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Page 1 of * 72

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2026 - * 022

Amendment No. (req. for Amendments *)

Filing by Financial Industry Regulatory Authority

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☒	☐	☐	☐	☒	☐

Pilot

Extension of Time Period for
Commission Action *

Date Expires *

Rule

☐	19b-4(f)(1)	☐	19b-4(f)(4)
☐	19b-4(f)(2)	☐	19b-4(f)(5)
☐	19b-4(f)(3)	☒	19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *

Section 806(e)(2) *

Security-Based Swap Submission pursuant to the
Securities Exchange Act of 1934

Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change to Amend FINRA Rules 2220, 2351, 2357, 2360, and 4210 to Address Binary Options, Options Whose Payout is Based on Specified Metrics, and Options Cleared by a Registered Clearing Agency Other than The Options Clearing Corporation

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Erica Last Name * Proctor

Title * Associate General Counsel

E-mail * erica.proctor@finra.org

Telephone * (202) 728-8864

Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Financial Industry Regulatory Authority has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 10/22/2026

(Title *)

By Robert McNamee

(Name *)

Vice President & Associate General Counsel

Robert
McNameeDigitally signed by Robert
McNamee
Date: 2026.10.22 16:18:43
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NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS website.

Form 19b-4 Information *

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FINRA-2026-022 19b-4.docx

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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FINRA-2026-022 Exhibit 1.docx

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

☐

Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

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Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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FINRA-2026-022 Exhibit 5.docx

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”),¹ the Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend FINRA Rules 2220, 2351, 2357, 2360, and 4210 to address binary options, options whose payout is based on specified metrics, and options cleared by a registered clearing agency other than The Options Clearing Corporation.

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Chief Legal Officer of FINRA authorized the filing of the proposed rule change with the SEC pursuant to delegated authority. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so FINRA can implement the proposed rule change immediately.

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

(a) Purpose

¹ 15 U.S.C. 78s(b)(1).

Background

Multiple national securities exchanges have filed proposals with the 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 ("binary metric options"), some of which may be cleared by a registered clearing agency other than The Options Clearing Corporation ("OCC"), and the Commission has approved at least one such proposal.² While the specific proposals vary in some respects, these proposals collectively reflect a new category of exchange-listed options product: cash-settled, European-style binary options whose payouts are determined solely by whether an issuer's reported financial or operating metric (or other specified condition), such as quarterly revenue, earnings per share, or another metric disclosed in the issuer's SEC filings, meets or exceeds a defined threshold at expiration. These products generally have an exercise settlement amount of \$1, meaning that at expiration each contract pays either \$1 or \$0 depending on whether the underlying metric has met or exceeded the specified threshold.

Binary metric options differ from most historically listed options products by referencing an underlying metric rather than a security or an index of securities, and in

² See, e.g., Securities Exchange Act Release No. 106659 (October 13, 2026), 91 FR 65854 (October 16, 2026) (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of File No. SR-CBOE-2026-061) ("Cboe Binary KPI Options Approval Order"); Securities Exchange Act Release No. 106182 (August 24, 2026), 91 FR 55384 (August 27, 2026) (Notice of Filing of File No. SR-MEMX-2026-25); Securities Exchange Act Release No. 106370 (September 15, 2026), 91 FR 59199 (September 18, 2026) (Notice of Filing of File No. SR-NYSEARCA-2026-93); Securities Exchange Act Release No. 106367 (September 15, 2026), 91 FR 59217 (September 18, 2026) (Notice of Filing of File No. SR-NYSEAMER-2026-82); SR-MRX-2026-41 (filed October 2, 2026).

some cases by clearing through a registered clearing agency other than OCC.³ The applicable trading mechanics of each binary metric option are governed by the rules of the exchange on which the contracts are listed.

FINRA Rule 2360 (Options) sets forth a number of requirements for FINRA members specific to options activity, including, among other things, requirements relating to position limits, large options position reporting (“LOPR”), delivery of disclosure documents, confirmations, transactions with issuers, account statements, account opening, recordkeeping, suitability, and supervision. Additionally, FINRA Rule 2220 (Options Communications) sets forth options-specific communications requirements and FINRA Rule 4210 (Margin Requirements) includes margin requirements specific to options. FINRA intends that the rules apply to all listed options products, including binary options, options on metrics, and options cleared through any registered clearing agency.⁴

FINRA is therefore proposing amendments to Rules 2220, 2360, and 4210 to clarify the application of existing options requirements to binary options, options on metrics, and options cleared through a registered clearing agency other than OCC, which would include the new binary metric options products discussed above. As described in

³ Exchanges may use varying terminology in describing their specific products. For the purposes of FINRA rules, FINRA refers to all underlying metrics as “metrics” and the products as “binary metric options.”

⁴ Historically, listed options have settled based on the price of an individual security or security index and clear through OCC; as a result, FINRA rules generally refer to options with these existing structures and clearing arrangement. Additionally, although certain types of binary options are already listed and traded on exchanges, some FINRA rules also do not clearly contemplate binary option structures.

further detail below, the proposed rule change would accomplish this goal by updating the definitional framework under Rule 2360 to, among other clarifying changes, add new terms for binary options, registered clearing agencies, and underlying metrics; clarify the application of position limit and LOPR requirements in Rule 2360 to binary options and options on metrics; amend the disclosure document delivery requirement in Rule 2360 to include options issued by a registered clearing agency other than OCC; update provisions throughout Rules 2220, 2357, 2360, and 4210 to refer to registered clearing agencies generally rather than specifically to OCC, as appropriate; update provisions throughout Rules 2220 and 2360 to incorporate references to “metric;” and update Rules 2351 and 2360 to make other needed changes, including updating cross-references, making stylistic changes, and minor corrections to existing provisions.

The proposed changes are collectively designed to clarify the application of existing options requirements to binary options, options on metrics, and options cleared by any registered clearing agency, such that the rules apply to such options—including binary metric options—in a manner that is substantially comparable to other listed options products.

Proposed Amendments to Rule 2360

Rule 2360 establishes a comprehensive regulatory framework governing members’ options trading activity. Rule 2360(a) sets forth a number of definitions for terms used in Rule 2360, including to distinguish between standardized options (i.e., listed options) and conventional options, (i.e., over-the-counter or “OTC” options). Rule 2360(b) clarifies the applicability of Rule 2360 and sets forth provisions regarding positions and exercise limits, LOPR requirements, delivery of disclosure documents,

confirmations, transactions with issuers, account statements, account openings, recordkeeping, suitability, and supervision. Rule 2360(c) sets forth requirements for the portfolio margining disclosure statement and acknowledgement, and Supplementary Material .01 through .03 to Rule 2360 provide illustrative examples of position limit requirements, further explanation regarding the delta hedging exemption control relationship, and clarification regarding position limits for exchange-traded funds. The proposed changes to Rule 2360 are described in greater detail below.

Definitions

FINRA is proposing changes to Rule 2360(a) to include three new defined terms. First, FINRA proposes to add a new defined term, “Registered Clearing Agency,” meaning a clearing agency registered with the Commission pursuant to Section 17A of the Exchange Act.⁵ This proposed definition is necessary to enable FINRA’s options rules to apply to listed options regardless of which SEC-registered clearing agency issues or guarantees the contracts. FINRA is making several changes throughout Rule 2360 to replace references to OCC with Registered Clearing Agency.

Second, FINRA proposes to add a new defined term, “binary option,” meaning 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 proposed definition would further provide that the applicable trading mechanics for such contracts

⁵ 15 U.S.C. 78q-1(a).

are governed by the rules of the exchange on which they are listed. This proposed definition is intended to broadly encompass a variety of binary options structures.⁶

Third, FINRA proposes to add a new defined term, “underlying metric,” meaning a metric underlying an option, including any financial or operating metric or condition on which an option’s payout is based. This proposed definition would complement the existing definitions of “underlying security” and “underlying index.”

In addition to these newly defined terms, FINRA proposes to consolidate and replace the existing definitions of “standardized equity option” and “standardized index option,” with a single, unified definition of “standardized option” that encompasses any options contract issued, or subject to issuance, by a Registered Clearing Agency that is not a FLEX Option and not an OCC Cleared OTC Option. The consolidated definition identifies standardized equity options, standardized index options, and standardized metric options as examples of standardized options. This proposed consolidation preserves the existing treatment of standardized equity options and standardized index options while ensuring standardized binary options listed on national securities exchanges and issued or guaranteed by a Registered Clearing Agency are subject to the same treatment. Conforming changes would be made throughout Rule 2360 to reflect this new consolidated term.

FINRA also proposes conforming and clarifying amendments to various other definitions set forth in Rule 2360(a). First, FINRA proposes to amend the definitions of

⁶ The proposed definition of “binary option” is derived from the definitions proposed in the exchange filings referenced in note 2, supra, and is drafted broadly to accommodate the various structures and terminologies used across those proposals.

“call,” “put,” “class of options,” and “series of options” to add “metric” alongside “security” and “index,” so that these terms explicitly include options overlying a metric. Corresponding conforming amendments are proposed to the definitions of “exercise price,” “expiration date,” “FLEX Equity Option” (to be renamed as “FLEX Option” as described below), “clearing member,” “conventional option,” “conventional index option,” “covered,” “OCC Cleared OTC Option,” “options trading,” and “underlying security.”⁷

Second, FINRA proposes conforming and clarifying amendments to the definitions of “clearing member,” “conventional index option,” “conventional option,” “covered,” “expiration date,” “FLEX Equity Option” (to be renamed as “FLEX Option” as described below), “options trading,” and “underlying security” to replace references to OCC with references to a Registered Clearing Agency. The definitions of “call” and “put” would also be amended to remove unnecessary and duplicative language specifically referencing OCC.

Third, FINRA proposes conforming and clarifying amendments to the definition of “exercise price” to explicitly reference cash-settled options, including binary options and options on metrics. For cash-settled options, the proposed rule change would define “exercise price” as the price or value (measured in the applicable units (e.g., amount of currency, percentage, or number)) to which the settlement value of the underlying index, security, or metric is compared to determine whether the holder is entitled to receive a

⁷ Where appropriate, certain definitions have also been revised to ensure consistent reference to all three terms: “security,” “index,” and “metric.”

dollar amount, which may be a fixed exercise settlement amount in the case of a binary option.

Finally, FINRA proposes to make other simplifying and clarifying changes to the definitions in Rule 2360(a), including to revise the defined term “FLEX Equity Option” to refer to “FLEX Option,” redesignate paragraph numbers to reflect new and consolidated definitions, and update cross-references.

Applicability

Rule 2360(b)(1) clarifies the applicability of Rule 2360. Rule 2360(b)(1) provides, among other things, that paragraphs (b)(3) through (12) of Rule 2360 apply only to standardized and conventional options on common stock. FINRA proposes to amend that provision to clarify that such limitation applies except as otherwise provided in those subparagraphs. The proposed rule change is intended to ensure that provisions within paragraphs (b)(3) through (12) that are expressly tailored to index options or binary options, such as the proposed binary options position limit and LOPR provisions discussed further below, are not limited by the general applicability language in Rule 2360(b)(1).

Position Limits

Rule 2360(b)(3) establishes position limits for options. FINRA is not proposing substantive changes to the existing provisions governing position limits for standardized equity options, standardized index options, conventional options, and FLEX Options. FINRA proposes to add a new paragraph (b)(3)(D) to Rule 2360 specifically addressing binary options position limits. Under this proposed provision, except in highly unusual circumstances and with FINRA’s prior written approval pursuant to the Rule 9600 Series

for good cause shown, no member shall effect for any account in which such member has an interest, or for the account of any partner, officer, director or employee thereof, or for the account of any customer, an opening transaction in any class of binary option if the member has reason to believe that, as a result of such transaction, the member, partner, officer, director, employee, or customer, would, acting alone or in concert with others, directly or indirectly, hold or control or be obligated in respect of an aggregate position in excess of the position limits established by the exchange on which the binary option trades. This proposed provision parallels the existing position limits provision applicable to standardized equity options. Thus, the proposed rule change is intended to apply substantially comparable position limit requirements to positions in binary options, consistent with FINRA's approach to position limits for other listed options products.

FINRA also proposes conforming changes to Rule 2360(b)(6) (Liquidation of Positions and Restrictions on Access) to add references to options overlying a metric. The proposed rule change would clarify that FINRA's existing authority relating to positions that exceed applicable position limits applies to options overlying a metric in the same manner as it applies to options overlying a security or index.

Reporting of Options Positions

Rule 2360(b)(5) sets forth requirements for reporting options positions, generally referred to as the "LOPR requirements." Existing provisions refer to an underlying "security or index" and require a member that conducts a business in standardized options (but that is not a member of the listing exchange) to file position reports with FINRA when a reportable position threshold is reached, i.e., an aggregate position of 200

or more options contracts on the same side of the market.⁸ FINRA proposes to add an explicit reference to “metric” so that the reporting obligation clearly extends to options on metrics.

Additionally, exchanges have proposed reporting and aggregation conventions for the treatment of binary metric options contracts for purposes of options position reporting requirements that may differ from the conventions for other listed options.⁹ FINRA therefore proposes to amend its rules to require a member to determine its aggregate position for standardized options in accordance with the contract equivalency conventions established by the exchange on which such standardized options are listed. FINRA believes the proposed rule change would promote consistency for market participants.

Delivery of Disclosure Documents

Rule 2360(b)(11)(A)(i) requires each member to deliver OCC’s current Options Disclosure Document (“ODD”) to each customer at or prior to the time such customer’s account is approved for trading options issued by OCC, other than an OCC Cleared OTC Option. Thereafter, a copy of each amendment to the ODD must be distributed to each customer to whom the member previously delivered the ODD not later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to such customer. FINRA proposes to amend Rule 2360(b)(11)(A)(i), which

⁸ Rule 2360(b)(5)(A)(i)b.

⁹ For example, Cboe Exchange Inc. provides that, for purposes of reporting requirements, 100 binary KPI option contracts equal one standard option contract, given that binary KPI options have a multiplier of one while standard equity option contracts have a multiplier of 100. See Cboe Binary KPI Options Approval Order, supra note 2, 91 FR 65854, 65860.

currently requires delivery of OCC's disclosure document to customers approved for trading OCC-issued options. Under the proposed rule change, members would instead be required to deliver the current disclosure document of the applicable Registered Clearing Agency to customers approved for trading options issued by that Registered Clearing Agency, other than OCC Cleared OTC Options. The proposed rule change would also require delivery of amendments to such disclosure documents in a manner substantially consistent with the existing requirements applicable to OCC disclosure documents.

FINRA also proposes conforming changes to Rule 2360(b)(16)(D) (Account Agreement) to reflect the delivery of disclosure documents issued by any Registered Clearing Agency and to require customers engaging in transactions in options issued by such Registered Clearing Agency to acknowledge receipt of the applicable disclosure document and agreement to be bound by the rules of the applicable Registered Clearing Agency.

The proposed rule change is intended to preserve the existing customer disclosure framework regardless of which Registered Clearing Agency issues or guarantees the contracts. These changes would ensure that members remain subject to substantially comparable disclosure obligations and customers receive substantially comparable disclosures regarding the characteristics and risks of standardized options.

Confirmations

FINRA Rule 2360(b)(12) requires members to provide customers with written confirmations containing specified information regarding options transactions, including the underlying security or index. FINRA proposes to amend Rule 2360(b)(12) to add a reference to an underlying "metric." The proposed rule change clarifies the application

of the existing confirmation requirements to options on metrics by requiring confirmations to identify the underlying metric, as applicable, thus ensuring that customers receive comparable information for options on metrics as they receive for other listed options products.

Transactions with Issuers

Rule 2360(b)(13) provides that no member shall enter a transaction for the sale (writing) of a call option contract for the account of any corporation which is the issuer of the underlying security thereof. FINRA proposes to amend Rule 2360(b)(13) to also encompass a corporation that is the subject of the underlying metric, thereby clarifying the rule's application to options on metrics. FINRA believes the proposed change is appropriate to clarify that options on metrics are covered by the prohibition on selling call options for the account of an issuer given the substantially similar potential conflicts of interest that may be present for such transactions.

Other Amendments to Rule 2360

FINRA proposes conforming amendments throughout Rule 2360(b) to replace OCC-specific references with references to a Registered Clearing Agency in provisions governing rights and obligations of holders and writers (paragraph (b)(9)), confirmations (paragraph (b)(12)), account agreements (paragraph (b)(16)(D)), violation of rules (paragraph (b)(21)), and stock transfer tax (paragraph (b)(22)).

Finally, FINRA proposes conforming and stylistic amendments to various provisions of Rule 2360 and its Supplementary Material to renumber paragraphs to reflect amended provisions, update cross-references, appropriately refer to newly defined or amended defined terms, and make various stylistic changes.

Proposed Amendments to Rule 2220

Rule 2220 governs members' communications with the public concerning options, including provisions specific to standardized options. The existing definition of "standardized option" in Rule 2220(a)(2) refers to issuance by OCC and to the terms of the option including the amount of the underlying security. The proposed rule change would amend the definition to replace the reference to OCC with a reference to a Registered Clearing Agency, as defined in Rule 2360(a), and to add "index or metric" to the list of standardized terms alongside "underlying security." This proposed change would clarify that the options communications requirements applicable to standardized options apply to options on metrics.

Proposed Amendments to Rules 2351 and 2357

The FINRA Rule 2350 Series establishes specific requirements for trading in index warrants, currency index warrants and currency warrants, including, among other things, account approval, suitability, communications with the public, and recordkeeping requirements. Rule 2351 provides for the general applicability of the Rule 2350 Series to these warrant products and defines specified terms used in the Rule 2350 Series, while Rule 2357 extends the Rule 2220 options communications requirements to such products. Although the Rule 2350 Series would not apply to binary metric options, FINRA is proposing two conforming changes to these rules in connection with the proposed changes to Rule 2360 described above. First, the proposed rule change would amend the cross-reference in Rule 2351 to the "control" definition in Rule 2360(a)(6) to reflect the renumbering of the paragraphs setting forth the definitions in Rule 2360(a). Second, the

proposed rule change would update Rule 2357 to replace the reference to OCC with a reference to a Registered Clearing Agency.

Proposed Amendments to Rule 4210

Rule 4210(f)(2) sets forth strategy-based margin requirements for options. Various definitions in Rule 4210(f)(2)(A) contain references to OCC. FINRA proposes to replace those references with references to “the Registered Clearing Agency that guarantees the option contract” in the definitions of “aggregate discount amount,” “American-style option,” “call,” “put,” “current cash market price,” “European-style option,” “exercise settlement amount,” and “expiration date.” These changes would ensure that these definitions continue to operate appropriately where an option contract is guaranteed by a registered clearing agency other than OCC.

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so FINRA can implement the proposed rule change immediately.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Exchange Act,¹⁰ which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change will ensure that the investor protection and market integrity requirements under FINRA’s existing rules

¹⁰ 15 U.S.C. 78o-3(b)(6).

governing options clearly and appropriately apply to all categories of exchange-listed options products. The proposed rule change is designed primarily to clarify the application of existing FINRA requirements to binary options, options on metrics, and options cleared through a registered clearing agency other than OCC—including binary metric options—and thus to preserve substantially comparable regulatory treatment for all listed options products and promote consistent application of FINRA’s options framework. Further, FINRA’s options rules apply to the options activities of all FINRA members. Clarifying the application of FINRA’s options requirements to all listed options products therefore promotes the clear and consistent application of FINRA’s options framework across all FINRA members. FINRA believes this application of its options framework promotes just and equitable principles of trade and protects investors and the public interest.

FINRA believes the proposed amendments relating to binary options are consistent with Section 15A(b)(6) of the Act because they clarify the application of FINRA’s existing options framework to listed options with a binary payout structure. In particular, the proposed amendments are designed to ensure that FINRA members are subject to substantially comparable requirements with respect to binary options as to other types of listed options, promoting just and equitable principles of trade and protecting investors and the public interest.

FINRA believes the proposed amendments relating to standardized options cleared by a registered clearing agency other than OCC are consistent with Section 15A(b)(6) of the Act. FINRA’s existing options rules contain numerous references to OCC, reflecting the historical clearing structure for listed options. The proposed

amendments are designed to ensure that FINRA's options framework continues to operate appropriately where an option is issued or guaranteed by another registered clearing agency. By providing for substantially comparable regulatory treatment without regard to the registered clearing agency associated with a listed option, including with respect to customer disclosures and other investor protections, the proposed amendments promote consistent application of FINRA's options requirements and protect investors and the public interest.

FINRA believes the proposed amendments relating to options overlying metrics are consistent with Section 15A(b)(6) of the Act because they clarify that FINRA's existing options requirements apply where the underlying interest is a metric rather than an individual security's price or index's value. The proposed amendments are designed to ensure the application of FINRA's existing regulatory protections, including requirements relating to position reporting, confirmations, and transactions with issuers, to options overlying metrics. FINRA believes that providing consistent regulatory treatment of options activity regardless of whether an option overlies a security, index, or metric promotes just and equitable principles of trade and protects investors and the public interest.

Finally, FINRA believes the proposed clarifying and conforming amendments are consistent with Section 15A(b)(6) of the Act. These amendments are designed to improve the clarity, consistency, and operation of FINRA's options rules in light of the foregoing changes, including by consolidating related definitions, updating cross-references and terminology, and making other conforming changes. FINRA believes these amendments will facilitate the clear and consistent application of FINRA's options

rules by members and thereby promote just and equitable principles of trade and protect investors and the public interest.

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

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

Economic Impact Assessment

FINRA has undertaken an economic impact assessment to analyze the potential economic impacts of the proposed rule change, including anticipated costs, benefits, distributional and competitive effects, relative to the applicable baseline, and the alternatives considered in assessing how best to meet FINRA's regulatory objectives.

Regulatory Need

As discussed above, multiple national securities exchanges have filed proposed rule changes to list and trade binary metric options, which may be cleared by a Registered Clearing Agency other than OCC, and the Commission has approved at least one such filing. Current FINRA rules governing listed options activity were developed principally around listed options that settle based on the price of an individual security or index and that clear through OCC. While FINRA intends for its options framework to apply broadly to listed options products, current rule text does not expressly address certain listed options structures, including options overlying metrics, binary options, and options cleared by a Registered Clearing Agency other than OCC. As a result, uncertainty and associated costs may arise regarding the application of existing FINRA requirements to such products. The proposed rule change would clarify that the existing rules for listed

options apply broadly to all listed options products, including binary options, options on metrics, and options cleared by a Registered Clearing Agency other than OCC.

Economic Baseline

The economic baseline for this analysis is the application of FINRA's current rules in a market where exchanges have received, or may receive, Commission approval of proposed rule changes to list and trade binary metric options. Under the baseline, FINRA members considering participation in these products would need to determine how existing FINRA requirements apply to various listed options structures not expressly addressed under current rule text, including options based on metrics, binary options, and options cleared by a Registered Clearing Agency other than OCC. This uncertainty could result in additional legal, compliance, and operational costs and may delay or deter participation by some firms, potentially imposing limitations and costs on customers who seek to trade these option contracts.

Economic Benefits and Costs

The proposed rule change would affect FINRA members that currently participate, or may participate in the future, in listed options activity involving any of the options products addressed by the proposed amendments. By clarifying the application of FINRA rules to these products, the proposed rule change may reduce legal, compliance, and operational uncertainty and promote more consistent regulatory treatment across products. To the extent that exchanges introduce additional products with similar characteristics in the future, the proposed rule change may also reduce the need for subsequent conforming changes to FINRA's rules, avoiding delay and uncertainty to market participants in such circumstances.

The magnitude of these benefits depends on the extent of member participation, on their own behalf or on behalf of customers, in binary metric options products, or other products addressed by the proposed rule change, and the degree to which uncertainty under the current rules would otherwise delay or deter such activity. By clarifying the application of FINRA rules to binary options, options on metrics, and options cleared by a Registered Clearing Agency other than OCC, the proposed amendments may facilitate participation by FINRA members and may expand the range of firms through which customers can access these products to the extent that uncertainty under the current rules would otherwise have delayed or deterred such activity. Any such effect would be incremental to the effects of an exchange's introduction of the product or changes to clearance of a product and the Commission's approval of the applicable exchange and any clearing agency proposals.

Participating firms may incur costs to update systems, supervisory procedures, training materials, account-opening processes, disclosure practices, reporting processes, and other operational controls necessary to accommodate binary metric options or other products addressed by the proposed rule change. The magnitude of these costs would vary depending on a firm's business model, existing options infrastructure, and expected level of participation in these products. Members are likely to incur the compliance and operational costs associated with the proposed amendments only where the anticipated business opportunities are deemed sufficient to justify participation in binary metric options or other options products.

Competitive and distributional effects may differ across firms based on the extent of their activities in binary metric options or other options products addressed by the

proposed rule change. Members already participating in existing options markets may face lower incremental costs than firms requiring new systems or commercial arrangements to participate in options markets, and costs may vary depending on a member's role as an introducing, carrying, or clearing firm.

The economic impact and competitive and distributional effects of the proposed rule change may vary based, in part, on the extent to which the requirements applicable to FINRA members under the proposed rule change differ from the requirements applicable to members of exchanges listing options products addressed by the proposed rule change.

Alternatives

No alternatives were considered.

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

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act¹¹ and paragraph (f)(6) of Rule 19b-4 thereunder,¹² in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days after filing or such shorter time as the Commission may designate. The proposed

¹¹ 15 U.S.C. 78s(b)(3).

¹² 17 CFR 240.19b-4(f)(6).

rule is designed to ensure investor protection by preserving substantially comparable regulatory treatment for binary options, options on metrics, and options cleared by a registered clearing agency other than OCC—including binary metric options—as currently applies to other listed options products, without substantively altering existing investor protections or the competitive landscape. Because the proposed rule change is intended to clarify and conform the application of existing FINRA requirements to these new categories of exchange-listed options products, rather than establishing new substantive regulatory requirements, it does not significantly affect the protection of investors or the public interest and does not impose any significant burden on competition.

FINRA requests that the Commission waive the requirement that the rule change, by its terms, not become operative for 30 days after the date of the filing as set forth in Rule 19b-4(f)(6)(iii),¹³ so FINRA can implement the proposed rule change immediately in order to ensure consistent regulatory treatment of listed options activities in light of the approval or pending filings of proposals by national securities exchanges to list and trade binary metric options. In accordance with Rule 19b-4(f)(6),¹⁴ FINRA submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as the Commission may designate, as specified in Rule 19b-4(f)(6)(iii) under the Act.¹⁵

¹³ 17 CFR 240.19b-4(f)(6)(iii).

¹⁴ 17 CFR 240.19b-4(f)(6).

¹⁵ 17 CFR 240.19b-4(f)(6)(iii).

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

FINRA believes the proposed rule change is necessary to clarify the application of FINRA Rules 2220, 2351, 2357, 2360, and 4210 to the new binary metric options contemplated by multiple national securities exchanges. Exchange approvals and proposals include File Nos. SR-CBOE-2026-061, SR-MEMX-2026-25, SR-NYSEAMER-2026-82, SR-NYSEARCA-2026-93, and SR-MRX-2026-41.¹⁶

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 5. Text of the proposed rule change.

¹⁶ See supra note 2.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2026-022)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend FINRA Rules 2220, 2351, 2357, 2360, and 4210 to Address Binary Options, Options Whose Payout is Based on Specified Metrics, and Options Cleared by a Registered Clearing Agency Other than The Options Clearing Corporation

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 , the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,³ which renders the proposal effective upon receipt of this filing by the Commission. 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

FINRA is proposing to amend FINRA Rules 2220, 2351, 2357, 2360, and 4210 to address binary options, options whose payout is based on specified metrics, and options cleared by a registered clearing agency other than The Options Clearing Corporation.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

The text of the proposed rule change is available on FINRA's website at <http://www.finra.org> and at the principal office of FINRA.

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

In its filing with the Commission, FINRA 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. FINRA 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

Multiple national securities exchanges have filed proposals with the 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 ("binary metric options"), some of which may be cleared by a registered clearing agency other than The Options Clearing Corporation ("OCC"), and the Commission has approved at least one such proposal.⁴

⁴ See, e.g., Securities Exchange Act Release No. 106659 (October 13, 2026), 91 FR 65854 (October 16, 2026) (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of File No. SR-CBOE-2026-061) ("Cboe Binary KPI Options Approval Order"); Securities Exchange Act Release No. 106182 (August 24, 2026), 91 FR 55384 (August 27, 2026) (Notice of Filing of File No. SR-MEMX-2026-25); Securities Exchange Act Release No. 106370 (September 15, 2026), 91 FR 59199 (September 18, 2026) (Notice of Filing of File No. SR-

While the specific proposals vary in some respects, these proposals collectively reflect a new category of exchange-listed options product: cash-settled, European-style binary options whose payouts are determined solely by whether an issuer's reported financial or operating metric (or other specified condition), such as quarterly revenue, earnings per share, or another metric disclosed in the issuer's SEC filings, meets or exceeds a defined threshold at expiration. These products generally have an exercise settlement amount of \$1, meaning that at expiration each contract pays either \$1 or \$0 depending on whether the underlying metric has met or exceeded the specified threshold.

Binary metric options differ from most historically listed options products by referencing an underlying metric rather than a security or an index of securities, and in some cases by clearing through a registered clearing agency other than OCC.⁵ The applicable trading mechanics of each binary metric option are governed by the rules of the exchange on which the contracts are listed.

FINRA Rule 2360 (Options) sets forth a number of requirements for FINRA members specific to options activity, including, among other things, requirements relating to position limits, large options position reporting ("LOPR"), delivery of disclosure documents, confirmations, transactions with issuers, account statements, account opening, recordkeeping, suitability, and supervision. Additionally, FINRA Rule 2220 (Options Communications) sets forth options-specific communications

NYSEARCA-2026-93); Securities Exchange Act Release No. 106367 (September 15, 2026), 91 FR 59217 (September 18, 2026) (Notice of Filing of File No. SR-NYSEAMER-2026-82); SR-MRX-2026-41 (filed October 2, 2026).

⁵ Exchanges may use varying terminology in describing their specific products. For the purposes of FINRA rules, FINRA refers to all underlying metrics as "metrics" and the products as "binary metric options."

requirements and FINRA Rule 4210 (Margin Requirements) includes margin requirements specific to options. FINRA intends that the rules apply to all listed options products, including binary options, options on metrics, and options cleared through any registered clearing agency.⁶

FINRA is therefore proposing amendments to Rules 2220, 2360, and 4210 to clarify the application of existing options requirements to binary options, options on metrics, and options cleared through a registered clearing agency other than OCC, which would include the new binary metric options products discussed above. As described in further detail below, the proposed rule change would accomplish this goal by updating the definitional framework under Rule 2360 to, among other clarifying changes, add new terms for binary options, registered clearing agencies, and underlying metrics; clarify the application of position limit and LOPR requirements in Rule 2360 to binary options and options on metrics; amend the disclosure document delivery requirement in Rule 2360 to include options issued by a registered clearing agency other than OCC; update provisions throughout Rules 2220, 2357, 2360, and 4210 to refer to registered clearing agencies generally rather than specifically to OCC, as appropriate; update provisions throughout Rules 2220 and 2360 to incorporate references to “metric;” and update Rules 2351 and 2360 to make other needed changes, including updating cross-references, making stylistic changes, and minor corrections to existing provisions.

⁶ Historically, listed options have settled based on the price of an individual security or security index and clear through OCC; as a result, FINRA rules generally refer to options with these existing structures and clearing arrangement. Additionally, although certain types of binary options are already listed and traded on exchanges, some FINRA rules also do not clearly contemplate binary option structures.

The proposed changes are collectively designed to clarify the application of existing options requirements to binary options, options on metrics, and options cleared by any registered clearing agency, such that the rules apply to such options—including binary metric options—in a manner that is substantially comparable to other listed options products.

Proposed Amendments to Rule 2360

Rule 2360 establishes a comprehensive regulatory framework governing members' options trading activity. Rule 2360(a) sets forth a number of definitions for terms used in Rule 2360, including to distinguish between standardized options (i.e., listed options) and conventional options, (i.e., over-the-counter or “OTC” options). Rule 2360(b) clarifies the applicability of Rule 2360 and sets forth provisions regarding positions and exercise limits, LOPR requirements, delivery of disclosure documents, confirmations, transactions with issuers, account statements, account openings, recordkeeping, suitability, and supervision. Rule 2360(c) sets forth requirements for the portfolio margining disclosure statement and acknowledgement, and Supplementary Material .01 through .03 to Rule 2360 provide illustrative examples of position limit requirements, further explanation regarding the delta hedging exemption control relationship, and clarification regarding position limits for exchange-traded funds. The proposed changes to Rule 2360 are described in greater detail below.

Definitions

FINRA is proposing changes to Rule 2360(a) to include three new defined terms. First, FINRA proposes to add a new defined term, “Registered Clearing Agency,” meaning a clearing agency registered with the Commission pursuant to Section 17A of

the Exchange Act.⁷ This proposed definition is necessary to enable FINRA's options rules to apply to listed options regardless of which SEC-registered clearing agency issues or guarantees the contracts. FINRA is making several changes throughout Rule 2360 to replace references to OCC with Registered Clearing Agency.

Second, FINRA proposes to add a new defined term, "binary option," meaning 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 proposed definition would further provide that the applicable trading mechanics for such contracts are governed by the rules of the exchange on which they are listed. This proposed definition is intended to broadly encompass a variety of binary options structures.⁸

Third, FINRA proposes to add a new defined term, "underlying metric," meaning a metric underlying an option, including any financial or operating metric or condition on which an option's payout is based. This proposed definition would complement the existing definitions of "underlying security" and "underlying index."

In addition to these newly defined terms, FINRA proposes to consolidate and replace the existing definitions of "standardized equity option" and "standardized index

⁷ 15 U.S.C. 78q-1(a).

⁸ The proposed definition of "binary option" is derived from the definitions proposed in the exchange filings referenced in note 4, supra, and is drafted broadly to accommodate the various structures and terminologies used across those proposals.

option,” with a single, unified definition of “standardized option” that encompasses any options contract issued, or subject to issuance, by a Registered Clearing Agency that is not a FLEX Option and not an OCC Cleared OTC Option. The consolidated definition identifies standardized equity options, standardized index options, and standardized metric options as examples of standardized options. This proposed consolidation preserves the existing treatment of standardized equity options and standardized index options while ensuring standardized binary options listed on national securities exchanges and issued or guaranteed by a Registered Clearing Agency are subject to the same treatment. Conforming changes would be made throughout Rule 2360 to reflect this new consolidated term.

FINRA also proposes conforming and clarifying amendments to various other definitions set forth in Rule 2360(a). First, FINRA proposes to amend the definitions of “call,” “put,” “class of options,” and “series of options” to add “metric” alongside “security” and “index,” so that these terms explicitly include options overlying a metric. Corresponding conforming amendments are proposed to the definitions of “exercise price,” “expiration date,” “FLEX Equity Option” (to be renamed as “FLEX Option” as described below), “clearing member,” “conventional option,” “conventional index option,” “covered,” “OCC Cleared OTC Option,” “options trading,” and “underlying security.”⁹

Second, FINRA proposes conforming and clarifying amendments to the definitions of “clearing member,” “conventional index option,” “conventional option,”

⁹ Where appropriate, certain definitions have also been revised to ensure consistent reference to all three terms: “security,” “index,” and “metric.”

“covered,” “expiration date,” “FLEX Equity Option” (to be renamed as “FLEX Option” as described below), “options trading,” and “underlying security” to replace references to OCC with references to a Registered Clearing Agency. The definitions of “call” and “put” would also be amended to remove unnecessary and duplicative language specifically referencing OCC.

Third, FINRA proposes conforming and clarifying amendments to the definition of “exercise price” to explicitly reference cash-settled options, including binary options and options on metrics. For cash-settled options, the proposed rule change would define “exercise price” as the price or value (measured in the applicable units (e.g., amount of currency, percentage, or number)) to which the settlement value of the underlying index, security, or metric is compared to determine whether the holder is entitled to receive a dollar amount, which may be a fixed exercise settlement amount in the case of a binary option.

Finally, FINRA proposes to make other simplifying and clarifying changes to the definitions in Rule 2360(a), including to revise the defined term “FLEX Equity Option” to refer to “FLEX Option,” redesignate paragraph numbers to reflect new and consolidated definitions, and update cross-references.

Applicability

Rule 2360(b)(1) clarifies the applicability of Rule 2360. Rule 2360(b)(1) provides, among other things, that paragraphs (b)(3) through (12) of Rule 2360 apply only to standardized and conventional options on common stock. FINRA proposes to amend that provision to clarify that such limitation applies except as otherwise provided in those subparagraphs. The proposed rule change is intended to ensure that provisions

within paragraphs (b)(3) through (12) that are expressly tailored to index options or binary options, such as the proposed binary options position limit and LOPR provisions discussed further below, are not limited by the general applicability language in Rule 2360(b)(1).

Position Limits

Rule 2360(b)(3) establishes position limits for options. FINRA is not proposing substantive changes to the existing provisions governing position limits for standardized equity options, standardized index options, conventional options, and FLEX Options. FINRA proposes to add a new paragraph (b)(3)(D) to Rule 2360 specifically addressing binary options position limits. Under this proposed provision, except in highly unusual circumstances and with FINRA's prior written approval pursuant to the Rule 9600 Series for good cause shown, no member shall effect for any account in which such member has an interest, or for the account of any partner, officer, director or employee thereof, or for the account of any customer, an opening transaction in any class of binary option if the member has reason to believe that, as a result of such transaction, the member, partner, officer, director, employee, or customer, would, acting alone or in concert with others, directly or indirectly, hold or control or be obligated in respect of an aggregate position in excess of the position limits established by the exchange on which the binary option trades. This proposed provision parallels the existing position limits provision applicable to standardized equity options. Thus, the proposed rule change is intended to apply substantially comparable position limit requirements to positions in binary options, consistent with FINRA's approach to position limits for other listed options products.

FINRA also proposes conforming changes to Rule 2360(b)(6) (Liquidation of Positions and Restrictions on Access) to add references to options overlying a metric. The proposed rule change would clarify that FINRA’s existing authority relating to positions that exceed applicable position limits applies to options overlying a metric in the same manner as it applies to options overlying a security or index.

Reporting of Options Positions

Rule 2360(b)(5) sets forth requirements for reporting options positions, generally referred to as the “LOPR requirements.” Existing provisions refer to an underlying “security or index” and require a member that conducts a business in standardized options (but that is not a member of the listing exchange) to file position reports with FINRA when a reportable position threshold is reached, *i.e.*, an aggregate position of 200 or more options contracts on the same side of the market.¹⁰ FINRA proposes to add an explicit reference to “metric” so that the reporting obligation clearly extends to options on metrics.

Additionally, exchanges have proposed reporting and aggregation conventions for the treatment of binary metric options contracts for purposes of options position reporting requirements that may differ from the conventions for other listed options.¹¹ FINRA therefore proposes to amend its rules to require a member to determine its aggregate position for standardized options in accordance with the contract equivalency

¹⁰ Rule 2360(b)(5)(A)(i)b.

¹¹ For example, Cboe Exchange Inc. provides that, for purposes of reporting requirements, 100 binary KPI option contracts equal one standard option contract, given that binary KPI options have a multiplier of one while standard equity option contracts have a multiplier of 100. *See* Cboe Binary KPI Options Approval Order, *supra* note 4, 91 FR 65854, 65860.

conventions established by the exchange on which such standardized options are listed. FINRA believes the proposed rule change would promote consistency for market participants.

Delivery of Disclosure Documents

Rule 2360(b)(11)(A)(i) requires each member to deliver OCC's current Options Disclosure Document ("ODD") to each customer at or prior to the time such customer's account is approved for trading options issued by OCC, other than an OCC Cleared OTC Option. Thereafter, a copy of each amendment to the ODD must be distributed to each customer to whom the member previously delivered the ODD not later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to such customer. FINRA proposes to amend Rule 2360(b)(11)(A)(i), which currently requires delivery of OCC's disclosure document to customers approved for trading OCC-issued options. Under the proposed rule change, members would instead be required to deliver the current disclosure document of the applicable Registered Clearing Agency to customers approved for trading options issued by that Registered Clearing Agency, other than OCC Cleared OTC Options. The proposed rule change would also require delivery of amendments to such disclosure documents in a manner substantially consistent with the existing requirements applicable to OCC disclosure documents.

FINRA also proposes conforming changes to Rule 2360(b)(16)(D) (Account Agreement) to reflect the delivery of disclosure documents issued by any Registered Clearing Agency and to require customers engaging in transactions in options issued by such Registered Clearing Agency to acknowledge receipt of the applicable disclosure

document and agreement to be bound by the rules of the applicable Registered Clearing Agency.

The proposed rule change is intended to preserve the existing customer disclosure framework regardless of which Registered Clearing Agency issues or guarantees the contracts. These changes would ensure that members remain subject to substantially comparable disclosure obligations and customers receive substantially comparable disclosures regarding the characteristics and risks of standardized options.

Confirmations

FINRA Rule 2360(b)(12) requires members to provide customers with written confirmations containing specified information regarding options transactions, including the underlying security or index. FINRA proposes to amend Rule 2360(b)(12) to add a reference to an underlying “metric.” The proposed rule change clarifies the application of the existing confirmation requirements to options on metrics by requiring confirmations to identify the underlying metric, as applicable, thus ensuring that customers receive comparable information for options on metrics as they receive for other listed options products.

Transactions with Issuers

Rule 2360(b)(13) provides that no member shall enter a transaction for the sale (writing) of a call option contract for the account of any corporation which is the issuer of the underlying security thereof. FINRA proposes to amend Rule 2360(b)(13) to also encompass a corporation that is the subject of the underlying metric, thereby clarifying the rule’s application to options on metrics. FINRA believes the proposed change is appropriate to clarify that options on metrics are covered by the prohibition on selling call

options for the account of an issuer given the substantially similar potential conflicts of interest that may be present for such transactions.

Other Amendments to Rule 2360

FINRA proposes conforming amendments throughout Rule 2360(b) to replace OCC-specific references with references to a Registered Clearing Agency in provisions governing rights and obligations of holders and writers (paragraph (b)(9)), confirmations (paragraph (b)(12)), account agreements (paragraph (b)(16)(D)), violation of rules (paragraph (b)(21)), and stock transfer tax (paragraph (b)(22)).

Finally, FINRA proposes conforming and stylistic amendments to various provisions of Rule 2360 and its Supplementary Material to renumber paragraphs to reflect amended provisions, update cross-references, appropriately refer to newly defined or amended defined terms, and make various stylistic changes.

Proposed Amendments to Rule 2220

Rule 2220 governs members' communications with the public concerning options, including provisions specific to standardized options. The existing definition of "standardized option" in Rule 2220(a)(2) refers to issuance by OCC and to the terms of the option including the amount of the underlying security. The proposed rule change would amend the definition to replace the reference to OCC with a reference to a Registered Clearing Agency, as defined in Rule 2360(a), and to add "index or metric" to the list of standardized terms alongside "underlying security." This proposed change would clarify that the options communications requirements applicable to standardized options apply to options on metrics.

Proposed Amendments to Rules 2351 and 2357

The FINRA Rule 2350 Series establishes specific requirements for trading in index warrants, currency index warrants and currency warrants, including, among other things, account approval, suitability, communications with the public, and recordkeeping requirements. Rule 2351 provides for the general applicability of the Rule 2350 Series to these warrant products and defines specified terms used in the Rule 2350 Series, while Rule 2357 extends the Rule 2220 options communications requirements to such products. Although the Rule 2350 Series would not apply to binary metric options, FINRA is proposing two conforming changes to these rules in connection with the proposed changes to Rule 2360 described above. First, the proposed rule change would amend the cross-reference in Rule 2351 to the “control” definition in Rule 2360(a)(6) to reflect the renumbering of the paragraphs setting forth the definitions in Rule 2360(a). Second, the proposed rule change would update Rule 2357 to replace the reference to OCC with a reference to a Registered Clearing Agency.

Proposed Amendments to Rule 4210

Rule 4210(f)(2) sets forth strategy-based margin requirements for options. Various definitions in Rule 4210(f)(2)(A) contain references to OCC. FINRA proposes to replace those references with references to “the Registered Clearing Agency that guarantees the option contract” in the definitions of “aggregate discount amount,” “American-style option,” “call,” “put,” “current cash market price,” “European-style option,” “exercise settlement amount,” and “expiration date.” These changes would ensure that these definitions continue to operate appropriately where an option contract is guaranteed by a registered clearing agency other than OCC.

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so FINRA can implement the proposed rule change immediately.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Exchange Act,¹² which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change will ensure that the investor protection and market integrity requirements under FINRA's existing rules governing options clearly and appropriately apply to all categories of exchange-listed options products. The proposed rule change is designed primarily to clarify the application of existing FINRA requirements to binary options, options on metrics, and options cleared through a registered clearing agency other than OCC—including binary metric options—and thus to preserve substantially comparable regulatory treatment for all listed options products and promote consistent application of FINRA's options framework. Further, FINRA's options rules apply to the options activities of all FINRA members. Clarifying the application of FINRA's options requirements to all listed options products therefore promotes the clear and consistent application of FINRA's options framework across all FINRA members. FINRA believes this application of its

¹² 15 U.S.C. 78o-3(b)(6).

options framework promotes just and equitable principles of trade and protects investors and the public interest.

FINRA believes the proposed amendments relating to binary options are consistent with Section 15A(b)(6) of the Act because they clarify the application of FINRA's existing options framework to listed options with a binary payout structure. In particular, the proposed amendments are designed to ensure that FINRA members are subject to substantially comparable requirements with respect to binary options as to other types of listed options, promoting just and equitable principles of trade and protecting investors and the public interest.

FINRA believes the proposed amendments relating to standardized options cleared by a registered clearing agency other than OCC are consistent with Section 15A(b)(6) of the Act. FINRA's existing options rules contain numerous references to OCC, reflecting the historical clearing structure for listed options. The proposed amendments are designed to ensure that FINRA's options framework continues to operate appropriately where an option is issued or guaranteed by another registered clearing agency. By providing for substantially comparable regulatory treatment without regard to the registered clearing agency associated with a listed option, including with respect to customer disclosures and other investor protections, the proposed amendments promote consistent application of FINRA's options requirements and protect investors and the public interest.

FINRA believes the proposed amendments relating to options overlying metrics are consistent with Section 15A(b)(6) of the Act because they clarify that FINRA's existing options requirements apply where the underlying interest is a metric rather than

an individual security's price or index's value. The proposed amendments are designed to ensure the application of FINRA's existing regulatory protections, including requirements relating to position reporting, confirmations, and transactions with issuers, to options overlying metrics. FINRA believes that providing consistent regulatory treatment of options activity regardless of whether an option overlies a security, index, or metric promotes just and equitable principles of trade and protects investors and the public interest.

Finally, FINRA believes the proposed clarifying and conforming amendments are consistent with Section 15A(b)(6) of the Act. These amendments are designed to improve the clarity, consistency, and operation of FINRA's options rules in light of the foregoing changes, including by consolidating related definitions, updating cross-references and terminology, and making other conforming changes. FINRA believes these amendments will facilitate the clear and consistent application of FINRA's options rules by members and thereby promote just and equitable principles of trade and protect investors and the public interest.

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

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

Economic Impact Assessment

FINRA has undertaken an economic impact assessment to analyze the potential economic impacts of the proposed rule change, including anticipated costs, benefits,

distributional and competitive effects, relative to the applicable baseline, and the alternatives considered in assessing how best to meet FINRA's regulatory objectives.

Regulatory Need

As discussed above, multiple national securities exchanges have filed proposed rule changes to list and trade binary metric options, which may be cleared by a Registered Clearing Agency other than OCC, and the Commission has approved at least one such filing. Current FINRA rules governing listed options activity were developed principally around listed options that settle based on the price of an individual security or index and that clear through OCC. While FINRA intends for its options framework to apply broadly to listed options products, current rule text does not expressly address certain listed options structures, including options overlying metrics, binary options, and options cleared by a Registered Clearing Agency other than OCC. As a result, uncertainty and associated costs may arise regarding the application of existing FINRA requirements to such products. The proposed rule change would clarify that the existing rules for listed options apply broadly to all listed options products, including binary options, options on metrics, and options cleared by a Registered Clearing Agency other than OCC.

Economic Baseline

The economic baseline for this analysis is the application of FINRA's current rules in a market where exchanges have received, or may receive, Commission approval of proposed rule changes to list and trade binary metric options. Under the baseline, FINRA members considering participation in these products would need to determine how existing FINRA requirements apply to various listed options structures not expressly addressed under current rule text, including options based on metrics, binary options, and

options cleared by a Registered Clearing Agency other than OCC. This uncertainty could result in additional legal, compliance, and operational costs and may delay or deter participation by some firms, potentially imposing limitations and costs on customers who seek to trade these option contracts.

Economic Benefits and Costs

The proposed rule change would affect FINRA members that currently participate, or may participate in the future, in listed options activity involving any of the options products addressed by the proposed amendments. By clarifying the application of FINRA rules to these products, the proposed rule change may reduce legal, compliance, and operational uncertainty and promote more consistent regulatory treatment across products. To the extent that exchanges introduce additional products with similar characteristics in the future, the proposed rule change may also reduce the need for subsequent conforming changes to FINRA's rules, avoiding delay and uncertainty to market participants in such circumstances.

The magnitude of these benefits depends on the extent of member participation, on their own behalf or on behalf of customers, in binary metric options products, or other products addressed by the proposed rule change, and the degree to which uncertainty under the current rules would otherwise delay or deter such activity. By clarifying the application of FINRA rules to binary options, options on metrics, and options cleared by a Registered Clearing Agency other than OCC, the proposed amendments may facilitate participation by FINRA members and may expand the range of firms through which customers can access these products to the extent that uncertainty under the current rules would otherwise have delayed or deterred such activity. Any such effect would be

incremental to the effects of an exchange's introduction of the product or changes to clearance of a product and the Commission's approval of the applicable exchange and any clearing agency proposals.

Participating firms may incur costs to update systems, supervisory procedures, training materials, account-opening processes, disclosure practices, reporting processes, and other operational controls necessary to accommodate binary metric options or other products addressed by the proposed rule change. The magnitude of these costs would vary depending on a firm's business model, existing options infrastructure, and expected level of participation in these products. Members are likely to incur the compliance and operational costs associated with the proposed amendments only where the anticipated business opportunities are deemed sufficient to justify participation in binary metric options or other options products.

Competitive and distributional effects may differ across firms based on the extent of their activities in binary metric options or other options products addressed by the proposed rule change. Members already participating in existing options markets may face lower incremental costs than firms requiring new systems or commercial arrangements to participate in options markets, and costs may vary depending on a member's role as an introducing, carrying, or clearing firm.

The economic impact and competitive and distributional effects of the proposed rule change may vary based, in part, on the extent to which the requirements applicable to FINRA members under the proposed rule change differ from the requirements applicable to members of exchanges listing options products addressed by the proposed rule change.

Alternatives

No alternatives were considered.

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

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹³ and Rule 19b-4(f)(6) thereunder.¹⁴

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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6).

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2026-022 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-FINRA-2026-022. This file number should be included on the subject line if e-mail 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 (<http://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of FINRA. 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-FINRA-2026-022 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

Jill M. Peterson
Assistant Secretary

¹⁵ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

2200. COMMUNICATIONS AND DISCLOSURES

* * * * *

2220. Options Communications

(a) Definitions

For purposes of this Rule and any interpretation thereof:

(1) No Change.

(2) “Standardized option” means any option contract issued, or subject to issuance, by [The Options Clearing Corporation] a Registered Clearing Agency, as defined in Rule 2360(a), that has standardized terms for the strike price, expiration date, and amount of the underlying security, index, or metric, and is traded on a national securities exchange registered pursuant to Section 6(a) of the Exchange Act.

(3) through (4) No Change.

(b) through (d) No Change.

* * * * *

2300. SPECIAL PRODUCTS

* * * * *

2351. General Provisions Applicable to Trading in Index Warrants, Currency Index Warrants and Currency Warrants

(a) No Change

(b) Definitions

(1) The term “control” shall have the same meaning as the term “control” as set forth in Rule 2360(a)[(6)].

(2) through (6) No Change.

* * * * *

2357. Communications with the Public and Customers Concerning Index

Warrants, Currency Index Warrants and Currency Warrants

The provisions of Rule 2220 shall be applicable to communications to customers regarding index warrants, currency index warrants, or currency warrants. The term “option” as used therein shall be deemed to include such warrants for purposes of this Rule and the term “[The Options Clearing Corporation] Registered Clearing Agency” shall be deemed to mean the issuer of such warrants.

* * * * *

2360. Options

(a) Definitions

The following terms shall, unless the context otherwise requires, have the stated meanings:

(1) No Change.

(2) Binary Option — The term “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.

([2]3) Call — The term “call” means an option contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase the number of units of the underlying security or to receive a dollar amount based on the settlement value [equivalent] of the underlying index, security, or metric covered by the option contract. [In the case of a “call” issued by The Options Clearing Corporation on common stock, it shall mean an option contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from The Options Clearing Corporation the number of units of the underlying security or receive a dollar equivalent of the underlying index covered by the option contract.]

([3]4) Class of Options — The term “class of options” means all option contracts of the same type of option covering the same underlying security, [or] index, or metric.

([4]5) Clearing Member — The term “clearing member” means a FINRA member which has been admitted to membership in [The Options Clearing Corporation] a Registered Clearing Agency pursuant to [the provisions of] the rules of [The Options Clearing Corporation] such Registered Clearing Agency.

Paragraphs (5) through (7) redesignated as paragraphs (6) through (8)

([8]9) Conventional Index Option — The term “conventional index option” means any options contract not issued, or subject to issuance, by [The

Options Clearing Corporation] a Registered Clearing Agency, or an OCC Cleared OTC Option, that, as of the trade date, overlies a basket or index of securities that:

(A) through (B) No Change.

([9]10) Conventional Option — The term “conventional option” shall mean: (A) any option contract not issued, or subject to issuance, by [The Options Clearing Corporation] a Registered Clearing Agency; or (B) an OCC Cleared OTC Option.

([10]11) Covered — The term “covered” in respect of a short position in a call option contract means that the writer’s obligation is secured by a “specific deposit” or an “escrow deposit,” meeting the conditions [of Rules 610(e) or 610(g), respectively,] of the rules of [The Options Clearing Corporation] a Registered Clearing Agency for options issued by such Registered Clearing Agency, or the writer holds in the same account as the short position, on a unit-for-unit basis, a long position either in the underlying security or in an option contract of the same class of options where the exercise price of the option contract in such long position is equal to or less than the exercise price of the option contract in such short position. The term “covered” in respect of a short position in a put option contract means that the writer holds in the same account as the short position, on a unit-for-unit basis, a long position in an option contract of the same class of options having an exercise price equal to or greater than the exercise price of the option contract in such short position.

Paragraphs (11) through (12) redesignated as paragraphs (12) through (13)

(~~[13]~~14) Exercise Price — The term “exercise price” in respect of a[n] physically-settled option contract means the stated price per unit at which the underlying security may be purchased (in the case of a call) or sold (in the case of a put) upon the exercise of such option contract. The term “exercise price” in respect of a cash-settled option contract means the price or value (measured in the applicable units (e.g., amount of currency, percentage, or number)) to which the settlement value of the underlying index, security, or metric is compared to determine whether the option holder is entitled to receive a dollar amount, which may be a fixed exercise settlement amount in the case of a binary option.

(~~[14]~~15) Expiration Date — The term “expiration date” of an option contract issued by [The Options Clearing Corporation] a Registered Clearing Agency means the day and time fixed in accordance with the rules of that Registered Clearing Agency [The Options Clearing Corporation] for the expiration of such option contract. The term “expiration date” of all other option contracts means the date specified thereon for such.

Paragraph (15) redesignated as paragraph (16)

(~~[16]~~17) FLEX [Equity] Option — The term “FLEX [Equity] Option” means any options contract issued, or subject to issuance by, [The Options Clearing Corporation] a Registered Clearing Agency, other than an OCC Cleared OTC Option, whereby the parties to the transaction have the ability to negotiate the terms of the contract consistent with the rules of the exchange on which the options contract is traded.

Paragraphs (17) through (18) redesignated as paragraphs (18) through (19)

([19]20) OCC Cleared OTC Option — The term “OCC Cleared OTC Option” means any put, call, straddle or other option or privilege that meets the definition of an “option” under Rule 2360(a)(22[1]), and is cleared by The Options Clearing Corporation, is entered into other than on or through the facilities of a national securities exchange, and is entered into exclusively by persons who are “eligible contract participants” as defined in the Exchange Act.

Paragraphs (20) through (22) redesignated as paragraphs (21) through (23)

([23]24) Options Contract — The term “options contract” means any option as defined in paragraph (a)(22[1]). For purposes of paragraphs (b)(3) through (12), an option to purchase or sell common stock shall be deemed to cover 100 shares of such stock at the time the contract granting such option is written. If a stock option is granted covering some other number of shares, then for purposes of paragraphs (b)(3) through (12), it shall be deemed to constitute as many option contracts as that other number of shares divided by 100 (e.g., an option to buy or sell five hundred shares of common stock shall be considered as five option contracts). A stock option contract that, when written, grants the right to purchase or sell 100 shares of common stock shall continue to be considered as one contract throughout its life, notwithstanding that, pursuant to its terms, the number of shares that it covers may be adjusted to reflect stock dividends, stock splits, reverse splits, or other similar actions by the issuer of such stock.

Paragraph (24) redesignated as paragraph (25)

(~~[25]~~26) Options Trading — The term “options trading” means trading (A) in any option issued by [The Options Clearing Corporation] a Registered Clearing Agency, and (B) in any conventional option.

Paragraphs (26) through (27) redesignated as paragraphs (27) through (28)

(~~[28]~~29) Put — The term “put” means an option contract under which the holder of the option has the right, in accordance with the terms of the option, to sell the number of units of the underlying security or deliver a dollar amount based on the settlement value [equivalent] of the underlying index, security, or metric covered by the option contract. [In the case of a “put” issued by The Options Clearing Corporation on common stock, it shall mean an option contract under which the holder of the option has the right, in accordance with terms of the option, to sell to The Options Clearing Corporation the number of units of the underlying security covered by the option contract or to tender the dollar equivalent of the underlying index.]

(30) Registered Clearing Agency – The term “Registered Clearing Agency” means a clearing agency registered with the Commission pursuant to Section 17A of the Exchange Act.

Paragraph (29) redesignated as paragraph (31)

(~~[30]~~32) Series of Options — The term “series of options” means all option contracts of the same class of options having the same exercise price and expiration date and which cover the same number of units of the underlying security, [or] index, or metric.

Paragraph (31) redesignated as paragraph (33)

[(32)]34) Standardized Option – The term “standardized option” means any options contract issued, or subject to issuance by, a Registered Clearing Agency, that is not a FLEX Option and not an OCC Cleared OTC Option. This includes equity options contracts (Standardized Equity Options), options based upon an index (Standardized Index Options) and options based on a metric (Standardized Metric Options).

[Standardized Equity Option — The term “standardized equity option” means any equity options contract issued, or subject to issuance by, The Options Clearing Corporation that is not a FLEX Equity Option and not an OCC Cleared OTC Option.]

[(33) Standardized Index Option — The term “standardized index option” means any options contract issued, or subject to issuance, by The Options Clearing Corporation that is based upon an index and is not an OCC Cleared OTC Option.]

[(34) The Options Clearing Corporation — The term “The Options Clearing Corporation” means The Options Clearing Corporation.]

(35) through (36) No Change.

(37) Underlying Index — The term “underlying index” means an index underlying an option [a Standardized Index Option or a Conventional Index Option].

(38) Underlying Metric – The term “underlying metric” means a metric underlying an option, including any financial or operating metric or condition on which an option’s payout is based.

([38]39) Underlying Security — The term “underlying security” in respect of an option contract means the security which [The Options Clearing Corporation] a Registered Clearing Agency or another person shall be obligated to sell (in the case of a call) or purchase (in the case of a put) upon the valid exercise of such option contract.

Paragraph (39) redesignated as paragraph (40)

(b) Requirements

(1) Applicability

This Rule shall be applicable to the extent appropriate unless otherwise stated herein: (A) to the conduct of accounts, the execution of transactions, and the handling of orders in exchange-listed options by members that are not members of an exchange on which the option executed is listed; (B) to the conduct of accounts, the execution of transactions, and the handling of orders in conventional options by all members; and (C) to other matters related to options trading.

Subparagraphs (3) through (12) shall apply only to standardized and conventional options on common stock, except as otherwise provided in those subparagraphs. Subparagraphs (13) through (24) shall apply to transactions in all options as defined in paragraph (a)(2[1]2), including common stock unless otherwise indicated herein.

(2) FLEX [Equity] Options

The position and exercise limits for FLEX [Equity] Options for members that are not also members of the exchange on which FLEX [Equity] Options trade

shall be the same as the position and exercise limits as applicable to members of the exchange on which such FLEX [Equity] Options are traded.

(3) Position Limits

(A) Stock Options —

(i) through (ii) No Change.

(iii) Conventional Equity Options

a. For purposes of this paragraph (b), standardized equity option contracts of the put class and call class on the same side of the market overlying the same security shall not be aggregated with conventional equity option contracts or FLEX [Equity] Option contracts overlying the same security on the same side of the market. Conventional equity option contracts of the put class and call class on the same side of the market overlying the same security shall be subject to a position limit of:

1. through 6. No Change.

b. No Change.

(B) through (C) No Change.

(D) Binary Options

Except in highly unusual circumstances, and with the prior written approval of FINRA pursuant to the Rule 9600 Series for good cause shown in each instance, no member shall effect for any account in which such member has an interest, or for the account of any partner, officer,

director or employee thereof, or for the account of any customer, an opening transaction in an option contract of any class of binary option dealt in on an exchange if the member has reason to believe that, as a result of such transaction, the member or partner, officer, director or employee thereof, or customer, would, acting alone or in concert with others, directly or indirectly, hold or control or be obligated in respect of an aggregate position in excess of position limits established by the exchange on which the option trades.

[(D)]E) FINRA will notify the SEC at any time it approves a request to exceed the limits established pursuant to this paragraph (b)(3).

(4) No Change.

(5) Reporting of Options Positions

(A)(i)a. No Change.

b. Standardized Options

Each member that conducts a business in standardized options but is not a member of the options exchange upon which the standardized options are listed and traded shall file or cause to be filed with FINRA a report with respect to each account in which the member has an interest, each account of a partner, officer, director or employee of such member, and each customer, non-member broker, or non-member dealer account, which, acting alone or in concert, has established an aggregate

position of 200 or more option contracts (whether long or short) of the put class and the call class on the same side of the market covering the same underlying security, [or] index, or metric, combining for purposes of this subparagraph long positions in put options with short positions in call options and short positions in put options with long positions in call options. A member shall determine its aggregate position in accordance with the contract equivalency conventions established by the exchange on which such standardized options are listed.

(ii) No Change.

(B) In addition to the reports required by [sub]paragraph (b)(5)(A) of this Rule[above], each member shall report promptly to FINRA any instance in which such member has a reason to believe that a person, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits or the exercise limits set forth in paragraphs (b)(3) and (4) of this Rule.

(6) Liquidation of Positions and Restrictions on Access

(A) Whenever FINRA determines that a person or group of persons acting in concert holds or controls, or is obligated in respect of, an aggregate position in option contracts covering any underlying security, [or] index, or metric in excess of the position limitations established by

paragraph (b)(3) of this Rule, it may, when deemed necessary or appropriate in the public interest and for the protection of investors, direct:

(i) any member or all members carrying a position in option contracts covering such underlying security, [or] index, or metric for such person or persons to liquidate such position or positions, or portions thereof, as expeditiously as possible and consistent with the maintenance of an orderly market, so as to bring such person or persons into compliance with the position limitations contained in paragraph (b)(3) of this Rule;

(ii) No Change.

(B) No Change.

(7) No Change.

(8) Restrictions on Option Transactions and Exercises

FINRA may impose from time to time such restrictions on option transactions or the exercise of option contracts in one or more series of options of any class which it determines are necessary in the interest of maintaining a fair and orderly market in option contracts, or in the underlying securities covered by such option contracts, or otherwise necessary in the public interest or for the protection of investors. During the period of any such restriction, no member shall effect any option transaction or exercise any option contract in contravention of such restriction. Notwithstanding the foregoing, during the [ten (10)] business days prior to the expiration date of a given series of options, no

restriction established pursuant to this subparagraph on the exercise of option contracts shall remain in effect with respect to that series of options.

(9) Rights and Obligations of Holders and Writers

Subject to the provisions of paragraphs (b)(4), (6), and (8) of this Rule, the rights and obligations of holders and writers of option contracts of any class of options issued by [The Options Clearing Corporation] a Registered Clearing Agency shall be set forth in the rules of [The Options Clearing Corporation] such Registered Clearing Agency.

(10) No Change.

(11) Delivery of Current Disclosure Documents

(A)(i) [Characteristics and Risks of Standardized Options (the "ODD").] Every member shall deliver the current [ODD] disclosure document of the applicable Registered Clearing Agency to each customer at or prior to the time such customer's account is approved for trading options issued by the Registered Clearing Agency [The Options Clearing Corporation], other than an OCC Cleared OTC Option. Thereafter, a copy of each amendment to [the ODD] such disclosure document shall be distributed to each customer to whom the member previously delivered the [ODD] disclosure document not later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to such customer.

(ii) Special Statement for Uncovered Option Writers (“Special Written Statement”). In the case of customers approved for writing uncovered short options transactions, the Special Written Statement required by paragraph (b)(16) of this Rule shall be in a format prescribed by FINRA and delivered to customers in accordance with paragraph (b)(16). A copy of each new or revised Special Written Statement shall be distributed to each customer having an account approved for writing uncovered short options not later than the time a confirmation of a transaction is delivered to each customer who enters into a transaction in options issued by The Options Clearing Corporation, other than an OCC Cleared OTC Option.

(iii) No Change.

(B) through (C) No Change.

(12) Confirmations

Every member shall promptly furnish to each customer a written confirmation of each transaction in option contracts for such customer’s account. Each such confirmation shall show the type of option, the underlying security, [or] index, or metric, the expiration month, the exercise price, the number of option contracts, the premium, the commission, the trade and settlement dates, whether the transaction was a purchase or a sale (writing) transaction, whether the transaction was an opening or a closing transaction, whether the transaction was effected on a principal or agency basis and, for other than options issued by [The

Options Clearing Corporation] a Registered Clearing Agency, the date of expiration. The confirmation shall by appropriate symbols distinguish between exchange listed and other transactions in option contracts though such confirmation does not need to specify the exchange or exchanges on which such options contracts were executed.

(13) Transactions with Issuers

No member shall enter a transaction for the sale (writing) of a call option contract for the account of any corporation which is the issuer of the underlying security thereof or which is the subject of the underlying metric.

(14) through (15) No Change.

(16) Opening of Accounts

(A) No Change.

(B) Diligence in Opening Accounts

In approving a customer's account for options trading, a member or any person associated with a member shall exercise due diligence to ascertain the essential facts relative to the customer, his financial situation and investment objectives. Based upon such information, the branch office manager, a Registered Options Principal or a Limited Principal—General Securities Sales Supervisor shall specifically approve or disapprove in writing the customer's account for options trading; provided, that if the branch office manager is not a Registered Options Principal or a Limited Principal—General Securities Sales Supervisor, account approval or disapproval shall within [ten (10)] business days be

submitted to and approved or disapproved by a Registered Options Principal or a Limited Principal—General Securities Sales Supervisor.

(i) through (iv) No Change.

(v) A record of the information obtained pursuant to this subparagraph and of the approval or disapproval of each such account shall be maintained by the member as part of its permanent records in accordance with paragraph (b)(17) of this Rule.

(C) Verification of Customer Background and Financial Information

The background and financial information upon which the account of every new options customer that is a natural person has been approved for options trading, unless the information is included in the customer's account agreement, shall be sent to the customer for verification within [fifteen (]15[)] days after the customer's account has been approved for options trading. A copy of the background and financial information on file with a member shall also be sent to the customer for verification within [fifteen (]15[)] days after the member becomes aware of any material change in the customer's financial situation.

Members shall satisfy the initial and subsequent verification of customer background and financial information by sending to the customer the information required in subparagraphs (B)(i)a. through f. hereof, as contained in the member's records and providing the customer

with an opportunity to correct or complete the information. In all cases, absent advice from the customer to the contrary, the information will be deemed to be verified.

(D) Account Agreement

Within [fifteen (15)] days after a customer's account has been approved for options trading, a member shall obtain from the customer a written agreement that the customer is aware of and agrees to be bound by FINRA rules applicable to the trading of option contracts and, if he desires to engage in transactions in options issued by [The Options Clearing Corporation] a Registered Clearing Agency, other than solely for OCC Cleared OTC Options, that the customer has received a copy of the current disclosure document(s) required to be furnished under this subparagraph (16) and that he is aware of and agrees to be bound by the rules of [The Options Clearing Corporation] the Registered Clearing Agency. In addition, the customer shall indicate on such written agreement that he is aware of and agrees not to violate the position limits established pursuant to paragraph (b)(3) and the exercise limits established pursuant to paragraph (b)(4) of this Rule.

(E) No Change.

(17) through (20) No Change.

(21) Violation of By-Laws and Rules of FINRA or [The Options Clearing Corporation] a Registered Clearing Agency

(A) In FINRA disciplinary proceedings, a finding of violation of any provision of the rules, regulations or by-laws of [The Options Clearing Corporation] a Registered Clearing Agency by any member or person associated with a member engaged in transactions involving options issued, or subject to issuance, by [The Options Clearing Corporation] a Registered Clearing Agency, may be deemed to be conduct inconsistent with just and equitable principles of trade and a violation of Rule 2010.

(B) No Change.

(22) Stock Transfer Tax

Any stock transfer or similar tax payable in accordance with applicable laws and regulations of a taxing jurisdiction upon the sale, transfer or delivery of securities pursuant to the exercise of an option contract shall be the responsibility of the seller (writer) to whom the exercise notice is assigned in the case of a call option contract or the exercising holder in the case of a put option contract except that (A) in the case of a call option contract where the incidents of the tax are attributable solely to the exercising holder, the member representing such holder or another member which acts on its behalf as a clearing member of [The Options Clearing Corporation] a Registered Clearing Agency, the tax shall be the responsibility of the exercising holder, and (B) in the case of a put option contract where the incidents of the tax are attributable solely to the seller (writer) to whom the exercise notice is assigned, the member representing such seller (writer) or another member which acts on its behalf as a clearing member of [The Options Clearing Corporation] a Registered Clearing Agency, the tax shall be the

responsibility of such seller (writer). Each delivery of securities subject to such tax must be accompanied by a sales ticket stamped in accordance with the regulations of the State imposing such tax, or if required by applicable law, such tax shall be remitted by the clearing member having responsibility therefor to the clearing corporation through which it customarily pays stock transfer taxes, in accordance with the applicable rules of such clearing corporation.

(23) through (24) No Change.

(c) No Change.

• • • **Supplementary Material:** -----

.01 Position Limit Examples

The following examples illustrate the operation of position limits established by Rule 2360(b)(3) (all examples assume a position limit of 25,000 contracts and that the options are standardized equity options):

(a) Customer A, who is long 25,000 XYZ calls, may at the same time be short 25,000 XYZ calls, since long and short positions in the same class of options (i.e., in calls only, or in puts only) are on opposite sides of the market and are not aggregated for purposes of paragraph (b)(3) of this Rule.

(b) Customer B, who is long 25,000 XYZ calls, may at the same time be long 25,000 XYZ puts. Paragraph (b)(3) of this Rule does not require the aggregation of long call and long put (or short call and short put) positions, since they are on opposite sides of the market.

(c) No Change.

(d) Customer D, who is short 2,000,000 shares of XYZ, may be long up to 45,000 XYZ calls, since the “hedge” exemption contained in paragraph (b)(3)(A)(ii)a.1. of this Rule permits Customer D to establish an options position up to 25,000 contracts in size. In this instance, 25,000 of the 45,000 contracts are permissible under the basic 25,000 position limit and the remaining 20,000 contracts are permissible because they are hedged by the 2,000,000 short stock position.

.02 In connection with the delta hedging exemptions for members and non-member affiliates in Rule 2360(b)(3)(A)(ii)b., FINRA will require broker-dealer(s) to satisfy the following conditions in order for FINRA to deem no control relationship, in accordance with Rule 2360(a)(7[6]), to exist between affiliates and between separate and distinct trading units within the same entity:

- operate the trading unit(s) requesting non-aggregation treatment independently of other trading units controlled by the broker-dealer, and disclose to FINRA the trading objective of the trading unit(s) requesting non-aggregation treatment;
- create internal firewalls and information barriers to segregate the trading unit(s) receiving non-aggregation treatment from other trading units controlled by the broker-dealer to prevent the flow of information (e.g., trades, positions, trading strategies);
- conduct all trading activity of the trading unit(s) requesting non-aggregation in a segregated account, which shall be reported to FINRA as such;
- maintain regulatory compliance oversight and internal controls and procedures addressing the non-aggregation arrangement;
- retain written records of information concerning the non-aggregated account, including, but not limited to, trading personnel, names of personnel making trading

decisions, unusual trading activities, disciplinary action resulting from breach of the broker-dealer's systems firewalls and information-sharing policies, and the transfer of securities between the broker-dealer's non-aggregated accounts, which information shall be promptly made available to FINRA upon its request;

- promptly provide to FINRA a written report at such time there is any material change with respect to the non-aggregated account, which FINRA will use as a basis to reexamine its determination of non-aggregation; and

- provide a written acknowledgement that FINRA reserves the right to (1) impose additional restrictions and conditions with respect to the granting and removal of non-aggregation, and (2) freeze any position above the applicable position limit if FINRA determines that aggregation has become necessary due to changed circumstances.

Generally, the presumption of control in these types of arrangements will become easier to rebut as the physical separation between the trading units increases. For example, FINRA will require that trading units located on the same floor of a building be physically isolated from each other to ensure that no inappropriate communication will take place between individuals staffed in the applicable trading units.

.03 No Change.

* * * * *

4200. MARGIN

4210. Margin Requirements

(a) through (e) No Change.

(f) Other Provisions

(1) No Change.

(2) Puts, Calls and Other Options, Currency Warrants, Currency Index Warrants and Stock Index Warrants

(A) Definitions

Except where the context otherwise requires or as defined below, the definitions contained in paragraph (a) of Rule 2360, “Options,” shall apply to the terms used in this Rule.

(i) The term “aggregate discount amount” as used with reference to a Treasury bill option contract means the principal amount of the underlying Treasury bill (A) multiplied by the annualized discount (i.e., 100 percent minus the exercise price of the option contract) and (B) further multiplied by a fraction having a numerator equal to the number of days to maturity of the underlying Treasury bill on the earliest date on which it could be delivered pursuant to the rules of [The Options Clearing Corporation] the Registered Clearing Agency that guarantees the option contract in connection with the exercise of the option (normally 91 or 182 days) and a denominator of 360.

(ii) No Change.

(iii) The term “American-style option” means an option contract that can be exercised at any time prior to its expiration pursuant to the rules of [The Options Clearing Corporation] the Registered Clearing Agency that guarantees the option contract.

(iv) through (vii) No Change.

(viii) The terms “call” and “put”:

a. No Change.

b. as used in connection with an option contract means an option under which the holder has the right, in accordance with the terms of the option, to purchase from (in the case of a call), or sell to (in the case of a put), [The Options Clearing Corporation] the Registered Clearing Agency that guarantees the option contract:

1. through 4. No Change.

(ix) through (xi) No Change.

(xii) The term “current cash market price” as used with reference to GNMAAs means the prevailing price in the cash market for GNMAAs bearing a particular stated rate of interest to be delivered on the next applicable monthly settlement date determined in the manner specified in the rules of [The Options Clearing Corporation] the Registered Clearing Agency that guarantees the option contract.

(xiii) through (xiv) No Change.

(xv) The term “European-style option” means an option contract that can be exercised only at its expiration pursuant to the rules of [The Options Clearing Corporation] the Registered Clearing Agency that guarantees the option contract.

(xvi) No Change.

(xvii) The term “exercise settlement amount” shall mean the difference between the “aggregate exercise price” and the “aggregate current index value” (as such terms are defined in the [pertinent By-Laws of The Options Clearing Corporation] rules of the Registered Clearing Agency that guarantees the option contract).

(xviii) The term “expiration date” in respect of an option contract means the date and time fixed by the rules of [The Options Clearing Corporation] the Registered Clearing Agency that guarantees the option contract for the expiration of all option contracts covering the same underlying security or underlying index stock group and having the same expiration month as such option contract.

(xix) through (xxxvi) No Change.

(B) through (N) No Change.

(3) through (10) No Change.

(g) through (h) No Change.

• • • **Supplementary Material:** -----

.01 through .06 No Change.

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