

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105247; File No. SR–CBOE–2026–032]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of a Proposed Rule Change To Amend Its Rules Related to Binary Options

April 15, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 2, 2026, Cboe Exchange, Inc. (“Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to amend its Rules related to binary options. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Commission’s website (<https://www.sec.gov/rules/sro.shtml>), the Exchange’s website (https://www.cboe.com/us/options/regulation/rule_filings/bzx/), and at the principal office of the Exchange.

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

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

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

1. Purpose

The Exchange proposes to amend its Rules related to binary options. Binary

options are based on the same framework as traditional, standardized options traded on the Exchange, except the payout of a binary option is an amount contingent upon the occurrence of the option being in- or at-the-money rather than the degree to which the option is in-the-money. As a result, payout at expiration of a binary option is an all-or-nothing occurrence. Current Rule 4.16 permits the Exchange to list binary options on broad-based indexes.³ Current Rule 4.16(b) defines a binary option as a European-style option contract having an exercise settlement amount⁴ that is established at the creation of the option. Under current Rules, binary options are paid out if the settlement value⁵ of the underlying broad-based index equals, exceeds, or is less than the exercise price, depending on the type of option (*i.e.*, call or put). A call binary option is an option contract that returns an exercise settlement amount if the settlement value of the underlying broad-based

³ Pursuant to current Rule 4.16(a), Rule 4.16 applies to binary options only, and all Rules apply to the trading of binary options, except as otherwise provided or the context otherwise requires.

⁴ The exercise settlement amount for a binary option is the amount of cash that a holder will receive upon exercise of the contract. The exercise settlement amount is a set amount equal to the exercise settlement value multiplied by the contract multiplier. The exercise settlement value will be an amount determined by the Exchange on a class-by-class basis and shall be equal to \$10 or \$1,000 or a value between those values, unless otherwise adjusted per Rule 4.6. See current Rule 4.16(b) (definition of “exercise settlement amount”). Pursuant to current Rule 4.16(f), binary option contracts are subject to adjustment only in accordance with and to the extent specified in the By-Laws and Rules of The Options Clearing Corporation (“OCC”). The contract multiplier is the multiple applied to the exercise settlement value to arrive at the total exercise settlement amount per contract, which is established on a class-by-class basis and shall be at least one. See current Rule 4.16(b) (definition of “contract multiplier”). The Exchange intends to amend the minimum exercise settlement value to be \$1 (rather than \$10) in a separate rule filing.

⁵ The settlement value for a binary option is the value of the underlying broad-based index that is used to determine whether a binary option is in, at, or out of the money. For binary options on a broad-based index on which traditional options on the same broad-based index are A.M.-settled, the “settlement value” is the reported opening level of such index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index. For binary options on a broad-based index on which traditional options on the same broad-based index are P.M.-settled, the “settlement value” is the reported closing level of such index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index. See current Rule 4.16(b) (definition of “settlement value”). Binary options that are “at-the-money,” “in-the-money,” or “out-of-the-money” are a function of the settlement value of the underlying broad-based index in relation to the type of binary option (*i.e.*, put or call) and the exercise price. See current Rule 4.16(e).

index is at or above the exercise price⁶ at expiration (*i.e.*, in- or at-the-money), while a put binary option is an option contract that returns an exercise settlement amount if the settlement value of the underlying broad-based index is below the exercise price at expiration (*i.e.*, in-the-money).⁷ The Exchange designates binary options as to expiration date, exercise price, exercise settlement amount, contract multiplier, and underlying broad-based index.⁸

Currently, the Exchange may from time to time approve for listing and trading on the Exchange binary option contracts on a broad-based index that has been selected in accordance with Rule 4.10 and the Interpretations and Policies thereunder.⁹ The Exchange may add new series of options of the same class as provided for in Rule 4.13 and the Interpretations and Policies thereunder. Additional series of the same binary option class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market or to meet customer demand (the opening of a new series of binary options on the Exchange will not affect any other series of options of the same class previously opened).¹⁰ After a particular binary option class has been approved for listing and trading on the Exchange, the Exchange from time to time may open for trading series of options on that class. In order to afford investors maximum flexibility, binary option series may expire from one day up to 36 months from the time they are listed.¹¹ Binary options will be quoted based on the existing strike intervals utilized for traditional, non-binary index options¹² with minimum price variations, established by class, to be no less than \$0.01.¹³

The proposed rule change moves the Rule provisions regarding binary

⁶ With respect to a binary option, the exercise price is the value to which the settlement value of the underlying broad-based index is compared to determine whether the holder of a binary option is entitled to have the option be paid out. See current Rule 4.16(b) (definition of “exercise price”).

⁷ See current Rule 4.16(b) (definitions of “call binary option” and “put binary option”).

⁸ See Rule 4.16(c)(2).

⁹ See current Rule 4.16(c)(1). Binary options are a separate class from other options overlying the same broad-based index. The maintenance listing standards with respect to options on broad-based indexes set forth in Rule 4.10 and the Interpretations and Policies thereunder apply to binary options on broad-based indexes as well. See Rule 4.16(d).

¹⁰ See current Rule 4.16(c)(4).

¹¹ See current Rule 4.16(c)(3).

¹² See Rule 4.13, including Interpretation and Policy .01.

¹³ See Rule 5.4(c)(1).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

options from current Rule 4.16 to new Chapter 4, Section H, which section will relate specifically to binary options. Specifically, the proposed rule change:¹⁴

- moves current Rule 4.16(a) to the introductory language for proposed Section H;
- moves the defined terms in current Rule 4.16(b) to proposed Rule 4.70;
- moves the provisions from current Rule 4.16(c)(1) and (d) regarding the listing and maintenance criteria for binary options to Rule 4.71(a);
- moves the provision regarding binary options being a separate class from the traditional options with the same underlying from current Rule 4.16(c)(1) to Rule 4.71(b);
- moves the provision regarding the designated terms of binary options from current Rule 4.16(c)(2) to the introductory language of proposed Rule 4.72;¹⁵
- moves the provision regarding settlement of binary options from current Rule 4.16(c)(2) to proposed Rule 4.72(a);
- moves the provision regarding permissible expirations of binary options from current Rule 4.16(c)(3) to proposed Rule 4.72(b);
- moves the provision regarding additional series of binary options from current Rule 4.16(c)(4) to proposed Rule 4.72(c);
- moves the provision regarding the determination of the settlement value from current Rule 4.16(e) to proposed Rule 4.73;
- moves the provision regarding adjustment of binary options from current Rule 4.16(f) to proposed Rule 4.74; and
- moves the provision regarding the availability of Flexible Exchange (“FLEX”) options for binary options from current Rule 4.16(g) to proposed Rule 4.21(c).

While there is no current definition of the term “market capitalization ratio” in the Rules, that term is effectively defined in current Rule 8.36(b) as the

¹⁴ In addition to substantive changes to current Rule 4.16 described below, the proposed rule change made nonsubstantive changes to simplify the current provisions (including eliminate redundancies) and make the provisions more plain English.

¹⁵ The Exchange deleted from current Rule 4.16(c)(2) the provision stating only binary option contracts approved by the Exchange and currently open for trading on the Exchange may be purchased or sold on the Exchange, as that is a general, true of all options approved for listing on the Exchange.

ratio of the market capitalization of a broad-based index underlying a binary to the market capitalization of the S&P 500 Index. The proposed rule change creates a defined term of “market capitalization ratio” in proposed Rule 4.70, which means the ratio of the market capitalization of an index to the market capitalization of the S&P 500 Index. This is equivalent to the meaning of that term in the current Rules but expanded to apply to any index rather than just broad-based index, as the proposed Rules regarding all binary options reference that term.

In addition to the relocation of and nonsubstantive changes to the provisions of current Rule 4.16 regarding binary options as described above, the proposed rule change amends the current Rules regarding the availability of binary options to (1) expand the scope of binary options to any index (rather than just broad-based indexes); and (2) permit A.M.-settlement and P.M.-settlement for all binary options.

First, the proposed rule change would make binary options available on all indexes that are otherwise eligible for traditional, non-binary options trading on the Exchange. Currently, the Exchange may list binary options only on broad-based index options. Proposed Rule 4.71(a) provides that the Exchange may from time to time approve for listing and trading on the Exchange binary option contracts on an index that satisfies the initial listing criteria in Rule 4.10 and the Interpretations and Policies thereunder. The maintenance listing criteria in Rule 4.10 and the Interpretations and Policies thereunder apply to binary index options. In other words, the Exchange may list binary options on any index on which the Exchange may list traditional (*i.e.*, non-binary) options pursuant to Rule 4.10.¹⁶ Based on available competitive products (as further discussed below) and demand from investors, the Exchange believes the proposed expansion of

¹⁶ Pursuant to proposed Rule 4.21(c) (as is the case today for binary index options on broad-based indexes pursuant to current Rule 4.16(g)), binary options on indexes that are eligible for trading on the Exchange will be eligible for trading as FLEX options (as provided for in Chapter 4, Section C), even if the Exchange does not list and trade non-FLEX binary options or non-FLEX traditional options on such index. For purposes of Rule 4.21, the applicable exercise settlement value is designed by the parties to the contract, the parties may not designate an exercise style other than European-style, and the term “index multiplier” refers to the contract multiplier.

binary option classes will provide more investors with access to a securities exchange-listed product with the simplified, limited risk structure of binary options.

Second, the Exchange proposes to amend the Rules regarding permissible settlements of binary options. Pursuant to proposed Rule 4.72(a), the Exchange may designate binary options as A.M.-settled or P.M.-settled. Current Rule 4.16(c)(2) provides that binary options on broad-based index options for which traditional (*i.e.*, non-binary) options on the same broad-based index are A.M.-settled will be A.M.-settled, and binary options on broad-based indexes for which traditional options on the same broad-based index are P.M.-settled will be P.M.-settled. Currently, nearly all of the traditional index (broad-based and narrow-based) options the Exchange lists for trading can be both A.M.-settled and P.M.-settled.¹⁷ Therefore, current Rule 4.16 would permit the Exchange to list A.M.-settled and P.M.-settled binary options overlying most indexes on which the Exchange lists non-binary options. Permitting both A.M.- and P.M.-settlement for binary index options for all indexes will afford investors further flexibility (coupled with the flexibility of permissible expirations, as noted above) with respect to their investment strategies, regardless of the index option market in which investors participate. Additionally, the Exchange believes it is appropriate to be able to list A.M.- and P.M.-settled binary index to provide investors with the same flexibility currently available for alternative products (as further discussed below).

¹⁷ See Rule 4.13(a)(4), (e), and Interpretation and Policy .13. Currently, the Exchange lists the following index options: S&P 500 Index options (“SPX options”), Mini-S&P 500 Index options (“XSP options”), S&P 500 Scored and Screened Index (“SPESG options”), Mini-S&P 500 Equal Weight Index Options (“SPEQX options”), Cboe Volatility Index Options (“VIX options”), Dow Jones Industrial Average options (“DJX options”), S&P 100 Index options (“OEX options”), Russell 2000 Index options (“RUT options”), Mini-Russell 2000 Index options (“MRUT options”), Cboe Bitcoin U.S. ETF Index options (“CBTX options”), Cboe Mini Bitcoin U.S. ETF Index options (“MBTX options”), and the Cboe Magnificent 10 Index options (“MGTN options”). All of these index options may have A.M.-settled series and P.M.-settled series except OEX options (P.M.-settled only), VIX options (A.M.-settled only), and DJX options (A.M.-settled only, although the Exchange recently proposed to permit P.M.-settlement for DJX options, see Securities Exchange Act Release No. 104644 (January 21, 2026), 91 FR 3284 (January 26, 2026) (SR-CBOE-2026-005)).

In connection with the proposed rule change described above to permit P.M.-settlement for all binary index options, the Exchange proposes to amend Rule 5.1(b)(2)(C) to provide that on their last trading day, RTH for P.M.-settled binary index options may be effected on the Exchange between 9:30 a.m. and 4:00 p.m.¹⁸ (as opposed to the 9:30 a.m. to 4:15 p.m. RTH for non-expiring binary index options). The primary listing markets for the component securities comprising the indexes underlying options listed on the Exchange close trading in those securities at 4:00 p.m. The primary listing exchanges for the component securities disseminate closing prices for the component securities, which are used to calculate the exercise settlement value of these indexes. The Exchange believes that, under normal trading circumstances, the primary listing markets have sufficient bandwidth to prevent any data queuing that may cause any trades that are executed prior to the closing time from being reported after 4:00 p.m. If trading in expiring P.M.-settled binary index options continued an additional fifteen minutes until 4:15 p.m. on their last trading day, these expiring options would be trading after the exercise settlement value for those expiring options was calculated. Therefore, in order to mitigate potential investor confusion and the potential for increased costs to investors as a result of potential pricing divergence at the end of the trading day, the Exchange

believes it is appropriate to cease trading in the expiring P.M.-settled binary index options at 4:00 p.m., which is currently the case for P.M.-settled non-binary index options. The Exchange does not believe the proposed rule change will impact volatility on the underlying cash market comprising the indexes at the close on expiration days, as it already closes trading on the last trading day for expiring P.M.-settled non-binary index options overlying the same indexes at 4:00 p.m. The Exchange does not believe this has had an adverse impact on fair and orderly markets on expiration days for the underlying securities comprising the corresponding indexes.

The Exchange also proposes to amend the position limits for binary options in Rule 8.36. Current Rule 8.36 provides that the position limit for binary options on a broad-based index will be 15,000 contracts (or 15,000 times the ratio of 10,000 to the exercise settlement amount) if traditional (*i.e.*, non-binary) options on the same broad-based index have no position limit pursuant to Rule 8.31. For binary options on a broad-based index for which traditional options on the same broad-based index do have a position limit pursuant to Rule 8.31, the position limit for the binary option is:

- 10,000 contracts if the market capitalization ratio for the index is greater than or equal to 0.50;
- 5,000 contracts if the market capitalization ratio is less than 0.50 but greater than or equal to 0.25; or

- 2,500 contracts if the market capitalization ratio is less than 0.25 but greater than or equal to 0.10.¹⁹

For binary options that have an exercise settlement amount that is not equal to \$10,000, the position limit is the ratio of 10,000 to the exercise settlement amount multiplied by the applicable amount set forth above.

The proposed rule change expands the fixed and formulaic limits to all indexes that may underlie binary options as proposed and applies the proposed position limits on an expiration basis.²⁰ Specifically, the proposed rule change amends Rule 8.36(a) to provide that the position limit for binary options for which the traditional options on the same index have no position limit pursuant to Rules 8.30 through 8.33, as applicable,²¹ is the number of contracts equal to 15,000 times the ratio of 10,000 to the exercise settlement amount per expiration.²² The proposed rule change amends Rule 8.36(b) to provide that for binary options for which traditional options on the same index have a position limit pursuant to Rules 8.30 through 8.33, as applicable, the position limit is the number of contracts equal to the ratio of 10,000 to the exercise settlement amount multiplied by the number of contracts set forth in the table below (based on the market capitalization ratio of the underlying index) per expiration:²³

Market capitalization ratio of underlying	Number of contracts
Greater than or equal to 0.50	10,000
Less than 0.50 but greater than or equal to 0.25	5,000
Less than 0.25 but greater than or equal to 0.10	2,500
Less than 0.10 but greater than or equal to 0.005	1,500
Less than 0.005 but greater than or equal to 0.0025	1,000
Less than 0.0025	500

For reference, the table below sets forth the approximate market

capitalizations that would equate to the above ratios based on a market

capitalization of the S&P 500 Index of \$62.5 trillion as of February 20, 2026:

Market capitalization ratio of underlying	Range of underlying market capitalizations	Number of contracts
Greater than or equal to 0.50	Greater than or equal to \$31.3 trillion	10,000
Less than 0.50 but greater than or equal to 0.25	Less than \$31.3 trillion but greater than or equal to \$15.6 trillion.	5,000

¹⁸ All times set forth in this rule filing are Eastern Time.

¹⁹ The rule provides that the Exchange would need to seek approval from the Securities and Exchange Commission (the "Commission") prior to establishing position limits for binary options on broad-based indexes that have a market capitalization ratio that is less than 0.10.

²⁰ The proposed rule change also makes nonsubstantive changes to simplify the rule language.

²¹ Rules 8.31 through 8.33 provide position limits for the various categories of indexes options the Exchange may list for trading.

²² For example, if the binary option exercise settlement amount is \$10,000, then the position limit is 15,000 contracts per expiration; if the binary option exercise settlement amount is \$1,000, then the position limit is 150,000 contracts per expiration; and if the binary option exercise settlement amount is \$12,000, then the position limit is 12,500 contracts per expiration.

²³ The proposed rule change does not include a provision regarding the need to seek Commission approval prior to establishing position limits for binary options on broad-based indexes that have a Market Capitalization Ratio less than 0.10, as the proposed rule change seeks to establish position limits for all such indexes, rendering such a provision moot.

Market capitalization ratio of underlying	Range of underlying market capitalizations	Number of contracts
Less than 0.25 but greater than or equal to 0.10	Less than \$15.6 trillion but greater than or equal to \$6.3 trillion	2,500
Less than 0.10 but greater than or equal to 0.005	Less than \$6.3 trillion but greater than or equal to \$312.5 billion.	1,500
Less than 0.005 but greater than or equal to 0.0025	Less than \$312.5 billion but greater than or equal to \$156.3 billion.	1,000
Less than 0.0025	Less than \$156.3 billion	500

Pursuant to current Rule 8.36(c), positions in binary options on the same broad-based index with different exercise settlement amounts will be aggregated with each other but, pursuant to current Rule 8.36(d), will not be aggregated with non-binary option contracts on the same broad-based index.²⁴ The proposed rule change amends these provisions to apply to all binary options on all indexes.

Current Rule 8.36(f) provides that binary options are not subject to the hedge exemption to the standard position limits in Rule 8.30 and instead exempt certain qualified hedge exemption strategies and positions from the position limits established in Rule 8.36(a) and (b). The proposed rule change amends Rule 8.36(f) to provide that notwithstanding Rules 8.36(a) and (b), position limits for the hedged positions and strategies defined below are equal to five times the position limit established under proposed Rule 8.36(a) and (b)(5) (if the market capitalization ratio of the underlying index is greater than or equal to 0.005) or three times the position limit established under proposed Rule 8.36(b)(5) (if the market capitalization ratio of the underlying index is less than 0.005). The following strategies and positions would qualify for these increased position limits (which are the strategies and positions exempt from position limits for binary options established in current Rule 8.36):

- a binary option position “hedged” or “covered” by an appropriate amount of cash to meet the settlement obligation (e.g., \$1,000 for a binary option with an exercise settlement amount of \$1,000);
- a binary option position “hedged” or “covered” by a sufficient amount of a related or similar security to meet the settlement obligation; and

- a binary option position “hedged” or “covered” by a traditional option covering the same underlying index (which includes, among other strategies, a vertical spread with strikes reasonably close²⁵ to the binary option strike) sufficient to meet the settlement obligation.

Pursuant to Rule 8.42(h), binary options are not subject to exercise limits. This is currently the case for binary index options on broad-based indexes and will be the case for binary index options on non-broad-based indexes. Binary options, as discussed above, are European-style and are automatically exercised at expiration if the settlement value of the underlying index is equal to or greater than the exercise price of a call binary option or less than the exercise price in the case of a put binary option.²⁶

With respect to reports related to position limits, proposed Rule 8.43(f) provides that in computing reportable binary options under Rule 8.43, as is the case today for binary index options on broad-based indexes:

- (1) positions in binary options on the same index that have different exercise settlement amounts are aggregated;
- (2) positions in binary options are not aggregated with non-binary option contracts on the same or similar underlying security or index;
- (3) positions in binary index options are not aggregated with non-binary option contracts on an underlying security or securities included within the underlying index; and
- (4) positions in binary options on one index are not aggregated with binary options on any other index.

All binary options as proposed will not be subject to Rule 8.46(b) and Interpretation and Policy .01 regarding certain restrictions on options transactions and exercises. Rule 8.46(b) applies only to American-style options (as noted above, binary options are European-style), and Rule 8.46, Interpretation and Policy .01 applies

only to options that are settled by delivery of an underlying security (as noted above, binary options are settled by delivery of a settlement value in cash).

The margin requirements in Rule 10.3(m) (currently applicable to binary index options on broad-based indexes) will apply to all binary options. Specifically, for a margin account, except as provided below, no binary option carried for a customer may be considered of any value for purposes of computing the margin required in the account of such customer. The initial and maintenance margin required on any binary option carried long in a customer’s account is 100% of the purchase price of such binary option (i.e., the premium). The initial and maintenance margin required on any binary option carried short in a customer’s account is the exercise settlement amount. With respect to spreads, no margin is required on a binary call option (put option) carried short in a customer’s account that is offset by a long binary call option (put option) for the same underlying security or instrument that expires at the same time and has an exercise price that is less than (greater than) the exercise price of the short call (put). The long call (put) must be paid for in full. With respect to straddles and combinations, when a binary call option is carried short in a customer’s account and there is also carried a short binary put option for the same underlying security or instrument that expires at the same time and has an exercise price that is less than or equal to the exercise price of the short call, the initial and maintenance margin required is the exercise settlement amount applicable to one contract.

For a cash account, a binary option carried short in a customer’s account is deemed a covered position, and eligible for the cash account, provided any one of the following either is held in the account at the time the option is written or is received into the account promptly thereafter:

- (1) cash or cash equivalents equal to 100% of the exercise settlement amount; or

²⁴ Additionally, binary options on broad-based indexes will not be aggregated with non-binary option contracts on an underlying stock or stocks (the Exchanges makes a nonsubstantive change to make this security or securities to be consistent with the first sentence of the subparagraph) included within such broad-based index or with binary index options on any other broad-based index. See current Rule 8.36(d) (proposed Rule 8.36(c)).

²⁵ The Exchange will determine strikes that are “reasonably close” in the same manner it currently does pursuant to Rule 4.13.

²⁶ See Rule 6.20(g). Because binary options are automatically exercised, Rule 6.21 regarding exercise notices does not apply to binary options.

(2) a long binary option of the same type (put or call) for the same underlying security or instrument that is paid for in full and expires at the same time, and has an exercise price that is less than the exercise price of the short in the case of a call or greater than the exercise price of the short in the case of a put; or

(3) an escrow agreement. The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement (i) cash, (ii) cash equivalents, (iii) one or more qualified equity securities, or (iv) a combination thereof having an aggregate market value of not less than 100% of the exercise settlement amount and that the bank will promptly pay the TPH organization the exercise settlement amount in the event the account is assigned an exercise notice.

The Exchange believes these proposed levels are appropriate because risk exposure is limited with binary options and the proposed customer initial and maintenance margin is equal to the maximum risk exposure.²⁷

Except as otherwise described above, all binary options will be listed and traded on the Exchange in a substantially similar manner as binary options are permitted to be listed and traded under current Rules. The Rules that apply to the listing and trading of non-binary options on the Exchange, including those related to priority and execution, Market-Makers (including Market-Maker obligations), obvious error,²⁸ trading halt procedures, and clearing, will apply to the listing and trading of binary options. The Exchange has analyzed its capacity and represents that it believes the Exchange has the necessary systems capacity to handle any potential additional message traffic associated with the listing of binary

²⁷ Pursuant to Rule 10.9, the Exchange has the ability to impose higher margin requirements than those described above in respect to any binary option position when it deems such higher margin requirements to be advisable. Because binary options must be fully funded pursuant to Rule 10.3(m), Rule 6.22 regarding delivery and payment does not apply to binary options.

²⁸ The Exchange notes Rule 6.5, Interpretation and Policy .04 states that for purposes of the obvious error provisions in Rule 6.5(c), the adjusted price (including any applicable adjustment under subparagraph (c)(4)(A) for non-customer transactions) may not exceed the applicable exercise settlement amount for the binary option. The proposed rule change amends the term "exercise settlement amount" to "exercise settlement value," as that is the appropriate price comparison for the transaction price (which is generally considered prior to application of the contract multiplier). The exercise settlement value is similar the value of settlement prior to application of the contract multiplier. This is a technical change to reflect the intended purpose of this provision.

options on indexes (including non-broad-based indexes). The Options Price Reporting Authority ("OPRA") also informed the Exchange it believes it has the necessary systems capacity to handle the additional traffic associated with the listing of new options that would result from this proposed rule change. The Exchange does not believe Trading Permit Holders ("TPHs") will experience any capacity issues as a result of this proposal and represents that it will monitor the trading volume associated with binary options and the effect (if any) of binary options on market fragmentation and the capacity of the Exchange's automated system.

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply the same program procedures to binary options the Exchange applies to its other options products (which overly the same indexes on which the proposed rule change would permit the Exchange to list binary options). Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition, the Exchange has a Regulatory Services Agreement with the Financial Industry Regulatory Authority ("FINRA") for certain market surveillance, investigation and examinations functions. Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate amongst themselves and FINRA responsibilities to conduct certain options-related market surveillance that are common to rules of all options exchanges.²⁹ The Exchange believes its existing surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed binary

²⁹ Section 19(g)(1) of the Securities Exchange Act of 1934 (the "Act"), among other things, requires every self-regulatory organization ("SRO") registered as a national securities exchange or national securities association to comply with the Act, the rules and regulations thereunder, and the SRO's own rules, and, absent reasonable justification or excuse, enforce compliance by its members and persons associated with its members. See 15 U.S.C. 78q(d)(1) and 17 CFR 240.17d-2. Section 17(d)(1) of the Act allows the Commission to relieve an SRO of certain responsibilities with respect to members of the SRO who are also members of another SRO ("common members"). Specifically, Section 17(d)(1) allows the Commission to relieve an SRO of its responsibilities to: (i) receive regulatory reports from such members; (ii) examine such members for compliance with the Act and the rules and regulations thereunder, and the rules of the SRO; or (iii) carry out other specified regulatory responsibilities with respect to such members.

options. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of binary options.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.³⁰ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)³¹ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)³² requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change will facilitate transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it will provide investors with a securities exchange-listed investment choice for additional classes, and with additional settlements (A.M.- and P.M.-settlement for all binary index options). The proposed binary options are listed options with a simpler, all-or-none payout structure and limited risk profile compared to traditional listed options.³³ Thus, the Exchange believes the proposed rule change will permit investors to manage

³⁰ 15 U.S.C. 78f(b).

³¹ 15 U.S.C. 78f(b)(5).

³² *Id.*

³³ The Commission has previously recognized the benefits of listing and trading binary options on a securities exchange. See Securities Exchange Act Release No. 57850 (May 22, 2008), 73 FR 31169, 31172 (May 30, 2008) (SR-CBOE-2006-105) ("Binary BBI Option Approval") ("The Commission believes that binary options on broad-based indexes will provide investors with a potentially useful investment choice. The proposal will extend to these options the benefits of a listed exchange market, which include a centralized forum for price discovery, pre- and post-trade transparency, standardized contract specifications, and the guarantee of the OCC.").

their risk exposures and carry out their investment objectives on a securities exchange with more flexibility and broader applicability. The Exchange also believes the proposed rule change will promote competition, as it will meet demands of investors that currently may trade products structured in substantively the same manner as the proposed binary options in other markets (as further discussed below).

The Exchange believes expanding the universe of binary options to non-broad-based indexes will benefit investors, particularly retail investors and other investors who prefer simplicity, as a complementary offering to current exchange-traded options. Buyers and sellers of traditional, non-binary options listed on the Exchange do not know the return on those options at the time of the transaction, as the return cannot be determined until near the option's expiration given movements in the underlying. For example, suppose an investor buys a traditional index call option with an exercise price of 100. If the index value at expiration is 105, the investor gets a payout of \$5 (times the multiplier for that option). If the index value at expiration is 110, the investor gets a payout of \$10 (times the multiplier for that option). Therefore, the payout of a traditional index option is dependent on how in-the-money the option is at expiration, which is unknown until the time of expiration.

On the contrary, binary options offer a set payout if the underlying closes at, below, or above the exercise price (depending on the type of binary option). Buyers and sellers of binary options know the expected return at the time of purchase if the underlying performs as expected, as the return is a fixed, "all-or-none" amount. Using the example above, suppose an investor buys a binary index call option with an exercise price of 100 and an exercise settlement value) of \$10. If the index value at expiration is 105, the investor receives a payout of \$10 (times the multiplier for that option). In fact, if the index value at expiration is any value of 100 or greater, the investor receives that same payout. In addition, because the return on the binary option is a set amount, a buyer of a binary option need not determine the absolute magnitude of the underlying's value movement relative to the exercise price, as is the case with traditional, non-binary options. Instead, the buyer of a binary option needs only to determine whether the underlying value is expected to be above, at, or below the exercise price (as applicable).

The Exchange believes expanding the availability of binary options will

further protect investors because of the reduced risk of the seller compared to the seller of a traditional option. While sellers of traditional options have unlimited risk (as the payout amount increases the further in-the-money the option is at expiration), the maximum obligation for the seller of a binary option is known when the contract is written, which is the fixed payout amount. The structure of binary options offers investors pre- and post-trade transparency with respect to the risk associated with their binary options trades. Binary options on non-broad-based indexes will ultimately provide the same benefits to investors as binary options on broad-based indexes.

The Exchange also believes the proposed rule change to expand available underlying indexes for binary options and permit listing of both A.M.- and P.M.-settled binary options will facilitate transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.³⁴ The proposed rule change will permit the Exchange to list binary options overlying securities indexes with similar terms on a national securities exchange as alternatives to products that are structured in substantially the same manner as binary options currently available in the OTC market and on other platforms. The Exchange understands investors have traded binary options similar to the proposed binary options in OTC markets for many years but may prefer to trade such options in a listed environment to receive the benefits of trading listing options. These benefits include: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of all listed options. The Exchange believes the proposed rule change may encourage liquidity to shift from the OTC market onto the Exchange, which the Exchange believes would increase market transparency as well as enhance the process of price discovery conducted on the Exchange through increased order flow. The proposed rule change is

³⁴ Index options listed pursuant to generic listing criteria in Rule 4.10 are eligible for A.M.-settlement, and thus pursuant to the current Rule, all binary options overlying indexes that satisfy that criteria would be eligible for A.M.-settlement. As noted above, nearly all index options are currently eligible for P.M.-settlement, so the proposed rule change provides for P.M.-settled binary options for only two additional index options that the Exchange currently lists for trading.

intended to provide a market for binary options as a standardized product without the credit risk of an individual issuer. By providing a listed and standardized market for more classes of binary options, the Exchange seeks to attract investors who desire the simplicity of a binary option with the certainty and safeguards of a regulated and standardized marketplace. Additionally, unlike an OTC binary option, counter-party credit risk for Exchange-listed binary options is significantly reduced through the issuance and guarantee of the contracts by OCC. Further, as an exchange-traded option, binary options will have the advantage of liquidity provided by Market-Makers, which the Exchange believes may lead to tighter spreads than those in the OTC market. The Exchange also believes that standardization will enable more interested parties to become market participants.

In addition to the OTC market, various market platforms that are not registered as national securities exchanges currently offer products structured in substantively the same manner as binary options the Exchange may list pursuant to current Rules and as proposed. These platforms offer binary option products overlying securities indexes, which may be settled at varying points of the day (not just at the open and close of the trading day). However, as these venues are not national securities exchanges, they do not offer investors the benefits of centralized liquidity, market transparency, or securities regulations intended to protect investors. The Exchange believes listing competitive products on a securities exchange may create a centralized and standardized marketplace for these products, which promotes price discovery and transparency, within a regulatory framework designed to protect investors in securities. In other words, the Exchange believes its proposal offers a more transparent platform than the OTC market and other market platforms offer and would contribute to leveling the playing field with these alternative markets.

Additionally, the proposed rule change is consistent with the requirements of the Act because binary options on securities indexes are securities under the Act. The Act defines "security" as, among other things, a "put, call, straddle, option, or privilege on any security . . . or group or index of securities (including any interest therein or based on the value

thereof).³⁵ Binary options on securities indexes, like non-binary options on securities indexes, are puts and calls. The value of a binary option is based on the value of the underlying index. As securities, pursuant to Section 9(b)(1) of the Act, a person may effect any transaction in connection with a binary option only in accordance with Commission rules and regulations.³⁶ Therefore, the Exchange believes transactions in binary options on and securities indexes must occur on a national securities exchange, subject to Commission jurisdiction and oversight.

As discussed above, the Exchange has current Rules that permit the listing of binary options on broad-based index options, which Rules were approved previously by the Commission as being consistent with the Act. This further indicates that binary options are securities under the Act, subject to Commission jurisdiction and oversight.³⁷ When approving the Exchange's prior proposed rule change regarding the listing and trading of binary options on broad-based security indexes, the Commission described the terms of these options, including listings standards, position limits, and margin, and found them to be consistent with the Act.³⁸ In connection with the Commission's approval of trading binary options on the Exchange, OCC adopted rules pursuant to which it could clear binary options.³⁹ When approving OCC's proposed rule change related to the clearing of binary options, the Commission noted it met the requirements of Section 17A(b)(3)(F) of the Act⁴⁰ because it would permit OCC

to clear and settle binary options that had been approved to be listed and traded on Cboe, which would promote the "prompt and accurate clearance and settlement of such securities transactions."⁴¹ The Commission also approved updates to the Options Disclosure Document ("ODD") in advance of the listing of binary options on Cboe, as required by the Act.⁴² Rule 9b-1 under the Act requires a broker-dealer to furnish a customer a copy of the ODD prior to accepting an order from that customer for an option that is subject to the ODD.⁴³ Rule 9b-1 defines standardized options as options contracts traded on national securities exchanges that relate to options classes the terms of which are limited to specific expiration dates and exercise prices, as well as other securities as the Commission may, by order designate.⁴⁴ The Commission's order approving the ability of the Exchange to list binary options overlying certain securities signified that binary options are standardized options under the Act.⁴⁵ As binary index options, as currently available and as proposed, are standardized options to be traded on a national securities exchange, the Exchange believes the proposed rule change will benefit investors, as broker-dealers must provide the ODD to customers, which describes the characteristics and risks associated with trading binary options.

Additionally, the Exchange believes the proposed position limits are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and thus to protect investors. The proposed position limits for binary options on non-broad-based indexes are the same as those for binary options on broad-based indexes under current Rules (subject to the per expiration change described below) for all indexes. As these position limits are already in the Rules (and thus previously approved by the Commission) and applicable to binary index options, the Exchange believes the proposed rule change reasonably balances the promotion of a free and open market for these securities with minimization of incentives for market manipulation. The Exchange believes it is appropriate to apply the

same position limits currently applicable to binary options on broad-based indexes to binary options on all indexes because the position limits are tied to the market capitalization of the underlying index. Specifically, applying the same position limit to all binary index options for which traditional options on the same index have no position limit is appropriate because, for options on such indexes, the Commission has found that concerns regarding market manipulation or disruption in the underlying market are significantly reduced due to the capitalization and thus liquidity of the markets of the constituents of those indexes.⁴⁶ With respect to binary index options for which traditional options do have position limits, applying the same position limit to all binary index options (including non-broad-based index options) is appropriate because the proposed rule applies a position limit based on the market capitalization of the underlying index, with lower position limits corresponding to lower market capitalizations. The susceptibility of an index to manipulation or undue price influence is directly related to the depth and liquidity of the markets for the component securities that comprise it, regardless of the number of component securities.⁴⁷ An index representing a larger aggregate market capitalization reflects a deep, liquid pool of underlying securities, the collective

³⁵ See 15 U.S.C. 78c(a)(10). The Exchange notes options on securities indexes (and thus binary options on securities indexes) are not swaps. See *Statement on Tokenized Securities*, Commission Divisions of Corporation Finance, Investment Management, and Trading and Markets (January 28, 2026), available at https://www.sec.gov/newsroom/speeches-statements/corp-fin-statement-tokenized-securities-012826?utm_medium=email&utm_source=govdelivery ("... any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities, including any interest therein or based on the value thereof, that is subject to the Securities Act [of 1933] and the Exchange Act, is excluded from the definition of swap. When assessing whether a financial instrument formatted as a crypto asset satisfies one of these exclusions, the economic reality of the instrument rather than the name given to the instrument determines whether it is excluded.") (cites excluded).

³⁶ See 15 U.S.C. 78i(b).

³⁷ See Binary BBI Option Approval.

³⁸ See *id.* at 31171-31172.

³⁹ See Securities Exchange Act Release No. 56875 (November 30, 2007), 72 FR 69274 (December 7, 2007) (SR-OCC-2007-08) (which OCC rules explicitly related to clearing binary options within the definition of a "security" as determined by the Commission).

⁴⁰ 15 U.S.C. 78q-1(b)(3)(F).

⁴¹ *Id.* at 69276 (emphasis added).

⁴² See Securities Exchange Act Release No. 58043 (June 26, 2008), 73 FR 38260 (July 3, 2008) (SR-ODD-2008-02).

⁴³ See 17 CFR 240.9b-1(b).

⁴⁴ See 17 CFR 240.9b-1(a)(4).

⁴⁵ When describing the benefits of binary options, the Commission described them as having "standardized contract specifications." See Binary BBI Option Approval at 31171.

⁴⁶ See, e.g., See Securities Exchange Act Release No. 40969 (January 22, 1999), 64 FR 4911, 4913 (February 1, 1999) (SR-CBOE-98-23) (order approving elimination of position limits for SPX options). At present, no traditional option on a non-broad-based index option has no position limits, so the proposed rule change has no practical effect.

⁴⁷ Index listing criteria impose various requirements on the component securities related to market capitalization and liquidity, which further reduces the risk that the markets for these index options or the components of the underlying indexes would be impacted by additional derivatives. For example, with respect to narrow-based indexes, pursuant to Rule 4.10(b): (1) the market capitalization for the lowest-weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index must be at least \$50 million, and the market capitalization of all other components must be at least \$75 million; (2) the trading volume in each component must be at least 1,000,000 shares for each of the last six months (from October 2024 through March 2025, the lowest monthly trading volume for a component was over 1.5 million shares), except that for each of the lowest-weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, the trading volume must be at least 500,000 shares for each of the last six months; and (3) no single component security may represent more than 25% of the weight of the index, and the five highest-weighted component securities in the index may not in the aggregate account for more than 50% (60% for an index consisting of fewer than 25 component securities) of the weight of the index.

pricing of which is substantially more difficult to influence through trading in the options market. By scaling position limits to market capitalization (which directly measures the economic depth of an index), the proposed rule change applies position limits appropriately sized to the actual manipulation risk presented by the specific index. While in general a non-broad-based index may have a lower market capitalization (and thus should have a lower position limit for options on that index) because it has fewer components, it is certainly possible for such an index to have a similar market capitalization to that of a broad-based index and thus have reduced susceptibility to manipulation in the same manner as a broad-based index with similar market capitalization. The proposed rule change would, in such a situation, would apply a position limit to the overlying options appropriate for such an index rather than an unnecessarily lower position limit to the options solely because of the classification of the index.

The Exchange also believes the proposed rule change to apply position limits to binary options on a per expiration basis will prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and thus protect investors due to the unique risk profile of binary options that distinguish them from traditional (*i.e.*, non-binary). Unlike traditional index options, for which associated risk is distributed across a range of strikes and expirations because investors may offset or hedge positions across expirations, binary options are fixed-payout, all-or-nothing contracts whose value is entirely dependent on the value of the underlying index at a single point in time. Therefore, risk concentrates at the expiration date itself since each expiration series represents an independent and self-contained risk event. This makes the expiration date the most economically meaningful unit for measuring and constraining accumulated exposure of binary options. Limiting positions in binary options across expirations (as is done for traditional options) would not address the actual risk associated with the settlement event specific to a binary option. As a result, the Exchange believes an individual expiration is the most economically meaningful time to limit positions in binary options, as obtaining positions in binary options for one expiration generally have no impact

on the value of binary options for another expiration.⁴⁸

Further, the Exchange believes subjecting hedged binary option positions and strategies to higher position limits is consistent with the Act because such positions and strategies create offsetting exposure. As a result, a customer no longer has a directional interest in the underlying, reducing the manipulation risk associated with those positions that position limits are designed to address. Given the investor benefits gained from hedged positions, the Exchange believes applying higher position limits to these positions sufficiently protects against the reduced potential for manipulation while not artificially restricting bona fide activity intended to manage risk exposure.

Position limits are designed to limit the number of options contracts overlying a security or index traded on the exchange that an investor, acting alone or in concert with others directly or indirectly, may control. These limits are intended to address potential manipulative schemes and adverse market impacts surrounding the use of options, such as disrupting the market in the security or index underlying the options. Position limits must balance concerns regarding mitigating potential manipulation and the cost of inhibiting potential hedging activity that could be used for legitimate economic purposes. Position limits do not limit the total number of options that may be held, but rather they limit the number of positions a single customer may hold or exercise at one time. "Since the inception of standardized options trading, the options exchanges have had rules imposing limits on the aggregate number of options contracts that a member or customer could hold or exercise."⁴⁹ Position limit rules are intended "to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position."⁵⁰ The Exchange believes the proposed position limits applied on a per expiration basis reasonably and appropriately balance the liquidity provisioning in the market against the prevention of manipulation without unnecessarily constraining investment

⁴⁸ This is consistent with the lack of exercise limits for binary options.

⁴⁹ See Securities Exchange Act Release No. 39489 (December 24, 1997), 63 FR 276 (January 5, 1998) (SR-CBOE-1997-11).

⁵⁰ See *id.*

activity.⁵¹ The Exchange believes these proposed limits are effectively designed to prevent an individual customer or entity from establishing options positions that could be used to manipulate the market of the underlying.⁵²

The Exchange also believes the proposed margin requirements for binary index options (which are the current margin requirements for binary options on broad-based indexes) are reasonable and will protect investors, because they limit investors' risk exposure given that the initial and maintenance margin requirements are equal to the maximum risk exposure.⁵³ As noted above, the Exchange may determine to impose higher margin requirements than those proposed in respect of any binary option position when it deems such higher margin requirements are appropriate.⁵⁴

Ultimately, the Exchange believes the proposed rule change will provide investors with greater trading tools and opportunities and flexibility, resulting in investors having additional means to carry out their investment objectives and manage their risk exposures with the benefits of being listed and traded on a national securities exchange. The Exchange believes the proposed rule change will offer market participants a simplified, transparent, and limited risk investment choice overlying securities indexes, which may be more aligned with their specific timing needs and investment and hedging strategies and risk tolerances. The Exchange believes it benefits the investing public to continue to enhance its listed product offerings to respond to continuously changing needs of investors and to a continuously changing competitive environment.

A robust and competitive market requires exchanges to respond to investors' evolving needs by regularly improving their offerings. When Congress charged the Commission with supervising the development of a "national market system" for securities, Congress stated its intent that the "national market system evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed."⁵⁵ Consistent with this purpose, Congress and the Commission have repeatedly stated their preference

⁵¹ The proposed application of higher position limits to hedged positions and strategies contributes to this balanced design.

⁵² See Securities Exchange Act Release No. 39489 (December 24, 1997), 63 FR 276 (January 5, 1998) (SR-CBOE-1997-11).

⁵³ See Rule 10.3(m).

⁵⁴ See Rule 10.9.

⁵⁵ See H.R. Rep. No. 94-229, at 92 (1975) (Conf. Rep.).

for competition, rather than regulatory intervention to determine products and services in the securities markets.⁵⁶ This consistent and considered judgment of Congress and the Commission is correct, particularly in light of evidence of robust competition in the options trading industry. The fact that an exchange proposed something new is a reason to be receptive, not skeptical—innovation is the life-blood of a vibrant competitive market—and that is particularly so given the continued internalization of the securities markets, as exchanges continue to implement new products and services to compete not only in the United States but throughout the world. Options exchanges continuously adopt new and different products and trading services in response to industry demands in order to attract order flow and to increase their trading volume. This competition has led to a growth in investment choices, which ultimately benefits the marketplace and the public. The Exchange believes the proposed rule change will help further competition by providing market participants with yet another investment option for options listed on a national securities exchange.

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

The Exchange does not believe the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because binary options will be available to all market participants who wish to trade such options on the same terms and in the same manner (including with

respect to the payout terms and amount). All market participants will be subject to the same margin and position limits, as well as other rules applicable to binary options, as described in this proposed rule change. To qualify for listing as a binary option, an underlying index must meet the same initial and maintenance listing criteria it must meet to underlie a traditional, non-binary option. Except as set forth in the proposed rule change, binary options will trade in the same manner as other options on the Exchange.

The Exchange does not believe the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the Rules of at least one other options exchange permit the listing of similar products.⁵⁷ Additionally, as noted above, substantively similar products to binary index options, as currently available under the Rules and as proposed, are available in the OTC market and various other markets. Such products are based on the values of securities indexes (as the proposed binary options are), including at the opening and closing of trading (*i.e.*, A.M.- and P.M.-settled) and other times throughout the day. The proposed rule change will permit the Exchange to list binary options on the same underlying indexes as these markets, and do so with certain similar terms (two permissible settlements) as the binary options listed on those markets. Ultimately, the proposal is designed to increase competition for order flow in binary options.

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

exchange-listed alternative to the products currently available in these other markets.

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

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

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

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

- A. by order approve or disapprove such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-CBOE-2026-032 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-CBOE-2026-032. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from

⁵⁶ See S. Rep. No. 94-75, 94th Cong., 1st Sess. 8 (1975) ("The objective [in enacting the 1975 amendments to the Exchange Act] would be to enhance competition and to allow economic forces, interacting within a fair regulatory field, to arrive at appropriate variations in practices and services."); Order Approving Proposed Rule Change Relating to NYSE Arca Data, Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770 (December 9, 2008) ("The Exchange Act and its legislative history strongly support the Commission's reliance on competition, whenever possible, in meeting its regulatory responsibilities for overseeing the [self-regulatory organizations] and the national market system. Indeed, competition among multiple markets and market participants trading the same products is the hallmark of the national market system."); and Regulation NMS, 70 FR at 37499 (observing that NMS regulation "has been remarkably successful in promoting market competition in [the] forms that are most important to investors and listed companies").

⁵⁷ See NYSE American Options Rules, Section 17.

publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-CBOE-2026-032 and should be submitted on or before May 11, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵⁸

Sherry R. Haywood,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105240; File No. SR-NASDAQ-2026-026]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Review of Professional Orders

April 15, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 1, 2026, The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) 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 the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend The Nasdaq Options Market LLC’s (“NOM”) quarterly review of Professional³ orders.

The text of the proposed rule change is available on the Exchange’s website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rulefilings>, and at the principal office of the Exchange.

⁵⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The term “Professional” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). All Professional orders shall be appropriately marked by Participants. The manner in which a Professional order is calculated is specified in Options 1, Section 1(a)(47)(i).

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

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

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

1. Purpose

The Exchange proposes to amend the quarterly review of Professional orders. Today, orders for any Public Customer⁴ that average more than 390 orders per day during any month of a calendar quarter must be represented as Professional orders for the next calendar quarter.⁵ In order to properly represent orders entered on the Exchange, Participants⁶ are required currently to review their Public Customers’ activity and, on at least a quarterly basis, designate orders as Public Customer orders or Professional orders.⁷ Specifically, Participants are required to conduct a quarterly review and make any appropriate changes to the way in which they are representing orders within five days after the end of each calendar quarter.⁸ While Participants are required to designate accounts on a quarterly basis, if during a quarter the Exchange identifies a customer for

⁴ The term “Public Customer” means a person or entity that is not a broker or dealer in securities and is not a Professional as defined within Options 1, Section 1(a)(47). See Options 1, Section 1(a)(48).

⁵ The requirement to review Public Customers’ activity on at least a quarterly basis to determine whether orders that are not for the account of a broker-dealer should be represented as Public Customer Orders or Professional orders is not in the current rule text, however it was described in the adopting proposal. See Securities Exchange Act Release No. 78200 (June 30, 2016), 81 FR 44349 (July 7, 2016) (July 7, 2016) (SR-NASDAQ-2016-091) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Professionals Order Counting). (“SR-NASDAQ-2016-091”). The instant proposal seeks to codify the timing for review of Public Customers’ activity.

⁶ The term “Options Participant” or “Participant” mean a firm, or organization that is registered with the Exchange pursuant to Options 2A of these Rules for purposes of participating in options trading on NOM as a “Nasdaq Options Order Entry Firm” or “Nasdaq Options Market Maker.” See Options 1, Section 1(a)(39).

⁷ See 81 FR 44349 at 44349.

⁸ See *id.*

which orders are being represented as Public Customer Orders but that has averaged more than 390 orders per day during a month, the Exchange must notify the Participant and the Participant is required to change the manner in which it is representing the customer’s orders within five days.⁹

Proposal

At this time, the Exchange proposes to shorten the quarterly review and designation to a monthly review. The Exchange proposes to state at Options 1, Section 1(a)(47)(ii) that orders for any customer that had an average of more than 390 orders per day during any calendar month must be represented as Professional orders for the next calendar month.

As noted, currently, each Participant is required to monitor Public Customer orders to determine if the Public Customer has averaged more than 390 orders per day during a month. Determining whether a Public Customer has executed more than 390 orders per day during a month requires computing a daily average. As such, Participants should be performing the workflow necessary to designate orders on a daily basis. Therefore, the proposal does not amend the current workflow, rather, the proposal amends the timeframe to change the manner in which the customer’s order is being represented from five days after the end of each calendar quarter to five days after the end of each calendar month.

The Exchange does not believe that this amendment is a significant departure from the current rule, nor does it impose any burden on any Participant because each broker-dealer is required currently to perform the necessary calculation daily to arrive at the requisite average. Further, in addition to the calculation, broker-dealers are subject to know-your-customer and suitability requirements under FINRA Rules 2090 (Know Your Customer) and 2111 (Suitability) and would need to consider whether a customer meets the Professional designation for purposes of determining best execution and making appropriate recommendations. The Exchange notes that the trading behavior of a Public Customer can be distinguished from that of a Professional which is the purpose of the separate designations. Finally, some Participants currently designate a Public Customer that has averaged more than 390 orders per day during a month as a Professional on a more expedited basis, not waiting until five days after the quarter.

⁹ See *id.*