SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-93831; File No. SR-CBOE-2021-075)

December 20, 2021

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Increase Position Limits for Options on the SPDR Gold Trust and iShares Silver Trust

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934,[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on December 7, 2021, Cboe Exchange, Inc. 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 increase position limits for options on the SPDR Gold Trust ("GLD") and iShares Silver Trust ("SLV"). The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange's website (http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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

Position limits are designed to address potential manipulative schemes and adverse market impacts surrounding the use of options, such as disrupting the market in the security underlying the options. While position limits should address and discourage the potential for manipulative schemes and adverse market impact, if such limits are set too low, participation in the options market may be discouraged. The Exchange believes that position limits must therefore be balanced between mitigating concerns of any potential manipulation and the cost of inhibiting potential hedging activity that could be used for legitimate economic purposes.

The Exchange has observed an ongoing increase in demand, for both trading and hedging purposes, in options on GLD and SLV (collectively, the "Underlying ETFs"). Though the demand for these options appears to have increased, position limits for options on the Underlying ETFs have remained the same. The Exchange believes these unchanged position limits may have impeded, and may continue to impede, trading activity and strategies of investors, such as use of effective hedging vehicles or income generating strategies (e.g., buy-write or put-write), and the ability of Market-Makers to make liquid markets with tighter spreads in these options resulting in the transfer of volume to over-the-counter ("OTC") markets. OTC transactions occur through bilateral agreements, the terms of which are not publicly disclosed to the marketplace. As such, OTC transactions do not contribute to the price discovery process on a public exchange or other lit markets. Therefore, the Exchange believes that the proposed increases in position limits for options on the Underlying ETFs may enable liquidity providers to provide additional liquidity to the Exchange and other market participants to transfer their liquidity demands from OTC markets to the Exchange. As described in further detail below, the Exchange believes that the continuously increasing market capitalization of the Underlying ETFs, ETF components, as well as the highly liquid markets for each, reduces the concerns for potential market manipulation and/or disruption in the underlying markets upon increasing position limits, while the rising demand for trading options on the Underlying ETFs for legitimate economic purposes compels an increase in position limits.

Proposed Position Limits for Options on the Underlying ETFs

Position limits for options on ETFs are determined pursuant to Rule 8.30 and vary according to the number of outstanding shares and the trading volumes of the underlying equity security (which includes ETFs) over the past six months. Pursuant to Rule 8.30, the largest in capitalization and the most frequently traded stocks and ETFs have an option position limit of 250,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market; and smaller capitalization stocks and ETFs have position limits of 200,000, 75,000, 50,000 or 25,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market. Options on GLD and SLV are currently subject to the standard position limit of 250,000 contracts as set forth in Rule 8.30. Rule 8.30.07 sets forth separate, higher position limits for specific equity options (including options on specific ETFs).[3] The Exchange proposes

[3] Adjusted option series, in which one option contract in the series represents the delivery of other than 100 shares of the underlying security as a result of a corporate action by the issuer of the security underlying such option series, do not impact the notional value of the underlying security represented by those options. When an underlying security undergoes a corporate action resulting in adjusted series, the Exchange lists new standard option series across all appropriate expiration months the day after the existing series are adjusted. The adjusted series are generally actively traded for a short period of time following adjustment, but orders to open options positions in the underlying security are almost exclusively placed in the new standard option series contracts.

to amend Rule 8.30.07 to increase the position limits and, as a result, exercise limits, for options on GLD and options on SLV.[4] Specifically, the proposed rule change increases the current position limit of 250,000 contract for options on GLD and SLV to 500,000 contracts.

The Exchange notes that the proposed position limit for options on GLD and SLV are consistent with current position limits for options on various other ETFs including the iShares MSCI Brazil Capped ETF ("EWZ"), iShares 20+ Year Treasury Bond Fund ETF ("TLT"), iShares MSCI Japan ETF ("EWJ"), iShares iBoxx High Yield Corporate Bond Fund ("HYG") and Financial Select Sector SPDR Fund ("XLF"). The Exchange represents that both of the Underlying ETFs meet the Exchange's initial listing criteria pursuant to Rule 4.3.06(b) and (c), as well as the continued listing criteria in Rule 4.4 (for ETFs).

Composition and Growth Analysis for Underlying ETFs

As stated above, position (and exercise) limits are intended to prevent the establishment of options positions that can be used to or potentially create incentives to manipulate the underlying market so as to benefit options positions. The Securities and Exchange Commission (the "Commission") has recognized that these limits are designed to minimize the potential for mini-manipulations and for corners or squeezes of the underlying market, as well as serve to reduce the possibility for disruption of the options market itself, especially in illiquid classes.[5] The Underlying ETFs, as well as the ETF components, are highly liquid and are based on a broad set of highly liquid securities and other reference assets, as demonstrated through the trading statistics presented in this proposal. To support the proposed position limit increases, the

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4 By virtue of [sic] 8.42.02, which is not being amended by this filing, the exercise limits for GLD and SLV options would be similarly increased.

5 See Securities Exchange Act Release No. 67672 (August 15, 2012), 77 FR 50750 (August 22, 2012) (SR-NYSEAmex-2012-29).

Exchange considered the liquidity of the Underlying ETFs, the value of the Underlying ETFs, their components and the relevant marketplace, the share and option volume for the Underlying ETFs, and, where applicable, the availability or comparison of economically equivalent products to options on the Underlying ETFs.

The Exchange has collected the following trading statistics regarding shares of and options on the Underlying ETFs and the values of the Underlying ETFs and their components:

Product	**ADV[6] (ETF shares) (millions)**	**ADV (option contracts)**	**Shares Outstanding (millions)[7]**	**Fund Market Cap (USD) (millions)[8]**	**Share Value[9] (USD)**
GLD	12.3	257,700	354.30	70,195.7	161.71 (NAV)
SLV	33.1	376,700	619.3	14,228.4	22.57 (NAV)

The Exchange has collected the same trading statistics, where applicable, as above regarding a sample of other ETFs, as well as the current position limits for options on such ETFs pursuant to Rule 8.30.07, to draw comparisons in support of proposed position limit increases for options on the Underlying ETFs (see further discussion below):

Product	**ADV (ETF shares) (millions)**	**ADV (option contracts)**	**Shares Outstanding (millions)**	**Fund Market Cap (USD) (millions)**	**Share Value (USD)**	**Current Position Limits**
EWZ	29.2	139,400	173.8	6,506.8	33.71 (NAV)	500,000

6 Average daily volume (ADV) data for ETF shares and option contracts, as well as for ETF shares and options on the comparative ETFs presented below, are for all of 2020. Additionally, reference to ADV in ETF shares and ETF options, and indexes herein this proposal are for all of calendar year 2020, unless otherwise indicated

7 Shares Outstanding and Net Asset Values (“NAV”), as well as for the comparative ETFs presented below, are as of April 5, 2021 for all ETFs.

8 Fund Market Capitalization data, as well as for the comparative ETFs presented below, are as of January 14, 2021.

9 See supra note 7.

TLT	11.5	111,800	103.7	17,121.3	136.85 (NAV)	500,000
EWJ	8.2	15,500	185.3	13,860.7	69.72 (NAV)	500,000
HYG	30.5	261,600	254.5	24,067.5	86.86 (NAV)	500,000

The Exchange believes that, overall, the liquidity in the shares of the Underlying ETFs and in their overlying options, the larger market capitalizations for each of the Underlying ETFs, and the overall market landscape relevant to each of the Underlying ETFs support the proposal to increase the position limits for each option class. Given the robust liquidity in and value of the Underlying ETFs and their components, the Exchange does not anticipate that the proposed increase in position limits would create significant price movements as the relevant markets are large enough to adequately absorb potential price movements that may be caused by larger trades.

Specifically, the investment objective of GLD (or the "Trust") is to track the performance of the price of gold bullion.[10] GLD offers investors an innovative, relatively cost efficient and secure way to access the gold market, without the necessity of taking physical delivery of gold, and to buy and sell that interest through the trading of a security on a regulated stock exchange. The Trust issues SPDR Gold Shares, which represent fractional, undivided beneficial ownership interests in the Trust, the sole assets of which are gold bullion. The spot price for gold is determined by market forces in the 24-hour global unregulated OTC market for gold including spot, forwards, and options and other derivatives, together with exchange-traded futures and options. The Net Asset Value ("NAV") of the Trust is calculated based on the total ounces of gold owned by the Trust valued at the London Bullion Market Association ("LBMA") Gold

[10] See SPDR Gold Shares, available at https://www.ssga.com/us/en/intermediary/etfs/funds/spdr-gold-shares-gld (January 11, 2021).

Price PM of that day (plus any cash held by the Trust less accrued expenses).[11] The Exchange has observed that the ADV in GLD shares has increased from approximately 8.7 million shares in 2019 to 12.3 million shares by the end of 2020. Similarly, the ADV in options on GLD has increased from approximately 153,900 option contracts in 2019 to 257,700 option contracts by the end of 2020. The Exchange also notes that in the first quarter of 2021, GLD options experienced an ADV of approximately 395,100 option contracts. Additionally, comparing the statistics shown in the tables above for GLD and the sample of other ETFs with a current position limit of 500,000 contracts, the Exchange notes that the ADV for GLD options (257,700 option contracts) are more, or just as, liquid as that of the ADV for options on EWZ (139,300 option contracts), TLT (111,800 option contracts), EWJ (15,500 option contracts) and HYG (261,600 option contracts), each ETF of which already has a position limit of 500,000 contracts. Additionally, the ADV for GLD shares (12.3 million shares) is more liquid than that of the ADV for shares of TLT (11.5 million shares) and EWJ (8.2 million shares). Also, as indicated in the table above, GLD's market capitalization (approximately $70.2 billion) is higher than all four of the sample ETFs, which currently have a position limit of 500,000 contracts. In addition to this, the Exchange notes that the NAV of GLD is higher than that of the NAV of the four sample ETFs, which is indicative that the total value of its underlying components is generally higher. The Exchange believes that GLD's share and option volume, its market capitalization, and the comparatively high value of its underlying components (as indicated by its NAV, and as discussed in further detail below) are large enough to absorb potential price movements caused by a large trade in GLD.

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11 See State Street Global Advisors, SPDR Gold Trust GLD, FAQ (July 2020), available at https://www.ssga.com/library-content/products/fund-docs/etfs/us/tax-documents/gld-faq.pdf.

Like that of GLD and spot gold, SLV seeks to reflect generally the performance of the price of silver and represents a cost-efficient alternative to investments in physical silver for investors not otherwise in a position to participate directly in the market for physical silver. The SLV's NAV is derived from its holdings in silver valued on the basis of the daily LBMA Silver Price.[12] SLV, too, has experienced a significant increase in ADV in shares and options from 2019 through 2020. It grew from approximately 13.6 million shares in 2019 to 33.1 million shares by the end of 2020, and from approximately 118,800 option contracts in 2019 to 376,700 option contracts by the end of 2020. The Exchange also notes that SLV options experienced an ADV of approximately 1.1 million option contracts in the first quarter of 2021.[13] Additionally, SLV generally experiences a significantly greater ADV in shares (33.1 million share) and in options (376,700 option contracts) than that of the ADV in shares and options for EWZ (29.2 million shares and 139,300 option contracts), TLT (11.5 million shares and 111,800 option contracts), EWJ (8.2 million shares and 15,500 option contracts) and HYG (30.5 million shares and 261,600 option contracts), and also has a comparable, or higher, market capitalization (approximately $14.2 billion) than EWZ, TLT and EWJ. As per the table above, options on each of these ETFs already have a position limit of 500,000 contracts — the proposed position limit for SLV options. The Exchange believes that SLV share and option volume and its market capitalization are large enough to absorb potential price movements caused by a large trade in SLV.

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12 See iShares Silver Trust, Fact Sheet as of 9/20/2020, available at https://www.ishares.com/us/literature/fact-sheet/slv-ishares-silver-trust-fund-fact-sheet-en-us.pdf.

13 While volume in SLV options in the first quarter of 2021 experienced significantly high volume as a result of unusual market conditions, the Exchange believes that the existing possibility of such significant increases supports the proposed position limit increase.

While the demand for options trading on GLD and SLV has evidently increased, and continues to increase, the position limits have remained the same, which the Exchange believes may be impacting the ability of Trading Permit Holders ("TPHs") to effectively hedge against exposure to physical gold and silver. For example, a single TPH may manage groups of mutual funds (i.e., a fund complex), each of which may have different growth objectives. If one portfolio manager with a large group of funds has a relatively small exposure to spot gold or spot silver, they may hedge such exposure using GLD options or SLV options, respectively. Though relatively small, this hedge (up to 250,000 option contracts for GLD and for SLV) may utilize the TPH's entire capacity against the position limit. As a result, the TPH's other portfolio managers must look to use alternative vehicles to hedge gold or silver exposure for the funds under their management. The Exchange understands that, unlike GLD or SLV options, most of these alternatives hedging vehicles are not a perfect hedge, which creates liquidity issues and results in increased trading costs. As a result, the Exchange believes that the proposed position limit increases for both GLD and SLV options will allow TPHs to effectively hedge their total gold or silver exposure without having to seek other, less precise hedging vehicles.

Also, as detailed above, while the Exchange believes that the ADV share and option volume for and overall value of GLD and SLV, particularly as compared across other ETF options with position limits currently set at 500,000 contracts, are large enough to absorb potential price movements caused by a large trade in GLD and SLV, the Exchange also recognizes that the spot metal markets underlying SLV and GLD differ from the equities markets underlying EWZ, EWJ, TLT and HYG. However, the Exchange does not believe these differences warrant the position limits for options on GLD and SLV to be half the size of the position limits of these options, nor does it believe that a position limit increase for options on GLD and SLV will have any adverse impact on the underlying spot gold or silver market.[14]

The Exchange reviewed the amount and value of the gold and silver reserves estimated to be held across the globe[15], as well as the amount and value held in the London vaults, compared with the amount and value of open interest in SLV and GLD options. Currently, the world's reserves hold approximately 1.7 billion troy ounces of gold (a value of approximately $3 trillion) and 16.1 billion troy ounces of silver (a value of approximately $398.7 billion).[16] Reserves in this context is the amount of gold and silver that is "currently economic" and could be developed to the point of business needs (e.g., could be refined by accredited LBMA refiners into new London Good Delivery ("LGD") bars, which is the gold and silver that, respectively, is held on behalf of the GLD and SLV trusts and underly GLD and SLV shares). That is, the amount of gold and silver reserves is notwithstanding the amount of gold and silver already refined and currently in circulation or held by various entities (e.g., international dealers, mining companies, central banks, and financial institutions).[17] Given the constant mining, manufacturing and circulation of gold and silver, the vast number and types of entities that deal in and hold gold and silver across

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[14] Amendment No. 2 [sic] adds additional support for increasing position limits for options on GLD and SLV by providing data and analysis regarding the sufficient size and capacity of the related spot metals markets to absorb a potential increase in demand of GLD and SLV options and delivery of the underlying.

[15] See National Minerals Information Center, Gold Statistics and Information, Mineral Commodity Summaries, Gold (January 2021) available at https://pubs.usgs.gov/periodicals/mcs2021/mcs2021-gold.pdf; and Silver Statistics and Information, Mineral Commodity Summaries, Silver (January 2021) available at https://pubs.usgs.gov/periodicals/mcs2021/mcs2021-silver.pdf.

[16] One metric ton equals 32,150.7 troy ounces.

[17] The amount of gold and silver reserves is also notwithstanding LGD bars produced by LBMA-accredited refiners from old gold scrap and non-accredited bars.

the globe,[18] and the lack of any universal framework for international reporting on or accounting for gold or silver or other central source that tracks and publishes a complete total of available gold and silver, the Exchange has no way of knowing the total amount of LGD gold or silver bars currently available worldwide. While LBMA publishes the gold and silver amounts held in the London vaults[19] in an effort to improve transparency in the precious metals markets, the Exchange notes that, for the same reasons above, it has no way of definitively knowing what portion of the world's total gold and silver is currently held in the London vaults. The London vaults hold[20] approximately 312.1 million troy ounces of gold (a value of approximately $541.8 billion) and 1.2 million troy ounces of silver (a value of approximately $29.1 billion). The Exchange additionally notes that the total global mined silver output is forecasted to grow by approximately 8% from 2020 through 2021 to a total output of approximately 848.5 million troy ounces (approximately $19.1 billion in value),[21] and that total global mined gold output as of June 2021 was 104.4 million troy ounces (approximately $183.6 billion in value).[22]

GLD options have experienced an average daily open interest in 2021[23] of approximately 3 million contracts, which equates to approximately 302.5 million GLD shares[24] (an average

[18] Many of which, for security reasons, do not publish information regarding their holdings.

[19] The custodians of the GLD and SLV trusts each maintain the respective trust's holdings in the London vaults, among other locations.

[20] As of September 30, 2021.

[21] See The Silver Institute, World Silver Survey (April 2021) available at https://www.silverinstitute.org/wp-content/uploads/2021/04/World-Silver-Survey-2021.pdf.

[22] See World Gold Council, Data, Demand and Supply, Gold mine production (June 16, 2021) available at https://www.gold.org/goldhub/data/historical-mine-production.

[23] Year-to-date daily average open interest through September 2021.

[24] One GLD/SLV option contract equals 100 GLD/SLV shares.

daily total NAV[25] of approximately $60 billion). SLV options have experienced an average daily open interest of approximately 6.3 million contracts, which equates to approximately 628.3 million SLV shares[26] (an average daily total NAV[27] of approximately $15 billion). Hypothetically, even if every open GLD and SLV option contract was exercised at once to receive delivery of the underlying shares and all such underlying shares were redeemed with the issuer for the respective underlying physical metal, by taking the average daily total NAV of the ETF shares equivalent to the average daily open interest in GLD and SLV options over the spot price of gold ($1736.04) and silver ($24.80),[28] the Exchange estimates that redemption of all of the ETF shares (equivalent to the average daily open interest in GLD and SLV options) would correspond to delivery of approximately 29.4 million troy ounces of gold and 603.9 million troy ounces of silver — that is, only approximately 1.7% and 3.8% of the total gold and silver reserves, respectively, and approximately 9.4% and 51.5% of the gold and silver holdings, respectively, in the London vaults. As such, even if this hypothetical, unlikely event occurred, it would impact only a negligible portion of the world's gold and silver reserves, a fraction of the gold stored in the London vaults, and, in an extreme worst-case scenario, half of the silver in the London vaults; which, as stated, does not account for the total amount of LGD bars available globally nor the amount of reserves readily at hand to refine into LGD bars. The Exchange understands that market participants by and large use GLD and SLV options to hold a leveraged position in the market, taking a view of market performance over a defined period of time, or use such options to hedge or reduce the risk exposure of their portfolios, as described above. As

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25 Year-to-date daily average GLD share NAV through September 2021 is $168.47.

26 See supra note 22.

27 Year-to-date daily average GLD share NAV through September 2021 is $23.84.

28 Spot prices as of October 3, 2021.

such, most positions in GLD and SLV options are not intended to be exercised to receive delivery of the underlying shares, but instead, are closed out or rolled. The Exchange also notes that most of the activity in the underlying GLD and SLV shares takes place on the secondary market (e.g., on an exchange), as opposed to the primary market (i.e., ETF creations and redemptions). The Exchange believes that, given the typical use cases for GLD and SLV options, an increase in the position limits for GLD and SLV options would cause a de minimis increase, if any, in delivery or in creations and redemptions of shares in the underlying ETFs. As a result of the above-described review of the average daily open options interest compared to the world's metal reserves and the holdings in the London vaults, as well as the global mined gold and silver output, coupled with the understanding that the principal use cases for taking positions in the GLD and SLV options markets do not involve taking delivery of the underlying, the Exchange believes that the current supply of spot gold and silver is more than adequate to meet a potential increase in demand and delivery of GLD's and SLV's underlying metals components as a result of position limit increases for options on GLD and SLV.

Indeed, the gold and silver markets have proven resilient in the face of actual, extraordinary economic and market events that have resulted in an increase in demand for physical gold and silver and in holdings of such metal-based products. For example, beginning in March 2020, interest in gold and silver significantly increased as a result of the COVID-19 pandemic, and gold and silver price momentum continued through the year, peaking in August 2020.[29] Gold-backed exchange-traded products ("ETPs") accounted for almost two-thirds of total

29 See World Gold Council, Global gold-backed ETF flows, Full Year 2020 (January 13, 2021) available at https://www.gold.org/goldhub/data/global-gold-backed-etf-holdings-and-flows/2020/december; and supra note 24 [sic] at 8.

gold-related investment demand during the first three quarters of 2020,[30] and inflows into silver-backed ETPs over the first three quarters of 2020 nearly tripled the amount of inflow over the same period of time in 2019.[31] In particular, GLD experienced an inflow of approximately $15.4 billion in assets (or approximately 7.3 million troy ounces) in 2020; a 35% increase in AUM from 2019, and SLV experienced an inflow of approximately $8.3 billion in assets (or approximately 196 million troy ounces) in 2020; a 126% increase in AUM from 2019. Open interest in GLD options from the onset of the pandemic in March 2020 was approximately 3.7 million contracts and in SLV options was approximately 4.2 million contracts, and in August 2020, when prices peaked, open interest in GLD options was approximately 4.9 million contracts and in SLV options was approximately 8.2 million contracts. Additionally, in late January and into early February 2021, silver-backed inflows increased again, triggered by comments coordinated across social media platforms in an attempt to push silver higher, and silver-backed ETP holdings (including in SLV) jumped by almost 120 million troy ounces[32] and open interest in SLV options was approximately 6.7 million contracts.

From March 2020 through August 2020, the amount of LGD bars held in the London vaults averaged approximately 278.1 million troy ounces in gold and approximately 1.13 billion troy ounces in silver month-to-month. For the immediately preceding six-month period (September 2019 through February 2020), the average monthly amount of gold held in the

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30 See World Gold Council, Global gold-backed ETF flows, Full Year 2020 (January 13, 2021) available at https://www.gold.org/goldhub/data/global-gold-backed-etf-holdings-and-flows/2020/december.

31 See The Silver Institute, Inflows into silver-backed exchange-traded products nearly triple year-on-year over the first three quarters of 2020 (October 15, 2020) available at https://www.silverinstitute.org/inflows-silver-backed-exchange-traded-products-nearly-triple-year-year-first-three-quarters-2020/.

32 See supra note 24 [sic] at 22.

London vaults was approximately 267.3 million troy ounces and the average monthly amount of silver held was 1.16 billion troy ounces, thus demonstrating that, faced with such a significant increase in demand for gold, silver and related products as experienced during the onset and more economically turbulent period of the COVID-19 pandemic and as demonstrated by the inflows into GLD and SLV, the London vaults experienced no reduction in its gold holdings (in fact, the average month vault holdings increased) and only a marginal reduction in its silver holdings. Likewise, across January and February 2021, the silver holdings in the London vaults averaged 1.11 billion troy ounces, while over the two months prior to this time frame the London vaults averaged 1.08 billion troy ounces. As such, the Exchange believes that an increase in gold and silver ETP and options holdings does not necessarily impact physical gold and silver supplies and that such supplies have sufficient capacity to meet potential increases in demand for gold- and silver-related products, including GLD and SLV options.

The Exchange also reviewed the gold and silver futures markets, the volume and value of which the Exchange believes indicate sufficient size and liquidity in the underlying markets to absorb potential price movements and large- sized trades as a result of position limit increases for options on GLD and SLV. The Exchange notes that gold futures currently have a value of approximately $93.2 billion in open interest and have experienced an ADV of approximately 264,000 contracts (equivalent to approximately 264 million GLD contracts) in 2021 to date.[33] Also, gold futures are currently subject to a position limit of 6,000 contracts, which is notionally equivalent to 6,000,000 GLD contracts. Additionally, the Exchange understands that its Market-Makers use both GLD and gold futures to hedge their GLD options positions, which the Exchange believes provides for a balance across the gold-related marketplaces, mitigating

[33] Year-to-date ADV through May 2021.

potential concern that either the underlying or the futures market might experience additional pressure as a result of an increase in activity in the GLD options space. Likewise, the Exchange notes that silver futures currently have a value of approximately $25.7 billion in open interest, have experienced an ADV of approximately 93,000 contracts (equivalent to approximately 465 million SLV contracts) in 2021 to date,[34] and are currently subject to a position limit of 3,000 contracts, which is notionally equivalent to 15,000,000 SLV contracts. The Exchange believes the robust volume in and value of the gold and silver futures markets indicates that the underlying markets are sufficiently large and liquid enough to absorb potential price movements and large- sized trades as a result of position limit increases for options on GLD and SLV.

Additionally, the Exchange reviewed the volume-weighted average of the absolute value[35] of deltas for GLD and SLV options trades over approximately the last two years (from March 2019 through June 2021). Essentially, the delta compares the relationship between the change in the price of an underlying and of an option. Absolute delta value ranges from 0 to 1. The lower the absolute delta value, the less the option price is sensitive to changes in the price of the underlying (i.e., delta exposure). Conversely, the higher the absolute delta value, the more the option price will change given a change in the underlying price. The Exchange believes that volume-weighted average delta over time is indicative as to whether an underlying market is large enough to absorb increased activity in the related options markets. That is, the more delta exposure per trade, the more options exposure there is that necessitates a hedge trade in the underlying, which may, in turn, potentially increase the impact on the underlying markets. Review of the volume-weighted average delta in connection with GLD and SLV options over the

34 See id.

35 Put deltas are always negative, therefore, absolute value is used to view the average delta across calls and puts.

last two years showed that the average absolute delta per trade for GLD options trades was approximately 0.34 and for SLV options trades was approximately 0.28. The Exchange notes that both averages indicate relatively minimal amounts of average delta exposure and, thus, minimal amounts of GLD and SLV options exposure need to be hedged, on average. As a result, the Exchange believes that increases in GLD and SLV options trading would have minimal impact on the ability of the underlying metals markets to absorb any additional volume related to increased position limits and hedging activity.

Creation and Redemption for ETFs

The Exchange believes that the creation and redemption process for the Underlying ETFs lessens the potential for manipulative activity with options on the Underlying ETFs. When an ETF provider wants to create more shares, it looks to an Authorized Participant ("AP") (generally a market maker or other large financial institution) to acquire the underlying components the ETF is to hold. For instance, when an ETF is designed to track the performance of an index, the AP can purchase all the constituent securities in the exact same weight as the index, then deliver those shares to the ETF provider. In exchange, the ETF provider gives the AP a block of equally valued ETF shares, on a one-for-one fair value basis. The price is based on the NAV, not the market value at which the ETF is trading. The creation of new ETF units can be conducted during an entire trading day and is not subject to position limits. This process works in reverse where the ETF provider seeks to decrease the number of shares that are available to trade. The creation and redemption processes for the Underlying ETFs creates a direct link to the underlying components of the ETF and serves to mitigate potential price impact of the ETF shares that might otherwise result from increased position limits for the options on the Underlying ETFs.

The Exchange understands that the ETF creation and redemption processes seek to keep an ETF's share price trading in line with the product's underlying net asset value. Because an ETF trades like a stock, its share price will fluctuate during the trading day, due to simple supply and demand. If demand to buy an ETF is high, for instance, an ETF's share price might rise above the value of its underlying components. When this happens, the AP or issuer believes the ETF may now be overpriced, so it may buy shares of the component assets and then sell ETF shares in the open market. This may drive the ETF's share price back toward the underlying net asset value. Likewise, if an ETF share price starts trading at a discount to the component assets it holds, the AP or issuer can buy shares of the ETF and redeem them for the underlying components. Buying undervalued ETF shares may drive the share price of an ETF back toward fair value. This arbitrage process helps to keep an ETF's share price in line with the value of its underlying portfolio.

Surveillance and Reporting Requirements

The Exchange believes that increasing the position limits for the options on the Underlying ETFs would lead to a more liquid and competitive market environment for these options, which will benefit customers interested in trading these products. The reporting requirement for the options on the Underlying ETFs would remain unchanged. Thus, the Exchange would still require that each TPH or TPH organization that maintains positions in the options on the same side of the market, for its own account or for the account of a customer, report certain information to the Exchange. This information would include, but would not be limited to, the options' positions, whether such positions are hedged and, if so, a description of the hedge(s). Market-Makers[36] (including Designated Primary Market-Makers ("DPMs"))[37] would continue to be exempt from this reporting requirement, however, the Exchange may access Market-Maker position information.[38] Moreover, the Exchange's requirement that TPHs file reports with the Exchange for any customer who held aggregate large long or short positions on the same side of the market of 200 or more option contracts of any single class for the previous day will remain at this level for the options subject to this proposal and will continue to serve as an important part of the Exchange's surveillance efforts.[39]

The Exchange believes that the existing surveillance procedures and reporting requirements at the Exchange and other SROs are capable of properly identifying disruptive and/or manipulative trading activity. The Exchange also represents that it has adequate surveillances in place to detect potential manipulation, as well as reviews in place to identify potential changes in composition of the Underlying ETFs and continued compliance with the Exchange's listing standards. These procedures utilize daily monitoring of market activity via automated surveillance techniques to identify unusual activity in both options and the

36 A Market-Maker [sic] "Trading Permit Holder registered with the Exchange pursuant to Rule 3.52 for the purpose of making markets in option contracts traded on the Exchange and that has the rights and responsibilities set forth in Chapter 5, Section D of the Rules." See Rule 1.1.

37 A Designated Primary Market-Maker "is TPH organization that is approved by the Exchange to function in allocated securities as a Market-Maker (as defined in Rule 8.1) and is subject to the obligations under Rule 5.54 or as otherwise provided under the rules of the Exchange." See Rule 1.1.

38 The Options Clearing Corporation ("OCC") through the Large option Position Reporting ("LOPR") system acts as a centralized service provider for TPH compliance with position reporting requirements by collecting data from each TPH or TPH organization, consolidating the information, and ultimately providing detailed listings of each TPH's report to the Exchange, as well as Financial Industry Regulatory Authority, Inc. ("FINRA"), acting as its agent pursuant to a regulatory services agreement ("RSA").

39 See Rule 8.43 for reporting requirements.

underlyings, as applicable.[40] The Exchange also notes that large stock holdings must be disclosed to the Commission by way of Schedules 13D or 13G,[41] which are used to report ownership of stock which exceeds 5% of a company's total stock issue and may assist in providing information in monitoring for any potential manipulative schemes.

The Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged positions in the options on the Underlying ETFs. Current margin and risk-based haircut methodologies serve to limit the size of positions maintained by any one account by increasing the margin and/or capital that a TPH must maintain for a large position held by itself or by its customer.[42] In addition, Rule 15c3-1[43] imposes a capital charge on TPHs to the extent of any margin deficiency resulting from the higher margin requirement.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[44] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[45] 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

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40 The Exchange believes these procedures have been effective for the surveillance of trading the options subject to this proposal and will continue to employ them.

41 17 CFR 240.13d-1.

42 See Rule 10.3 for a description of margin requirements.

43 17 CFR 240.15c3-1.

44 15 U.S.C. 78f(b).

45 15 U.S.C. 78f(b)(5).

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)[46] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed increase in position limits for options on GLD and SLV will 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 market participants with the ability to more effectively execute their trading and hedging activities. The proposed increases will allow market participants to more fully implement hedging strategies in related derivative products and to further use options to achieve investment strategies (e.g., there are other ETPs that use options on GLD and SLV as part of their investment strategy, and the applicable position limits as they stand today may inhibit these other ETPs in achieving their investment objectives, to the detriment of investors). Also, increasing the applicable position limits may allow Market-Makers to provide the markets for these options with more liquidity in amounts commensurate with increased consumer demand in such markets. The proposed position limit increases may also encourage other liquidity providers to shift liquidity, as well as encourage consumers to shift demand, from OTC markets onto the Exchange, which will enhance the process of price discovery conducted on the Exchange through increased order flow.

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[46] Id.

In addition, the Exchange believes that the structure of the Underlying ETFs, the considerable market capitalization of the funds, capacity of the underlying component assets, and liquidity of the markets for the applicable options and underlying shares will mitigate concerns regarding potential manipulation of the products and/or disruption of the underlying markets upon increasing the relevant position limits. As a general principle, increases in market capitalizations, active trading volume, and deep liquidity of the underlying markets do not lead to manipulation and/or disruption. This general principle applies to the recently observed increased levels of market capitalization and trading volume and liquidity in shares of and options on the Underlying ETFs (as described above). As a result, the Exchange does not believe that the options markets or underlying markets would become susceptible to manipulation and/or disruption as a result of the proposed position limit increases. Indeed, the Commission has previously expressed the belief that not just increasing, but removing, position and exercise limits may bring additional depth and liquidity to the options markets without increasing concerns regarding intermarket manipulation or disruption of the options or the underlying securities.[47]

Further, the Exchange notes that the proposed rule change to increase position limits for select actively traded options is not novel and the Commission has approved similar proposed rule changes by the Exchange to increase position limits for options on similar, highly liquid and actively traded ETPs.[48] Furthermore, the Exchange again notes that that the proposed position

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47 See Securities Exchange Act Release No. 62147 [sic] (October 28 [sic], 2005) (SR-CBOE-2005-41), at 62149.

48 See Securities Exchange Act Release Nos. 88768 (April 29, 2020), 85 FR 26736 (May 5, 2020) (SR-CBOE-2020-015); 83415 (June 12, 2018), 83 FR 28274 (June 18, 2018) (SR-CBOE-2018-042); and 68086 (October 23, 2012), 77 FR 65600 (October 29, 2012) (SR-CBOE-2012-066).

limits for options on GLD and SLV are consistent with existing position limits for options on other ETFs in Rule 8.30.07, including options on ETFs that experience similar, or even less, volume than GLD and SLV options, as demonstrated above.

The Exchange's surveillance and reporting safeguards continue to be designed to deter and detect possible manipulative behavior that might arise from increasing or eliminating position and exercise limits in certain classes. The Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged position in the options on the Underlying ETFs, further promoting just and equitable principles of trading, the maintenance of a fair and orderly market, and the protection of investors.

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

The Exchange does not believe that 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 the increased position limits (and exercise limits) will be available to all market participants and apply to each in the same manner. The Exchange believes that the proposed rule change will provide additional opportunities for market participants to more efficiently achieve their investment and trading objectives of market participants. The proposed rule change would also align the position limits for GLD and SLV options with the position limits for other ETF options, which, as demonstrated herein, experience similar, or even less, volume than options on GLD and SLV.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the Act. On the contrary, the Exchange believes the proposal promotes competition because it may attract additional order flow from the OTC market to exchanges, which would in turn compete amongst each other for those orders.[49] The Exchange believes market participants would benefit from being able to trade options with increased position limits in an exchange environment in several ways, including but not limited to the following: (1) enhanced efficiency in initiating and closing out position; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor. The Exchange notes that other options exchanges may choose to file similar proposals with the Commission to increase position limits on options on the Underlying ETFs.

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 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.

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[49] Additionally, several other options exchanges have the same position limits as the Exchange, as they incorporate by reference to the Exchange's position limits, and as a result the position limits for options on the Underlying ETFs will increase at those exchanges. For example, Nasdaq Options position limits are determined by the position limits established by the Exchange. See Nasdaq Stock Market LLC Rules, Options 9, Sec. 13 (Position Limits).

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 (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2021-075 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-2021-075. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change.

Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2021-075 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[50]

Jill M. Peterson
Assistant Secretary

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[50] 17 CFR 200.30-3(a)(12).