▶ James Barry, Director, Credit Regulation, Office of Financial and Operational Risk Policy (OFORP), at (646) 315-8347 or by [email](#); and
- ▶ Joseph David, Senior Principal Specialist, Credit Regulation, OFORP, at (646) 315-8444 or by [email](#); or
- ▶ for legal and interpretive questions, Adam Arkel, Associate General Counsel, OGC, at (202) 728-6961 or by [email](#).

October 26, 2026

#### Notice Type

- ▶ Guidance
- ▶ Rule Amendment

#### Suggested Routing

- ▶ Compliance
- ▶ Institutional
- ▶ Legal
- ▶ Margin
- ▶ Operations
- ▶ Options
- ▶ Risk
- ▶ Senior Management
- ▶ Systems
- ▶ Trading
- ▶ Training

#### Key Topics

- ▶ Binary Options
- ▶ Margin
- ▶ Options

#### Referenced Rules & Notices

- ▶ FINRA Rule 2220
- ▶ FINRA Rule 2351
- ▶ FINRA Rule 2357
- ▶ FINRA Rule 2360
- ▶ FINRA Rule 4210

## Background & Discussion

FINRA has adopted rule amendments and updated its interpretations to clarify the application of its rules to binary options, including options on metrics and options cleared through a clearing agency other than OCC.<sup>1</sup> Collectively, these amendments and updates ensure that FINRA's existing investor protection framework for listed options applies to binary options, including binary metric options, in a manner substantially comparable to other listed options. Specifically, the amendments include updates to:<sup>2</sup>

- ▶ Rule 2220 (Options Communications), which governs members' communications with the public concerning options. The amendments clarify that the rule applies to options on metrics and options cleared through a clearing agency other than OCC.
- ▶ Rule 2360 (Options), which establishes a comprehensive regulatory framework governing members' options trading activity, including, among other things, requirements relating to position limits, large options position reporting, delivery of disclosure documents, confirmations, transactions with issuers, account statements, account opening, recordkeeping, suitability and supervision. Among other things, the amendments clarify the application of the rule's provisions to options cleared through a clearing agency other than OCC; add new definitions for the terms "binary option" and "underlying metric;"<sup>3</sup> and update various definitions used in the rule so that these terms explicitly include options overlying a metric. Collectively, these changes ensure that the rule's provisions appropriately apply to binary options, options on metrics and options cleared through a clearing agency other than OCC—including new binary metric options products—as they do for other listed options products.
- ▶ Rule 4210 (Margin Requirements), which includes margin requirements specific to options. The amendments clarify the application of the rule's provisions to options cleared through a clearing agency other than OCC. In addition, FINRA is updating its interpretations under Rule 4210 to clarify margin requirements for binary options. The new, updated interpretations are listed below and are available on FINRA's [Interpretations of Rule 4210](#) page:<sup>4</sup>
  - 4210(f)(2)(H)(i)/01 Binary Option Requirements
  - 4210(f)(2)(H)(i)/02 Binary Option Spreads
  - 4210(f)(2)(H)(i)/03 Binary Option Straddles or Similar Combinations
  - 4210(f)(2)(N)(ii)/01 Binary Options

The amendments were effective on October 22, 2026.

## Endnotes

- 1 See SR-FINRA-2026-022 (filed October 22, 2026). Multiple national securities exchanges have filed proposals with the Securities and Exchange Commission to list and trade new types of binary options whose exercise settlement amount is established at the creation of the option and whose payout is based on the value of an issuer's reported financial or operating metrics, some of which may be cleared by a registered clearing agency other than OCC. These new options products are referred to in this *Notice* as "binary metric options."
- 2 The amendments also include conforming and clarifying updates to Rules 2351 and 2357, which address requirements for trading in index warrants, currency index warrants and currency warrants.
- 3 Under amended Rule 2360(a)(2), a "binary option" means a cash-settled option contract having an exercise settlement amount that is established at the creation of the option and where the option holder is entitled to the exercise settlement amount only if the settlement value of the binary option overlying a security, index or metric, at expiration, (1) equals or is greater than the exercise price for a call binary option, or (2) is less than the exercise price for a put binary option. The applicable trading mechanics for such contracts are governed by the rules of the exchange on which they are listed.  
  
Under amended Rule 2360(a)(38), an "underlying metric" means a metric underlying an option, including any financial or operating metric or condition on which an option's payout is based.
- 4 Additional resources relating to margin requirements are available on FINRA's [Margin Regulation](#) page.

©2026. FINRA. All rights reserved. Regulatory Notices attempt to present information to readers in a format that is easily understandable. However, please be aware that, in case of any misunderstanding, the rule language prevails.