

ISE Electronic FLEX

Frequently Asked Questions May 2025

Overview

Q: What is ISE Electronic FLEX?

Pending SEC approval, ISE will support trading FLEX Options through existing Order Entry Protocols, Trade Drops and Market Data Feeds. FLEX Options are a type of option contract that offers customized terms, including Strike Prices, Expiration Dates and Exercise Styles. They provide flexibility beyond standard option contracts. Currently, Nasdaq Phlx supports trading FLEX Options on the physical trading floor. ISE will be the first Nasdaq Option venue to support trading FLEX Options electronically.

Q: What are the customizable terms supported for ISE Electronic FLEX?

- Type of Option – Put or Call
- Exercise Style – American-style or European-style
- Expiration Date – May be a business day (specified to the day, month, and year) no more than 15 years from the date on which the FLEX Order is submitted
- Settlement Type – FLEX Index Options are AM or PM settled. FLEX Equity Options are PM settled.
- Exercise price – May be in increments no smaller than \$0.01
 - The net price of a stock-tied Complex Order may be up to 4 decimal places.

Q: Are other Nasdaq options exchanges impacted by the launch of Electronic FLEX?

All venues which have upgraded to the harmonized platform (BX, MRX, GEMX, and ISE) will be impacted by these changes since they follow the same specifications for Order Entry, Trade Drops and Market Data. Electronic FLEX will only be supported in ISE, but to keep the specifications harmonized there will be an impact to other venues with respect to the interfaces, protocols, and market data feeds described below. ISE, GEMX and MRX Market Data Changes will come first while BX Market Data changes will be announced in a later Options Alert.

The new versions of SQF, OTTO and CTI will be available to order from March 3rd on ISE. Both old and new versions will be supported for a few months while all firms migrate. BX, GEMX and MRX will also update to the latest versions at a later date to be announced via Trader Alert.

Q: When will ISE start supporting Electronic FLEX?

Pending SEC approval, ISE will begin to support electronic FLEX (via FLEX Auctions, FLEX Price Improvement Mechanism, and FLEX Solicited Order Mechanism) in April 2025.

Q: What type of securities will be supported on ISE electronic FLEX?

Pending SEC approval, ISE will begin to support electronic FLEX Options for Indexes, Equities, Exchange-Traded Funds (ETFs), and Cash-Settled ETFs. Once IBIT options begin trading on ISE, it will be excluded from FLEX Trading.

Q: How will a FLEX instrument be created on ISE?

A FLEX instrument will be created on ISE once a FLEX order is submitted through FIX and accepted by the Exchange.

Functionality

Q: Which functionality will be supported in Electronic FLEX?

In the first phase, slated to release in April 2025, ISE will support the following FLEX simple and complex auction mechanisms:

- FLEX Auctions - One sided
- FLEX Price Improvement Mechanism (PIM) - Two sided
- FLEX Solicited Order Mechanism (SOM) - Two sided

All three FLEX auctions will have an exposure interval, as an input value on order entry, between 3 seconds and 5 minutes.

Q: What are the leg requirements for a Complex FLEX order?

The leg requirements for a Complex FLEX order are:

- A maximum of 10 legs, including the stock leg, will be supported for a Complex FLEX order.
- The ratio of the legs of a Complex FLEX Order are not required to be conforming.
- Each leg of a Complex FLEX Order:
 - Must be for the same underlying, which is authorized for FLEX trading.
 - Must have the same exercise style (American or European).
 - Must have the same delivery method (physical delivery or cash-settled delivery).
 - For FLEX Index Options, may have a different settlement type (a.m.-settled or p.m.-settled), as permitted by rule.

Q: How will leg prices be determined for Complex FLEX orders and Stock-Tied FLEX orders?

- Complex FLEX Orders
 - All legs in a Complex FLEX order must have all leg prices stipulated. A Complex FLEX order submitted must include a net price and a price for each leg. All leg prices combined must equal the net price.
 - If price improvement occurs in a FLEX auction, the stipulated leg price(s) will be adjusted accordingly.
- Stock-tied FLEX orders
 - All legs in a Stock-tied FLEX order must have all leg prices stipulated including the stock leg. To better ensure execution, the stipulated leg prices, including the stock leg, may be adjusted but will maintain the overall net price of the strategy.

Interfaces/Protocols

Q: What is the impact to the Specialized Quote Feed (SQF) offered on ISE?

- ISE will introduce support for SQF 9.0 and the existing ports must be upgraded to access the new FLEX functionality. The existing version of SQF 8.2 will continue to be supported for a few months and all participants will be expected to migrate to SQF 9.0 within this period. Firms are required to certify on NTF before ordering Production ports for SQF 9.0. The changes will apply to all firms including those who will not be utilizing FLEX functionality.
- The date SQF 8.2 will be decommissioned will be announced in the future with an Options Technical Alert.

- Alongside support for FLEX, ISE will be removing canonical information (Security Symbol, Strike Price, Expiration Date and Option Type) from multiple messages and firms must rely on instrument ID to identify the instrument. Additional details are below.
- The Simple Instrument Purge Notification (Message Type/Subtype: "NP") will be decommissioned and along with that the notification type "P" will be removed. Firms are expected to use Instrument Purge Notification (Message Type/Subtype: "ND") and the corresponding Notification Type of "Z".
- The following changes are expected on each of the messages/notifications:
 - Simple Directory Message
 - Source field will be deprecated.
 - The Security Symbol field size will be increased to 8 bytes.
 - Added 16 bytes reserved at the end of the message
 - Complex Instrument Directory Message
 - Source field will be deprecated.
 - A reserved field of 1 byte before the Leg Repeating Block
 - Removing Canonical Information from Leg Repeating Block.
 - Auction Notification Message
 - New field for Auction Duration (Size: 4 Byte and Integer Type) which will be non-zero only for FLEX Auctions, FLEX PIMs, and FLEX SOMs. It will always be between 3,000 ms and 300,000 ms for all three FLEX auctions.
 - New Enumeration "X" for Auction Type which represents the one-sided FLEX Auction.
 - A reserved field of 9 bytes for future use
 - A repeating group for Leg information for FLEX Legs. There will not be any repeating block for non-FLEX complex auctions. For all three FLEX auctions, the repeating group will contain Leg Prices and a reserved field to be used for future enhancements.

Q: What is the impact to ISE OTTO protocol?

- ISE will introduce support for OTTO v3.0.0 and users will be required to upgrade existing ports. The existing version of OTTO v2.1.6 will continue to be supported for a few months and participants will be expected to migrate to OTTO v3.0.0 within this period. Firms are required to certify on NTF before ordering Production ports of OTTO v3.0.0.
- The date when OTTO v2.1.6 will be decommissioned will be announced in the future with an Options Technical Alert.
- OTTO will support initiation of the FLEX Auctions, FLEX PIMs and FLEX SOMs, once a FLEX instrument has been created. OTTO will also support responses to ongoing Auctions of each kind.
- The following changes are expected on the respective messages:
 - Simple Instrument Directory Message
 - The Security Symbol field size will be increased to 8 bytes.
 - Added 16 bytes reserved at the end of the message
 - The System Partition field will be removed.
 - Complex Instrument Directory
 - Adding 1 byte reserved field.
 - Auction Notification
 - New field for Auction Duration (Size: 4 Byte and Integer Type) which will be non-zero only for FLEX Auctions, FLEX PIMs, and FLEX SOMs. It will always be between 3,000 ms and 300,000 ms for all three FLEX auctions.
 - New Enumeration "X" for Auction Type which represents the one-sided FLEX Auction.
 - A reserved field of 9 bytes for future use

- A repeating group for Leg information for FLEX Legs. There will not be any repeating block for non-FLEX complex auctions. For all three FLEX auctions the repeating group will contain Leg Prices and a reserved field to be used for future enhancements.
- In case of Flex Auctions (Single sided Auction for Flex) , the Price will not be published
- New Order Single – Long Form
 - New field for Auction Duration (Size: 4 Byte and Integer Type) which will be non-zero only for FLEX Auctions, FLEX PIMs, and FLEX SOMs. It must be between 3,000 ms and 300,000 ms for all three FLEX auctions or the Order will be rejected.
 - New Enumeration “X” for Auction Type which represents the one-sided Flex Auction.
 - A reserved field of 9 bytes for future use
 - A repeating group for Leg information for FLEX Legs. There will not be any repeating block for non-FLEX complex auctions. For all three FLEX auctions the repeating group will contain Leg Prices and a reserved field to be used for future enhancements.
- New Order Cross
 - New field for Auction Duration (Size: 4 Byte and Integer Type) which will be non-zero only for FLEX Auctions, FLEX PIMs, and FLEX SOMs. It must be between 3,000 ms and 300,000 ms for all three FLEX auctions or the Order will be rejected.
 - A reserved field of 9 bytes in the main section.
 - A repeating group for Leg information for FLEX Legs. There will not be any repeating block for non-FLEX complex auctions. For all three FLEX auctions the repeating group will contain Leg Prices and a reserved field to be used for future enhancements.
 - System Event Message - Will include version and subversion numbers as new fields

Q: What is the impact to ISE FIX protocol?

- ISE will introduce support for FIX v13.2. Users will not be required to obtain new Ports/IPs and the changes will be rolled out to existing ports prior to the go-live.
- The following tags will be supported in different messages:
 - Tag 9373 – AuctionType will be supporting a new enumeration “X” for one-sided FLEX Auctions. It will be relevant for the following messages
 - New Order Single
 - Execution Report
 - New Order Multileg
 - Tag 9379 – AuctionDuration is a new field that will be an optional field in the following messages:
 - New Order Single
 - New Order Cross
 - New Order Multi-Leg
 - Execution Report
 - Tag 566 – LegPrice will be in the Leg Component and is required field for FLEX Auctions, FLEX PIMs and FLEX SOMs.
- If a Complex FLEX Auction, Complex FLEX PIM or Complex FLEX SOM is specified as a DNTT Order (Do Not trade-through) then it will be rejected.
- FIX will support auction responses for both FLEX and Non-Flex along the same timelines.

Q: What is the impact to FIX Drop?

- ISE will introduce support for FIX Drop v2.1. Users will not be required to obtain new Ports/IPs and the changes will be rolled out to existing ports prior to the go-live.
- The following tags will be supported in the below mentioned messages:
 - Tag 9373 – AuctionType will be supporting a new enumeration “X” for one-sided FLEX Auctions. It will be relevant for Execution Report.
 - Tag 9379 – AuctionDuration will be added to Execution Report
 - Tag 566 – LegPrices will be sent out on Execution Report

Q: What is the impact to CTI?

- ISE will introduce CTI v3.0 and users will be required to upgrade the ports to the new versions. The existing version of CTI v2.2 will be continued to be supported for a few months and participants will be expected to migrate to CTI v3.0 in this period.
- The date when CTI v3.0 will be decommissioned will be announced in the future with an Options Technical Alert.
- Trade drops for FLEX instrument trades will only be available on CTI v3.0.
- The following changes are expected:
 - Options Directory Message
 - Increasing the size of Security Symbol field from 5 characters to 8 characters.
 - Adding a reserved field of 16 bytes in preparation for future use.
 - Removing the Source field.
 - Complex Order Strategy Message
 - Removing Source field
 - Adding a 16 byte reserved field in the non-repeating block.
 - Increasing size of Security Symbol to 8 characters in the repeating block.
 - Adding a Reserved field of 8 characters in the repeating block.
 - Security trading Action Message
 - Increasing the size of Security Symbol field from 5 characters to 8 characters.
 - Trade Message
 - Increasing the size of Security Symbol field from 5 characters to 8 characters.
 - Adding a 4 byte reserved field within the Symbol Information section for future use.
 - Cancel Trade
 - Increasing the size of Security Symbol field from 5 characters to 8 characters.
 - Adding a reserved field of 8 bytes in preparation for future use.

Q: Are there new liquidity codes associated with FLEX?

- The following liquidity codes will be added to all the Order Protocols:
 - 58 - FLEX Auction
 - 59 - FLEX Auction Responder
 - 60 - FLEX Price Improvement
 - 61 - FLEX Price Improvement Responder
 - 62 - FLEX Broken Price Improvement

- 63 - FLEX Solicitation
- 64 - FLEX Solicitation Responder
- 65 - FLEX Broken Solicitation
- 66 - Combo FLEX Auction
- 67 - Combo FLEX Auction Responder
- 68 - Combo FLEX Price Improvement
- 69 - Combo FLEX Price Improvement Responder
- 70 - Combo FLEX Broken Price Improvement
- 71 - Combo FLEX Solicitation
- 72 - Combo FLEX Solicitation Responder
- 73 - Combo FLEX Broken Solicitation

Market Data Feeds

Q: What is the migration procedure for market data feeds?

- The market data feed specs will be updated prior to FLEX functionality support and firms consuming the market data will be expected to upgrade to the new version on the given date. The old specification will not be supported along with the new and therefore firms need to migrate on the given date for each venue.
- The Message types of multiple messages will change depending on which messages have been impacted by the changes.
- The planned dates for the data feed changes will be announced in a Data Technical News.

Q: What are the changes to the market data feed specifications?

- Orders Feed
 - The Orders Feed will be providing the three FLEX auctions in the Auction Notification message and the FLEX instruments in the directory message.
 - Specification changes:
 - Directory message
- Increased symbol size from 6 characters to 8 characters.
- New reserved field of 16 characters for future use.
 - Auction Message
- New Auction Type "X" for one-sided FLEX Auctions.
- New Field "Auction Duration" after Auction Type which will convey the duration of the auctions on FLEX instruments. It will be between 3 seconds and 5 minutes.
- 16 characters reserved for future use.
- Depth Feed
 - The Depth Feed will modify the Directory message and the Trade message to support FLEX and at the same time the Execution messages will provide Trade Condition Code and AuctionID. The Trade Condition code will be the same as OPRA's Condition Code. AuctionID will be populated if the trade was a part of any Auction (FLEX or non-FLEX).
 - Specification Changes:
 - Directory message
- Increased symbol size from 6 characters to 8 characters.

- New reserved field of 16 characters for future use.
 - Trade message
- New CrossType "X" for one-sided FLEX Auctions
- New reserved field of 16 characters for future use.
 - Trade Condition and AuctionID details will be added to the following messages:
- Single Side Executed
- Single Side Executed with Price
- Options Trade Message
- Trade Feed
 - The Trade Feed will modify the Directory message and will support FLEX Trades in the Trade Report message.
 - Specification Changes
 - Directory message
- Increased symbol size from 6 characters to 8 characters.
- New reserved field of 16 characters for future use.
 - Trade Report message
- New reserved field of 16 characters for future use.
- Top Feed
 - The Top Feed will only provide the Directory message in the context of FLEX. There will not be a continuous order book.
 - Specification Changes
 - Directory message
- Increased symbol size from 6 characters to 8 characters.
- New reserved field of 16 characters for future use.
- Spread Feed
 - The Spread Feed will support all the complex FLEX Directory, Auction Notifications and the Trades within the different components of Spread Feed.
 - The Order and Depth Component for the Spread Feed will be providing the information on which orders have been marked as DNTT (Do Not Trade Through). This is only relevant for non-FLEX orders on book.
 - Similar to the simple Depth Feed, the Spread Depth feed will be providing the Trade Condition Code and the AuctionID, if applicable, to the Execution messages.

Q: Where to reach out for additional details on market data feed specs?

- All market data related questions can be submitted to the Client Success team at clientsuccess@nasdaq.com.