

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-102720; File No. SR-CBOE-2025-020]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Eliminate Position and Exercise Limits for Options on the S&P 500 Equal Weight Index

March 25, 2025.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”),² and Rule 19b-4 thereunder,³ notice is hereby given that on March 14, 2025, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II 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 the position and exercise limits for options that overlie the S&P 500 Equal Weight Index (based on both the full value and one-tenth the value of the index) (“SPEQF options” and “SPEQX options,” respectively) and the S&P 500 ESG Index to S&P 500 Scored & Screened Index (“SPESG 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 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

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 purpose of this proposed rule change is to amend the position and exercise limits for SPEQF options, SPEQX options, and SPESG options. Pursuant to Rule 8.31(a), the current position limit for each of these three options is 25,000 contracts. Pursuant to Rule 8.42(b), the exercise limit for each of these options is equivalent to its position limit, and thus is also 25,000 contracts. With respect to flexible exchange options ("FLEX options"), Rule 8.35(a)(2) provides that the position limits for FLEX SPEQF, SPEQX, and SPESG options are 200,000 contracts, and Rule 8.42(g) provides that the exercise limits are also 200,000 contracts.

The proposed rule change amends Rules 8.31(a) and 8.35(b) to eliminate the position and exercise limits for each of SPEQF, SPEQX, and SPESG options (including FLEX options). This would also eliminate the exercise limits for these options pursuant to Rule 8.42(b) and (g). There are currently no position or exercise limits for many other broad-based index options (including FLEX), including SPX and XSP options. The underlying index of SPX and XSP options (the S&P 500 Index) is comprised of the same components as SPEQF and SPEQX options and, each constituent of the S&P 500 Scored and Screened Index is a constituent of the S&P 500 Index. In addition, the Exchange notes that other S&P 500 Index-related options (e.g., S&P 500 Dividend Index) have no position or exercise limits. FLEX SPEQF, SPEQX, and SPESG options will be

subject to the same reporting requirements triggered for other FLEX options traded on the Exchange.⁴ Given the relationship between the S&P 500 Equal Weight Index, the S&P 500 Scored and Screened Index, and the S&P 500 Index, the Exchange understands that market participants' investment and hedging strategies may consist of options overlying any or all of these options. As a result, the Exchange believes it is appropriate for these options to all be subject to the same position and exercise limits to provide them with the ability to execute these strategies with sufficient flexibility and in a consistent manner.

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.⁵ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁶ 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)⁷ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

⁴ See Rule 8.35(b).

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

⁷ Id.

In particular, the Exchange believes the proposed rule change will promote just and equitable principles of trade, 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 is consistent with existing rules regarding position and exercise limits for many broad-based index options currently authorized for listing and trading on the Exchange. There are currently no position limits for related options that overlay the S&P 500 Index, the components of which are the same as those of the S&P 500 Equal Weight Index and the majority of components of which are the same as those of the S&P 500 Scored & Screened Index. Because of this relationship between the S&P 500 Equal Weight Index, the S&P 500 Scored & Screened Index, and the S&P 500 Index, options on all of which market participants may use as hedging vehicles to meet their investment needs in connection with S&P 500 Index-related products and cash positions, the Exchange believes the proposed rule change will benefit investors, as it will permit market participants to use these options in accordance with consistent rules with respect to their investment and hedging strategies.

Despite the overlapping constituents of the indexes underlying SPX options and SPEQF, SPEQX, and SPESG options, these options provide investors with important alternate investment opportunities. With respect to SPEQF and SPEQX options, the U.S. equity markets have experienced increased levels of concentration in recent years. SPEQF and SPEQX options provide market participants with alternative tools to manage their risk and diversify their exposure to the stocks comprising the S&P 500 Index by permitting them to gain broad exposure to these stocks using options that would be less impacted by a shift in concentration and market momentum. Because capitalization-weighted indexes such as the S&P 500 Index are more impacted by larger capitalized stocks, options overlying an equal-weighted index (such as the S&P 500 Equal Weight

Index) would benefit investors by permitting them to hedge against potential swings in the largest stocks comprising the S&P 500 Index while maintaining the ability to hedge across the entire span of S&P 500 constituent securities. Similarly, SPESG options provide investors with an alternative tool to manage their risk and diversify their exposure to stock comprising the S&P 500 Index that meet specified sustainability criteria. Because the components of each of the S&P 500 Equal Weight Index and the S&P 500 Scored & Screened Index are all components of the S&P 500 Index, market participants may use options overlying these indexes as a hedging vehicle to meet their investment needs in connection with S&P 500-related products and cash positions, and, therefore, the Exchange believes it is appropriate to provide generally consistent features between options on these indexes, as that ultimately will remove impediments to and perfect the mechanism of a free and open market and a national market system. The Exchange believes imposing lower position and exercise position limits on SPEQF, SPEQX, and SPESG options may unnecessarily restrict investors' abilities to use these options to achieve their investment goals.

When approving the Exchange's proposed rule change to eliminate position limits for SPX options, the Commission noted it believed "that the enormous capitalization of and deep, liquid markets for the underlying securities contained in these indexes significantly reduces concerns regarding market manipulation or disruption in the underlying market."⁸ The Commission continued, stating that "[r]emoving position and exercise limits for these index

⁸ See Securities Exchange Act Release No. 40969 (January 22, 1999), 64 FR 4911, 4913 (February 1, 1999) (SR-CBOE-98-23). As of January 8, 2025, the total market capitalization of the S&P 500 Index was \$49.788 trillion (which is nearly six times more than the market capitalization of the S&P 500 Index in 1999, when the Commission approved the elimination of position and exercise limits for SPX options). Additionally, the average daily trading volume for the underlying components of the S&P 500 Index for the six months preceding January 8, 2025 was approximately 2.7 billion shares (compared to 757.7 million in 1999). Given that the S&P 500 Equal Weight Index is comprised of the same constituents as the S&P 500 Index, the S&P 500 Equal Weight Index would have the same market capitalization, and the underlying components would have the same average trading volume, as the S&P 500 Index, which demonstrates the "substantial liquidity of the index components as a group." Id.

options may also bring additional depth and liquidity, in terms of both volume and open interest, to [SPX options] without significantly increasing concerns regarding intermarket manipulations or disruptions of the options or the underlying securities.”⁹ This finding would apply to the S&P 500 Equal Weight Index, and thus SPEQF and SPEQX options, given that it is comprised of the same components as the S&P 500 Index underlying SPX options. Similarly, this finding would apply to the S&P 500 Scored and Screen Index, and thus SPESG options, given that all components of the S&P 500 ESG Index are components of the S&P 500 Index. The Commission further found that: (1) eliminating position and exercise limits for SPX options would better service the hedging needs of institutions; (2) financial requirements imposed by the Exchange and the Commission adequately address concerns that a Cboe member or customer may try to maintain an inordinately large unhedged SPX option position; (3) index derivatives are not subject to position and exercise limits in the over-the-counter market); and (4) the Exchange surveillance reporting safeguards would allow it to detect and deter trading abuses arising from the elimination of position and exercise limits for SPX options).¹⁰ The Exchange believes these same principles apply to supporting no position or exercise limits for SPEQF, SPEQX, and SPESG options, particularly given the relationship between the S&P 500 Index, the S&P 500 Equal Weight Index, and the S&P 500 Scored and Screened Index.

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

⁹ Id.

¹⁰ Id.

competition that is not necessary in furtherance of the purposes of the Act, because it will apply to all market participants in the same manner. Additionally, the Exchange does not believe this proposed rule change will impose any burden on intermarket competition that is not necessary in furtherance of the purposes of the Act, because the Rules currently impose no position or exercise limits on many other broad-based index options, including SPX and XSP options, which overlie an index comprised of the same constituents. Additionally, the rules of other options exchange provide that other broad-based index options will not be subject to any position or exercise limits.¹¹

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 (i) as the Commission may designate up to 90 days of such date 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 shall: (a) by order approve or disapprove such proposed rule change, or (b) 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:

¹¹ See, e.g., Nasdaq PHLX LLC Options 4A, Section 6(a)(i) (which provides there are no position limits for Full Value Nasdaq 100 Options, the Reduced Value Nasdaq 100 Options, the Nasdaq 100-Micro Index Options, and the Nasdaq-100 ESG Index Options).

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-2025-020 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-2025-020. 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-2025-020 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.¹²

Sherry R. Haywood,

Assistant Secretary.

¹² 17 CFR 200.30-3(a)(12), (59).