

# Managed Funds Association

The Voice of the Global Alternative Investment Industry

Washington, D.C. | New York | Brussels | London



January 4, 2024

**Via Electronic Mail:** rule-comments@sec.gov

Sherry R. Haywood  
Assistant Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, D.C. 20549-1090

**Re: Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Amend its Rules Relating to Position and Exercise Limits; File No. SR-CBOE-2023-063**

Dear Ms. Haywood,

Managed Funds Association<sup>1</sup> (“MFA”) appreciates the opportunity to provide comments to the Securities and Exchange Commission the “**Commission**”) on the above-captioned proposed rule change filed by Cboe Exchange, Inc. (the “**Exchange**”) to amend its rules relating to position and exercise limits (the “**Proposal**”).<sup>2</sup> We recommend that the Commission approve the Proposal which establishes three additional position limit categories for equity options.

As described in further detail in the Proposal, Exchange Rule 8.30 establishes five categories of position limits for equity options, which categories have remained unchanged for the last 18 years. We fundamentally agree that arbitrarily low position limits impede trading activity and market participants’ ability to implement investment strategies in names with large market capitalizations. As described in an earlier, more narrow proposal from the Exchange, reduced position limits may impede “the use of effective hedging vehicles or income generating strategies (buy-write or put-write strategies), and the ability of market-makers to make liquid markets with tighter spreads in such options, potentially causing the transfer of volume to the over-the-counter (“OTC”) market.”<sup>3</sup>

---

<sup>1</sup> Managed Funds Association (“MFA”), based in Washington, D.C., New York, Brussels, and London, represents the global alternative asset management industry. MFA’s mission is to advance the ability of alternative asset managers to raise capital, invest, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 170 member firms, including traditional hedge funds, credit funds, and crossover funds, that collectively manage nearly \$2.2 trillion across a diverse group of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors to diversify their investments, manage risk, and generate attractive returns over time.

<sup>2</sup> Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Amend its Rules Relating to Position and Exercise Limits, 88 Fed. Reg. 86,701 (Dec. 14, 2023).

<sup>3</sup> Self-Regulatory Organizations; Cboe Exchange, Inc.; Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change To Increase Position Limits for Options on Apple Inc. Stock, 88 Fed. Reg. 12,705, 12,706 (Feb. 28, 2023).

The Exchange correctly describes how such concerns have been particularly acute following the period during which a position limit is temporarily increased to account for a stock split, which period lasts until the last outstanding option position at the time of the stock split has expired, at which time the position limit reverts to the pre-stock-split level. For options on names with large market capitalizations, the underlying shares of which trade in sufficient volume to set the pre-stock-split position limit at the highest current category, the reversion to the pre-stock-split level proportionately reduces the upper limit of a market participant's maximum aggregate position in an option contract as a percentage of shares outstanding. In the case of the September 2022-expiration of the last AAPL option listed at the time of its August 2020-stock split, the position limit reverted to 0.156% of shares outstanding from 0.625% of shares outstanding, "making the post-stock split position limit more restrictive than the pre-stock position limit."<sup>4</sup>

We agree with the Exchange that the post-stock-split position limits in such cases are no longer meaningfully related to the number of shares outstanding. Moreover, this reduction in trading volume represents a reduction in available liquidity and, as a result, is likely to increase execution prices. To avoid results which divorce the position limit framework from the number of shares outstanding and negatively impact liquidity and trading volume, we urge the Commission to approve the Proposal.

\* \* \*

We appreciate the opportunity to provide comments to the Commission regarding the Exchange's proposed rule change to amend its rules relating to position and exercise limits, and we would be pleased to meet with the Commission or its staff to discuss our comments. If the staff has questions or comments, please do not hesitate to call Joseph Schwartz, Vice President and Senior Counsel, or the undersigned at (202) 730-2600.

Respectfully submitted,

/s/ Jennifer W. Han

Jennifer W. Han  
Executive Vice President  
Chief Counsel & Head of Global Regulatory Affairs  
Managed Funds Association

---

<sup>4</sup>

88 Fed. Reg. at 86,702.