

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-101850; File No. SR-CBOE-2024-053)

December 9, 2024

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend Rule 5.1

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 November 27, 2024, 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

The Exchange proposes to amend Rule 5.1. The text of the proposed rule change is provided below.

(additions are underlined; deletions are [bracketed])

* * * * *

Rules of Cboe Exchange, Inc.

* * * * *

Rule 5.1. Trading Days and Hours

(a) No change.

(b) *Regular Trading Hours.*

(1) No change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

(2) *Index Options.* Except as otherwise set forth in the Rules or under unusual conditions as may be determined by the Exchange, Regular Trading Hours for transactions in index options are from 9:30 a.m. to 4:15 p.m., except as follows:

(A) – (B) No change.

(C) On their last trading day, Regular Trading Hours for the following options are from 9:30 a.m. to 4:00 p.m.

Cboe S&P 500 AM/PM Basis options

Index Options with Nonstandard Expirations (i.e., Weeklys and EOMs),
Monthly Options Series, Quarterly Options Series, and Quarterly Expirations
(i.e., QIXs)

SPX options (p.m.-settled)

XSP options (p.m.-settled)

MRUT options (p.m.-settled)

RUT options (p.m.-settled)

* * * * *

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 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 Rule 5.1. Specifically, the Exchange proposes to amend Rule 5.1(b)(2)(C) to provide that on their last trading day, Regular Trading Hours³ for index Monthly Options Series⁴ and Quarterly Options Series⁵ will be from 9:30 a.m. to 4:00 p.m. (Eastern time).⁶ Monthly Options Series expire at the close of business on the last business day of a calendar month, and Quarterly Options Series expire at the close of business on the last business day of a calendar month.⁷ Pursuant to Rule 4.13(a)(2)(C)(iii) and (a)(2)(B)(iii), Monthly Options Series and Quarterly Options Series, respectively, are p.m.-settled. Pursuant to Rule 5.1(b)(2), Regular Trading Hours for index options (with certain specified exceptions) are 9:30 a.m. to 4:15 p.m. (Eastern time). Rule 5.1(b)(2)(C) currently provides that certain p.m.-settled index options will end trading at 4:00 p.m. (Eastern time) on their last trading day, including index options with End-of-Month (“EOM”) or Quarterly (“QIX”) expirations. Like index Monthly Options Series, EOM series expire on the last trading of the month.⁸ Like index Quarterly Options Series, QIX series expire on the last trading of the quarter.⁹ The Exchange proposes for index Monthly Option Series and Quarterly Option Series to similarly end trading at

³ Rule 1.1 defines “Regular Trading Hours” as the trading session consisting of the regular trading hours which transactions in options may be effected on the Exchange and are set forth in Rule 5.1.

⁴ See Rule 4.13(a)(2)(C).

⁵ See Rule 4.13(a)(2)(B).

⁶ This proposed rule change applies to index options that participate in the Monthly Options Series and Quarterly Options Series program.

⁷ See Rule 4.13(a)(2)(B) and (C).

⁸ See Rule 4.13(e)(2).

⁹ See Rule 4.11 (definition of QIX).

4:00 p.m. (Eastern time) (rather than 4:15 p.m. if in a class for which Regular Trading Hours end at 4:15 p.m.) on their last trading day.

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.¹⁰ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹¹ 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)¹² 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 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. The Exchange understands that index Monthly and Quarterly Options Series would typically be priced in the market based on corresponding futures values. If trading expiring index Monthly and Quarterly Options Series continued until 4:15 p.m. on their last trading day, these expiring index options could not be

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

¹² Id.

priced on corresponding futures values, but rather would have to be priced on the known cash value. At the same time, the prices of non-expiring index Monthly or Quarterly Options Series would continue to move and likely be priced in response to changes in corresponding futures prices. As a result, a potential pricing divergence could occur between 4:00 p.m. and 4:15 p.m. on the final trading day in expiring index Monthly and Quarterly Options Series (e.g., a switch from pricing off of futures to cash). The Exchange understands that the switch from pricing off of futures to cash can be a difficult and risky crossover for liquidity providers. As a result, if expiring P.M.-settled contracts closed at 4:15 p.m., Market-Makers may react by widening spreads in order to compensate for the additional risk. In order to mitigate the potential for a pricing divergence at the end of the trading day, the Exchange believes that it is appropriate to cease trading in the expiring index Monthly and Quarterly Options Series (which are p.m.-settled) at 4:00 p.m., as it already does for expiring EOM and QIX options (which are also p.m.-settled index options and also have the same corresponding expirations) for the same aforementioned reasons.¹³ Therefore, the proposed rule change will prevent continued trading on a product after the exercise settlement value has been fixed.

The Exchange does not believe that the proposed rule change will impact volatility on the underlying cash market comprising the underlying indexes at the close on expiration days, as it already closes trading on the last trading day for expiring P.M.-settled options at 4:00 p.m. (such as EOM and QIX series), which the Exchange does not believe has had an adverse impact on fair and orderly markets for the underlying stocks comprising the corresponding indexes.¹⁴

¹³ See Securities Exchange Act Release Nos. 59676 (April 1, 2009), 74 FR 16018 (April 8, 2009) (SR-CBOE-2009-020); and 64243 (April 7, 2011), 76 FR 20771 (April 13, 2011) (SR-CBOE-2011-038).

¹⁴ See current Rule 5.1(b)(2)(C).

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 that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate under the Act, because it will apply in the same manner to all expiring index Monthly Option Series and Quarterly Options Series. Additionally, trading in expiring index Monthly Option Series and Quarterly Options Series will be available to all market participants during the same trading hours. Further, the Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate under the Act, because the proposed rule change harmonizes the trading hours on the last trading day for index options that expire at the end of a month or the end of a quarter. Other exchanges with similar options programs may amend their rules to provide for similar trading hours on the last trading day of expiring index monthly and quarterly options. The proposed rule change is not intended to be competitive, but rather to prevent continued trading on a product after the exercise settlement value has been fixed, thereby mitigating potential investor confusion and the potential for pricing divergence at the end of the trading day.

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

Because the foregoing proposed rule change does not:

- A. significantly affect the protection of investors or the public interest;
- B. impose any significant burden on competition; and

C. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁵ and Rule 19b-4(f)(6)¹⁶ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or 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-2024-053 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.

¹⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁶ 17 CFR 240.19b-4(f)(6).

All submissions should refer to file number SR-CBOE-2024-053. 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 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 a.m. and 3 p.m. Copies of the filing also 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-2024-053 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Sherry R. Haywood,

Assistant Secretary.

¹⁷ 17 CFR 200.30-3(a)(12).