

# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104508; File No. SR-CBOE-2025-075]

## Self-Regulatory Organizations; Cboe Exchange, Inc.; Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change to Amend Exchange Rule 5.4

December 23, 2025.

### I. Introduction

On September 30, 2025, Cboe Exchange, Inc. (“Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend Exchange Rule 5.4(a) to change the minimum increment for options on the Cboe Mini Bitcoin U.S. ETF Index (“MBTX”) to \$0.01 for series trading lower than \$3.00 and \$0.05 for series trading at \$3.00 or higher. The proposed rule change was published for comment in the Federal Register on October 3, 2025.<sup>3</sup> The Commission has received no comments regarding the proposal.

On November 3, 2025, pursuant to Section 19(b)(2) of the Exchange Act,<sup>4</sup> the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 104157 (Sept. 30, 2025), 90 FR 48071 (Oct. 3, 2025) (“Notice”).

<sup>4</sup> 15 U.S.C. 78s(b)(2).

the proposed rule change.<sup>5</sup> This order institutes proceedings under Section 19(b)(2)(B) of the Act<sup>6</sup> to determine whether to approve or disapprove the proposed rule change.

## II. Description of the Proposed Rule Change

As described more fully in the Notice,<sup>7</sup> the Exchange proposes to amend Exchange Rule 5.4(a) to establish a minimum increment of \$0.01 for series of MBTX options trading lower than \$3.00 and \$0.05 for series of MBTX options trading at \$3.00 or higher. The Exchange states that market demand, including from retail investors who, according to the Exchange, generally prefer lower trading increments, supports a lower trading increment for MBTX.<sup>8</sup> The Exchange states that options overlying the components of the MBTX (and the underlying exchange-traded funds) (“ETFs”) are actively traded.<sup>9</sup> The Exchange further states that it expects that more granular pricing will lead to narrowing of the bid-ask spread for MBTX options and an increase in the possible number of price points available to investors for these series.<sup>10</sup> The Exchange states that tighter spreads will increase order flow in MBTX options, providing additional liquidity that will

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<sup>5</sup> See Securities Exchange Act Release No. 104173 (Nov. 3, 2025), 90 FR 51424 (Nov. 17, 2025) (designating January 1, 2026, as the date by which the Commission shall either approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change).

<sup>6</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>7</sup> See supra note 3.

<sup>8</sup> See Notice, 90 FR at 48071.

<sup>9</sup> See Notice, 90 FR at 48071 (citing [https://cdn.cboe.com/api/global/us\\_indices/governance/Cboe\\_Bitcoin\\_US ETF\\_Index\\_Methodology.pdf](https://cdn.cboe.com/api/global/us_indices/governance/Cboe_Bitcoin_US ETF_Index_Methodology.pdf) (which requires each constituent to have monthly consolidated trading volume of at least 500,000 shares for each month within the immediately preceding six-month period, an average consolidated trading volume of at least 1,000,000 shares over the immediately preceding six months, and a market capitalization of at least \$75 million)).

<sup>10</sup> See Notice, 90 FR at 48071.

ultimately benefit all investors.<sup>11</sup> In addition, the Exchange states that finer increments permit more precise pricing in line with the theoretical value of the options.<sup>12</sup>

The Exchange states that it has analyzed its system capacity and represents that the Exchange and the Options Price Reporting Authority have the necessary systems capacity to handle any potential additional traffic associated with this proposal.<sup>13</sup> The Exchange further states that it does not believe any potential increased traffic will become unmanageable because the proposal is limited to a single class of options.<sup>14</sup>

The Exchange states that the proposal would permit MBTX options to trade at the same level of granularity as options on the iShares Bitcoin Trust (“IBIT”). The Exchange states that IBIT is a component of the MBTX and that IBIT options are the primary competitive product for MBTX options.<sup>15</sup> The Exchange further states that IBIT options qualify for the Penny Interval Program under Exchange Rule 5.4(a) and that MBTX options should be eligible for the same pricing increments as IBIT options for competitive reasons.<sup>16</sup> The Exchange states that market participants may use IBIT options to hedge MBTX options and that aligning the pricing increments for these products would permit investors to trade related products at more granular prices that may be more aligned with their investment objectives.<sup>17</sup>

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<sup>11</sup> See Notice, 90 FR at 48071.

<sup>12</sup> See Notice, 90 FR at 48071.

<sup>13</sup> See Notice, 90 FR at 48071.

<sup>14</sup> See Notice, 90 FR at 48071-2.

<sup>15</sup> See Notice, 90 FR at 48072.

<sup>16</sup> See Notice, 90 FR at 48072. The Exchange states that as of September 19, 2025, IBIT options are the 13th most actively traded equity option (based on six-month trading volume as of September 19, 2025). See id. at footnote 7.

<sup>17</sup> The Exchange states that, under Exchange Rule 5.4, other index options that trade on the Exchange are currently permitted to trade in smaller increments because competitive products are able to trade in those smaller increments. The Exchange states that the minimum increment for Cboe Mini SPX Index (“XSP”) options is \$0.01 because that is the minimum increment for SPDR S&P 500 ETF Trust (“SPY”) options,

III. Proceedings to Determine Whether to Approve or Disapprove SR-CBOE-2025-075 and Grounds for Disapproval under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act<sup>18</sup> to determine whether the proposed rule change should be approved or disapproved. Institution of such proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide comments on the proposed rule change.

Pursuant to Section 19(b)(2)(B) of the Act,<sup>19</sup> the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of the proposed rule change's consistency with the Act and, in particular, with Section 6(b)(5) of the Act,<sup>20</sup> which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

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and the minimum increment for Dow Jones Industrial Index ("DJX") options is \$0.01 for series below \$3 and \$0.05 for series \$3 and above because that is the minimum increment for SPDR Dow Jones Industrial Average ETF ("DIA") options. See Notice, 90 FR at footnote 8.

<sup>18</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>19</sup> Id.

<sup>20</sup> 15 U.S.C. 78f(b)(5).

Under the Commission’s Rules of Practice, the “burden to demonstrate that a proposed rule change is consistent with the Exchange Act and the rules and regulations issued thereunder . . . is on the self-regulatory organization that proposed the rule change.”<sup>21</sup> The description of a proposed rule change, its purpose and operation, its effect, and a legal analysis of its consistency with applicable requirements must all be sufficiently detailed and specific to support an affirmative Commission finding,<sup>22</sup> and any failure of a self-regulatory organization to provide this information may result in the Commission not having a sufficient basis to make an affirmative finding that a proposed rule change is consistent with the Act and the applicable rules and regulations.<sup>23</sup> The Commission is instituting proceedings to allow for additional consideration and comment on the issues raised herein, including as to whether the proposal is consistent with the Act. The Commission asks that commenters address the sufficiency of the Exchange’s statements in support of the proposal, which are set forth in the Notice, in addition to any other comments they may wish to submit about the proposed rule change. In particular, the Commission asks commenters to address whether the proposal includes sufficient data and analysis to support a finding that the proposal is consistent with the requirements of Section 6(b)(5) of the Act.

#### IV. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the issues identified above, as well as any other concerns they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposal is consistent with Section 6(b)(5) or

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<sup>21</sup> 17 CFR 201.700(b)(3).

<sup>22</sup> See id.

<sup>23</sup> See id.

any other provision of the Act, and the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4, any request for an opportunity to make an oral presentation.<sup>24</sup>

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change should be approved or disapproved by [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

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](mailto:rule-comments@sec.gov). Please include file number SR-CBOE-2025-075 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-2025-075. This file number should be included on the subject line if email is used. To help the Commission process and review your

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<sup>24</sup> Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Pub. L. 94-29 (June 4, 1975), grants the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. *See* Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

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 publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-CBOE-2025-075 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Rebuttal comments should be submitted by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>25</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>25</sup> 17 CFR 200.30-3(a)(57).