

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103168; File No. SR-CBOE-2025-004]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of Amendment No. 1 and Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 1, to Add P.M.-Settled Options on the Cboe Bitcoin U.S. ETF Index and the Mini-Cboe Bitcoin U.S. ETF Index with Third Friday Expirations, Nonstandard Expirations, and Quarterly Index Expirations

June 2, 2025.

I. Introduction

On February 14, 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”)¹ and Rule 19b-4 thereunder,² a proposed rule change to add P.M.-settled options on the Cboe Bitcoin U.S. ETF Index (“CBTX”) and the Mini-Cboe Bitcoin U.S. ETF Index (“MBTX”) with third Friday expirations, nonstandard expirations, and quarterly index expirations. The proposed rule change was published for comment in the Federal Register on March 5, 2025.³ On April 16, 2025, the Commission designated a longer period within which to take action on the proposed rule change.⁴ On April 22, 2025, the Exchange filed Amendment No.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 102502 (Feb. 27, 2025), 90 FR 11343. The Commission has not received any comments.

⁴ See Securities Exchange Act Release No. 102870, 90 FR 16894 (Apr. 22, 2025) (designating June 3, 2025, as the date by which the Commission shall either approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change).

1 to the proposed rule change, described in Item II below, which Item has been prepared by the Exchange.⁵ Amendment No. 1 superseded the original proposed rule change in its entirety.

The Commission is publishing this notice and order to solicit comments on the proposed rule change, as modified by Amendment No. 1, from interested persons and to institute proceedings pursuant to Section 19(b)(2)(B) of the Act⁶ to determine whether to approve or disapprove the proposed rule change, as modified by Amendment No. 1.

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 Rules 4.13, 5.1, and 8.32. First, the Exchange proposes to amend Rule 4.13(e), which governs its Nonstandard Expirations Program (“Program”), to permit P.M.-settled options on the Cboe Bitcoin U.S. ETF Index (“CBTX”) and the Mini-Cboe Bitcoin U.S. ETF Index (“MBTX”) that expire any Monday, Tuesday, Wednesday, Thursday, or Friday (other than the third Friday-of-the-month (“Expiration Friday”) or days that coincide with an end-of-month expiration) (“Weekly Expirations”) and that expire on the last trading day of the

⁵ The full text of Amendment No. 1 is available on the Commission’s website at <https://www.sec.gov/comments/sr-cboe-2025-004/srcboe2025004.htm>.

⁶ 15 U.S.C. 78s(b)(2)(B).

month (“EOMs”). Currently under the Program, the Exchange is permitted to list P.M.-settled options on any broad-based index eligible for standard trading that expire on: (1) any Monday, Tuesday, Wednesday, Thursday, or Friday (other than the third Friday-of-the-month or days that coincide with an EOM expiration) and (2) the last trading day of the month.⁷ The proposal expands the availability of Weekly and EOM expirations to CBTX and MBTX options, which are narrow-based index options eligible for standard options trading.⁸

The Nonstandard Expiration Program will apply to CBTX and MBTX options in the same manner as it currently applies to broad-based index options. Weekly and EOM Expirations are subject to all provisions of Rule 4.13 and treated the same as options on the same underlying index that expire on the third Friday of the expiration month; provided, however, that Weekly and EOM Expirations are P.M.-settled, and new series in Weekly and EOM Expirations may be added up to and including on the expiration date for an expiring Weekly or EOM Expiration.

The maximum number of expirations that may be listed for each Weekly Expiration (i.e., a Monday expiration, Tuesday expiration, Wednesday expiration, Thursday expiration, or Friday expiration, as applicable) and each EOM expiration in a given class is the same as the maximum number of expirations permitted in Rule 4.13(a)(2) for standard options on the same index.⁹ Weekly Expirations need not be for consecutive Monday, Tuesday, Wednesday, Thursday, or

⁷ See Rule 4.13(e).

⁸ The Exchange notes these options are currently eligible for the Monthly Options Series program pursuant to Rule 4.13(a)(2)(C), which permits p.m.-settled options that expire on the last trading day of the month (as do options with EOM expirations). The Exchange proposes to make these options eligible for the EOM expirations pursuant to the Nonstandard Expiration for consistency since the Exchange is proposing to make these options eligible for the Weekly Expirations, which are part of the Nonstandard Expiration Program.

⁹ The proposed rule change deletes the phrase “broad-based” in several places in Rule 4.13(e), as the proposal would result in the provisions within that Rule applying to indexes that are not broad-based. These administrative changes merely accommodate the proposed expansion of the Nonstandard Expiration Program. The Exchange is not proposing to expand the Nonstandard Expiration Program to narrow-based indices generally, but rather only to MBTX and CBTX options.

Friday expirations as applicable; however, the expiration date of a nonconsecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively. Weekly Expirations that are first listed in a given class may expire up to four weeks from the actual listing date. Similarly, EOM expirations need not be for consecutive end of month expirations; however, the expiration date of a non-consecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively. EOM Expirations that are first listed in a given class may expire up to four weeks from the actual listing date. If the Exchange lists EOMs and Weekly Expirations in a given class, the Exchange will list an EOM instead of a Weekly Expiration that expires on the same day in the given class. Other expirations in the same class are not counted as part of the maximum number of Weekly or EOM Expirations for an applicable index class.

If the Exchange is not open for business on a respective Monday, the normally Monday expiring Weekly Expirations will expire on the following business day. If the Exchange is not open for business on a respective Tuesday, Wednesday, Thursday, or Friday, the normally Tuesday, Wednesday, Thursday, or Friday expiring Weekly Expirations will expire on the previous business day. If two different Weekly Expirations on an index would expire on the same day because the Exchange is not open for business on a certain weekday, the Exchange will list only one of such Weekly Expirations. In addition, pursuant to Rule 4.13(e)(3), transactions in expiring index options with Weekly and EOM Expirations may be effected on the Exchange between the hours of 9:30 a.m. and 4:00 p.m. on their last trading day (Eastern Time).

Second, the Exchange proposes to amend Rule 4.13(c), which governs quarterly index expirations (“QIXs”), to add CBTX and MBTX options to the list of options in Rule 4.13(c) that

are eligible for quarterly index expirations (“QIXs”), which are currently available for options on the S&P 100 Index (“OEX options”) S&P 500 Index (“SPX options”), Mini-S&P 500 Index (“XSP options”), the Russell 2000 Index (“RUT options”), and Mini-Russell 2000 Index (“MRUT options”).¹⁰ Pursuant to Rule 4.13(c), there may be up to eight near-term quarterly expirations open for trading in a class and these options will be P.M.-settled. The QIX program will apply to CBTX and MBTX options in the same manner as it currently applies to the other options currently eligible for those expirations. QIXs are subject to all provisions of Rule 4.13 and treated the same as options on the same underlying index that expire on the third Friday of the expiration month, except that QIXs, are P.M.-settled.

Third, the Exchange proposes to amend Rule 4.13, Interpretation and Policy .13, to permit the listing of P.M.-settled CBTX and MBTX options that expire on Expiration Fridays. Currently, pursuant to Rule 4.13, Interpretation and Policy .13, the Exchange is permitted to list P.M.-settled SPX options, XSP options, RUT options, and MRUT options that expire on Expiration Fridays. Combined with the proposed rule change above to permit the Exchange to list P.M.-settled CBTX and MBTX options with Weekly Expirations, the Exchange would be permitted to list P.M.-settled CBTX and MBTX options with expirations on all Fridays (in addition to all other days of the week). CBTX and MBTX options that are P.M.-settled and expire on Expiration Fridays are subject to all provisions of Rule 4.13 and treated the same as A.M.-settled CBTX and MBTX options, except that they are P.M.-settled.

¹⁰ The Exchange notes CBTX and MBTX options are currently eligible for the Quarterly Options Series program pursuant to Rule 4.13(a)(2)(B), which permits P.M.-settled options that expire on the last trading day of the quarter (as do QIXs). The Exchange proposes to make these options eligible for QIXs for consistency, since QIXs are currently available for certain index options available for trading on the Exchange (which options are also eligible for the Nonstandard Expirations Program).

Finally, the Exchange proposes to amend Rule 5.1, which governs trading days and hours, in conjunction with the proposed addition of CBTX and MBTX options that are P.M.-settled and expire on Expiration Friday. Rule 5.1(b)(2)(C) currently provides that on their last trading day, Regular Trading Hours for index options with Nonstandard Expirations, as well as expiring P.M.-settled SPX, XSP, RUT, and MRUT options, may be effected on the Exchange between 9:30 a.m. and 4:00 p.m. Eastern Time¹¹ (as opposed to the 9:30 a.m. to 4:15 p.m. Regular Trading Hours for options with those expirations that are non-expiring). The proposed rule change amends Rule 5.1(b)(2)(C) to include CBTX and MBTX P.M.-settled options.¹² The primary listing markets for the component securities that comprise the Cboe Bitcoin U.S. ETF Index and the Mini-Cboe Bitcoin U.S. ETF Index close trading in those securities at 4:00 p.m., just as the primary listing markets for the component securities that comprise the S&P 500, Mini-S&P 500, Russell 2000, and Mini-Russell 2000 Indexes close trading at 4:00 p.m. The primary listing exchanges for the component securities disseminate closing prices for the component securities, which are used to calculate the exercise settlement value of these indexes. The Exchange believes that, under normal trading circumstances, the primary listing markets have sufficient bandwidth to prevent any data queuing that may cause any trades that are executed prior to the closing time from being reported after 4:00 p.m. If trading in expiring CBTX and MBTX P.M.-settled options continued an additional fifteen minutes until 4:15 p.m. on their last trading day, these expiring options would be trading after the settlement index value for those expiring options was calculated. Therefore, in order to mitigate potential investor confusion and

¹¹ See Rule 1.6, which states that unless otherwise specified, all times in the Rules are Eastern Time.

¹² Current Rule 5.1(b)(2)(C) would apply to CBTX and MBTX options with Nonstandard Expirations and QIXs, as proposed; therefore, the addition of CBTX and MBTX P.M.-settled options to the list of options set forth in this Rule covers these options that expire on Expiration Fridays.

the potential for increased costs to investors as a result of potential pricing divergence at the end of the trading day, the Exchange believes that it is appropriate to cease trading in the expiring CBTX and MBTX P.M.-Settled options at 4:00 p.m., as it already does for expiring P.M.-settled SPX, XSP, RUT, and MRUT options that expire on Expiration Fridays and for expiring broad-based indexes with Nonstandard Expirations (which are P.M.-settled) for the same aforementioned reasons.¹³ The Exchange does not believe that the proposed rule change will impact volatility on the underlying cash market comprising the Cboe Bitcoin U.S. ETF Index and the Mini-Cboe Bitcoin U.S. ETF Index at the close on Expiration Fridays, as it already closes trading on the last trading day for expiring P.M.-settled index options at 4:00 p.m., which the Exchange does not believe has had an adverse impact on fair and orderly markets on Expiration Fridays for the underlying securities comprising the corresponding indexes.¹⁴

As noted above, the Exchange may currently list P.M.-settled CBTX and MBTX options with expirations on the last calendar of the month and quarter.¹⁵ As a result, it is already possible for CBTX and MBTX options to be P.M.-settled and to expire on any day of the week (as the end of the month or the end of a quarter may fall on any day of the week). The Exchange also already allows CBTX and MBTX options to expire on Thursdays for normally Friday expiring options when the Exchange is not open for business on a respective Friday. Further, CBTX and

¹³ See Securities Exchange Act Release Nos. 68888 (February 8, 2013), 78 FR 10668 (February 14, 2013) (SR-CBOE-2012-120) (“SPXPM Pilot Approval Order”); 70087 (July 31, 2013), 78 FR 47809 (August 6, 2013) (SR-CBOE-2013-055) (“XSPPM Pilot Approval Order”); and 91067 (February 5, 2021), 86 FR 9108 (February 11, 2021) (SR-CBOE-2020-116) (“MRUTPM Pilot Approval Order”).

¹⁴ See Securities Exchange Act Release Nos. 98454 (September 20, 2023), 88 FR 66103 (September 26, 2023) (SR-CBOE-2023-005) (“SPXPM Permanent Approval Order”); and 98455 (September 20, 2023), 88 FR 66073 (September 26, 2023) (SR-CBOE-2023-019) (“XSPPM and MRUTPM Permanent Approval Order”).

¹⁵ See Rule 4.13(a)(2)(C) and (B), respectively.

MBTX options are available for FLEX trading pursuant to Rule 4.20, and thus, users may select expiration dates for these FLEX options for any day of the week and may select p.m.-settlement.

The Exchange believes that the introduction of Weekly Expirations and Expiration Friday expirations that are P.M.-settled for CBTX and MBTX will provide market participants with additional hedging tools and greater trading opportunities, regardless of in which index option market they participate. By offering expanded expirations along with the current standard A.M.-settled expirations (as well as P.M.-settled monthly and quarterly expirations), the proposed rule change will allow market participants to purchase options on CBTX and MBTX available for trading on the Exchange in a manner more aligned with specific timing needs (such as to hedge special events) and more effectively tailor their investment and hedging strategies and manage their portfolios. In particular, the proposed rule change will allow market participants to roll their positions on more trading days, thus with more precision, spread risk across more trading days and incorporate daily changes in the markets, which may reduce the premium cost of buying protection. For example, the Exchange believes that market participants may be paying for more protection than needed if they are seeking to hedge weekend or special event risk that occurs. Therefore, the Exchange believes that P.M.-settled daily expirations (including on all Fridays) would allow market participants to purchase an option based on their needed timing and allow them to tailor their investment or hedging needs more effectively. In addition, because P.M.-settlement permits trading throughout the day on the day the contract expires, the Exchange believes this will permit market participants to more effectively manage overnight risk and trade out of their positions up until the time the contract settles.

The Exchange believes there is sufficient investor interest and demand in Weekly Expirations and Expiration Friday P.M.-settled expirations for CBTX and MBTX options to

warrant inclusion in the Program and in the Rules, and that the Program and the Rules, as amended, will continue to provide investors with additional means of managing their risk exposures and carrying out their investment objectives.¹⁶

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it believes that the Exchange and OPRA have the necessary systems capacity to handle any potential additional traffic associated with trading of P.M.-settled Weekly and Expiration Friday expirations for CBTX and MBTX options. The Exchange does not believe that its Trading Permit Holders (“TPHs”) will experience any capacity issues as a result of this proposal and represents that it will monitor the trading volume associated with any possible additional CBTX and MBTX options series listed as a result of this proposal and the effect (if any) of these additional series on market fragmentation and on the capacity of the Exchange’s automated systems.

In addition to this, the Exchange believes that its existing surveillance and reporting safeguards in place are adequate to deter and detect possible manipulative behavior which might arise from listing and trading CBTX and MBTX P.M.-Settled options with Weekly Expirations or Expiration Friday expirations (as the Exchange currently applies these to CBTX and MBTX options that are P.M.-settled with monthly and quarterly expirations) and will support the protection of investors and the public interest. Furthermore, the trading of CBTX and MBTX options with Weekly and P.M.-settled Expiration Friday expirations will be subject to the same rules that currently govern the trading of these options with other expirations, including

¹⁶ The Exchange currently may list Weekly and EOM Expirations for any broad-based index option pursuant to the Program, and lists Expiration Friday P.M.-settled expirations pursuant to the Rules, for SPX, XSP, RUT, and MRUT.

governing customer accounts, position and exercise limits,¹⁷ margin requirements and trading halt procedures, among other Rules, which are designed to prevent fraudulent and manipulative acts and practices.

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.¹⁸ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁹ 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 facilitation 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

¹⁷ The proposed rule change amends Rule 8.32(f) to provide that positions in Nonstandard Expiration Program series will be aggregated with positions in options contracts in the same index class. Therefore, CBTX and MBTX options positions that have Nonstandard Expirations will be aggregated for purposes of position limits with positions in CBTX and MBTX options, respectively with other expirations (including short-term, monthly, and quarterly expirations). This is consistent with the treatment of positions for purposes of position limits for other classes that participate in the Nonstandard Expiration Program. See Rule 8.31(b). Pursuant to Rule 8.42(b), which provides that the exercise limits for index options (including CBTX and MBTX options) are equivalent to the position limits set forth in Rule 8.32. Pursuant to Rule 8.32(a) and 8.42(b), the current position and exercise limits for CBTX and MBTX options are 24,000 contracts (and may not be more than 31,500 without rule changes). Therefore, investors would not be able to maintain significant open interest in these options, which may further prevent investors from being able to impact the value of the index.

¹⁸ 15 U.S.C. 78f(b).

¹⁹ 15 U.S.C. 78f(b)(5).

consistent with the Section 6(b)(5)²⁰ 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 that 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 believes that the introduction of P.M.-settled Weekly and Expiration Friday expirations for CBTX and MBTX options (rather than offering those expirations for just broad-based indexes) will provide investors with expanded hedging tools and greater trading opportunities and flexibility in additional index option markets.²¹ As a result, investors will have additional means to manage their risk exposures and carry out their investment objectives. By offering expanded expirations for CBTX and MBTX options (along with the currently available P.M.-settled monthly and quarterly options and standard A.M.-settled options), the proposed rule change will allow market participants to purchase options on two additional index options available for trading on the Exchange in a manner more aligned with specific timing needs and more effectively tailor their investment and hedging strategies and manage their portfolios. For example, the proposed rule change will allow market participants to roll their positions in CBTX and MBTX options on more trading days, thus with more precision, spread risk across more trading days and incorporate daily changes in the markets, which may reduce the premium cost of buying protection. The Exchange represents that it believes that it has the necessary systems capacity to support any additional traffic associated with trading of CBTX and MBTX options with Weekly

²⁰ Id.

²¹ CBTX and MBTX options may already be listed with P.M.-settlement and expirations on the last calendar day of the month or quarter pursuant to Rule 4.13(a)(2)(C) and (B), respectively; therefore, the additional series that this proposed rule would permit to be listed are P.M.-settled Weeklys and Expiration Friday expirations. The proposed rule change merely adds these options to different programs within the Rules that permit these same expirations for consistency within the Rules.

and Expiration Friday (P.M.-settled) expirations and does not believe that its TPHs will experience any capacity issues as a result of this proposal.

The Exchange does not believe that the addition of CBTX and MBTX options to the Nonstandard Expirations Program, to the P.M.-settled Expiration Friday program, or the QIX program will raise any prohibitive regulatory concerns, nor adversely impact fair and orderly markets on expiration days. The Exchange has not experienced any meaningful regulatory concerns, nor adverse impact on fair and orderly markets, in connection with these programs, nor with the listing of CBTX and MBTX options that are P.M.-settled and expire on the last calendar day of the month and quarter (as the Exchange currently does) and is unaware of any reason why adding P.M.-settled options with expirations each day of the week for CBTX and MBTX options (which overlie a narrow-based index rather than a broad-based index) would be create such concerns or impact. Particularly, the Exchange does not believe increases in the number of P.M.-settled options series and expirations will have any significant adverse economic impact on the futures, index, or underlying index component securities markets (the Exchange notes there are currently no futures or securities futures listed on the underlying indexes). The Exchange believes that the proposed rule change will provide investors with greater trading and hedging opportunities and flexibility, allowing them to transact in CBTX and MBTX options in a manner more aligned with specific timing needs and more effectively tailor their investment and hedging objectives by listing these options that expire each trading day of the week, in addition to options that expire at the end of calendar month and quarter (which, as noted above, the Exchange may already do pursuant to separate listing programs in the Rules).

As also discussed above, the Exchange already lists P.M.-settled CBTX and MBTX options that expire on the last calendar day of the month and quarter; the proposed rule change

merely permits these listings to occur under different programs within the Rules for consistency within the Exchange’s Rules.²² Therefore, it is already possible for CBTX and MBTX options to be P.M.-settled and to expire on any day of the week (as the end of the month or the end of a quarter may fall on any day of the week). The Exchange also already allows CBTX and MBTX options to expire on Thursdays for normally Friday expiring options when the Exchange is not open for business on a respective Friday. Further, CBTX and MBTX options are available for FLEX trading pursuant to Rule 4.20, and thus, users may select expiration dates for these FLEX options for any day of the week and may select p.m.-settlement. The Exchange has observed no significant adverse economic impact on the futures, index, or underlying index component securities markets as a result of these listings.

The Commission previously recognized that listing P.M.-settled index options with Weekly Expirations and Expiration Friday expirations (in addition to EOM Expirations (which would include expirations on the last day of calendar quarters)) was consistent with the Act.²³ The Commission noted that expirations in those index options would “offer additional investment options to investors and may be useful for their investment or hedging objectives . . .

²² For example, it may be confusing to list Weeklys under the Nonstandard Expirations Program but monthlys under the Monthly program rather than the Nonstandard Expirations Program. As proposed, all index options the Exchange lists with expirations other than Expiration Fridays would be eligible for those expirations under the same programs.

²³ See Securities Exchange Act Release Nos. 98454 (September 20, 2023), 88 FR 66103 (September 26, 2023) (SR-CBOE-2023-005) (“SPXPM Permanent Approval Order”); 98455 (September 20, 2023), 88 FR 66073 (September 26, 2023) (SR-CBOE-2023-019) (“XSPPM and MRUTPM Permanent Approval Order”) (the Exchange initially listed P.M.-Settled SPX, XSP, and MRUT options that expire on Expiration Fridays pursuant to pilot programs, so the Commission could monitor the impact of P.M. settlement of cash-settled index derivatives on the underlying cash markets (while recognizing that these risks may have been mitigated given enhanced closing procedures in use in the primary equity markets); 94682 (April 12, 2022), 87 FR 22993, 22994 (April 18, 2022) (SR-CBOE-2022-005) (approval of proposed rule change to list P.M.-settled SPX options that expire on Tuesdays and Thursdays) (“Daily SPX Option Approval”); and 95795 (September 15, 2022), 87 FR 57745, 57746 (September 21, 2022) (SR-CBOE-2022-039) (approval of proposed rule change to list P.M.-settled XSP options that expire on Tuesdays and Thursdays) (“Daily XSP Option Approval”).

.”²⁴ The Exchange also notes it previously listed P.M.-settled broad-based index options with Weekly, EOM, and Expiration Friday expirations pursuant to pilot programs, so the Commission could monitor the impact of P.M.-settlement of cash-settled index derivatives on the underlying cash markets (while recognizing that these risks may have been mitigated given enhanced closing procedures in use in the primary equity markets); however, the Commission approved proposed rule changes to make those pilot programs permanent. The Commission noted that the data it reviewed in connection with the pilot demonstrated that these options “benefitted investors and other market participants by providing more flexible trading and hedging opportunities while also having no disruptive impact on the market” and were thus consistent with the Act.²⁵ The proposed rule change is consistent with these findings, as it will benefit investors and other market participants that participate in the markets for additional index options in the same manner by providing them with more flexible trading and hedging opportunities.

Further, the Exchange believes P.M.-settlement is appropriate for this CBTX and MBTX options because they trade within a complex where, in addition to the underlying components, there are multiple other highly correlated instruments that all hold Bitcoin available for hedging (e.g., options on the components, shares of other ETFs that hold Bitcoin, Bitcoin futures). This reduces the risk that listing these options would strain liquidity providers. Further, the size of the markets of the underlying components,²⁶ the weighting of the components, and the high

²⁴ See Daily SPX Option Approval at 22995; and Daily XSP Option Approval at 57746.

²⁵ See SPXPM Permanent Approval Order at 66106; and XSPPM and MRUTPM Permanent Approval Order at 66076 (citing data the Commission reviewed in connection with the pilot programs);

²⁶ The assets under management of the index components range from \$130 million to \$48 billion as of April 15, 2025. Additionally, the narrow-based listing criteria pursuant to which these index options are listed impose various requirements on the component securities related to the market capitalization and liquidity, which further reduce the risk that the markets for the components would be impacted by additional

correlation of these components makes it unlikely the proposed rule change would materially impact the component markets, the index value, or the broader market.

As is the case for options on broad-based indexes, the Exchange does not believe the listing of additional P.M.-settled CBTX and MBTX options (which are narrow-based index options) will have any significant economic impact (such as on market quality or volatility) on the component securities underlying the index surrounding the close as a result of expiring p.m.-settled options or impact market quality. This is based on the data provided to and reviewed by the Commission (and the Commission's own conclusions based on that review, as noted above) and due to the significant changes in closing procedures in the decades since index options moved to a.m.-settlement.²⁷ The Exchange believes the potential for any such impact is not only no greater for narrow-based indexes than broad-based indexes, but is less likely for narrow-based indexes such as CBTX and MBTX, as the indexes underlying such options are by definition not representative of an entire market (as is the case for options on the S&P 500 Index). Therefore, any potential impact would be limited in scope (as noted above, the Commission found no material impact with respect to P.M.-settled broad-based index options), unlike for a broad-based index, which would impact the market as a whole. Therefore, because, as noted above, the Commission found no material impact with respect to broad-based index options, the Exchange

derivatives. For example, pursuant to Rule 4.10(b): (1) the market capitalization for the lowest-weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index must be at least \$50 million, and the market capitalization of all other components must be at least \$75 million; (2) the trading volume in each component must be at least 1,000,000 shares for each of the last six months (from October 2024 through March 2025, the lowest monthly trading volume for a component was over 1.5 million shares), except that for each of the lowest-weighted component securities in the index that in the aggregate account for no more than 10% of the weight the index, the trading volume must be at least 500,000 shares for each of the last six months); and (3) no single component security may represent more than 25% of the weight of the index, and the five highest-weighted component securities in the index may not in the aggregate account for more than 50% (60% for an index consisting of fewer than 25 component securities) of the weight of the index.

²⁷ See id.

believes that it is reasonable that no material impact would occur with respect to CBTX and MBTX options for the reasons described above (including the high correlation of the component securities and the availability of multiple highly correlated instruments for hedging). The narrow scope of narrow-based indexes aligns closer to the scope of equity options (which are P.M.-settled, such as the options overlying certain of the Bitcoin ETFs that comprise the index underlying CBTX and MBTX options).

Further, the index underlying CBTX and MBTX options satisfies the generic listing criteria in Rule 4.10(b). Upon approval of those listing criteria, the Commission noted that these generic standards were reasonably designed to ensure the protection of investors and the public interest and to ensure that the trading markets for the components were adequately capitalized and sufficiently liquid, and that no one component dominated the index, thus minimizing the potential for manipulation.²⁸ This listing criteria includes the following:

- each component security has a market capitalization of at least \$75 million, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, the market capitalization is at least \$50 million;
- trading volume of each component security has been at least one million shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight

²⁸ See Securities Exchange Act Release No. 34157 (June 3, 1994), 59 FR 30062 (June 10, 1994) (SR-Amex-92-35, SR-CBOE-93-59, SR-NYSE-94-17, SR-PSE-94-07, and SR-Phlx-94-10). The Commission made substantially similar findings with respect to generic listing criteria for broad-based index options. See Securities Exchange Act Release No. 53266 (February 9, 2006), 71 FR 8321 (February 16, 2006) (SR-CBOE-2005-59) (the Commission noted that the listing criteria were “designed to ensure that the markets for the index’s component stocks are adequately capitalized and sufficiently liquid, and that no one stock dominates the index” and thus “minimize the potential for manipulating the underlying index”).

of the index, trading volume has been at least 500,000 shares for each of the last six months;

- in a capitalization-weighted index or a modified capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of component securities in the index each have had an average monthly trading volume of at least 2,000,000 shares over the past six months;
- no single component security represents more than 25% of the weight of the index, and the five highest weighted component securities in the index do not in the aggregate account for more than 50% (60% for an index consisting of fewer than 25 component securities) of the weight of the index; and
- component securities that account for at least 90% of the weight of the index and at least 80% of the total number of component securities in the index satisfy the requirements of Rule 4.3 applicable to individual underlying securities.

Therefore, by satisfying the generic listing criteria for narrow-based index options, the index underlying CBTX and MBTX options is, like broad-based indexes, designed to minimize the potential for manipulation, further reducing any potential concerns associated with P.M.-settlement.

In addition, the Exchange believes that the proposal to end trading at 4:00 p.m. on the last trading day for transactions in expiring P.M.-settled CBTX and MBTX options will prevent continued trading on a product after the exercise settlement value has been fixed, thereby mitigating potential investor confusion and the potential for increased costs to investors as a result of potential pricing divergence at the end of the trading day.

Finally, the Exchange believes the proposed rule change that Nonstandard Expiration Program series of CBTX and MBTX options will be aggregated with other options within those classes for purposes of position (and exercise) limits is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade, and thus protect investors. This proposed aggregation is consistent with the treatment of positions for purposes of position (and exercise) limits for other classes that participate in the Nonstandard Expiration Program.²⁹ Therefore, the current position and exercise limits that apply to CBTX and MBTX options will continue to apply, as the proposed additional expirations for these options would have no impact on the number of positions that may be held (or exercised) within a single account.

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 in furtherance of the purposes of the Act because P.M.-settled CBTX and MBTX options with Weekly and Expiration Friday expirations will be available to all market participants. By listing CBTX And MBTX options with these expirations (in addition to the monthly, quarterly, and standard Expiration Friday expirations (A.M.-settled) that are currently listed), the proposed rule change will provide all investors that participate in the markets for these index options available for trading on the Exchange with greater trading and hedging opportunities and flexibility to meet their investment and hedging needs, which are already available for broad-based index options. Further, the proposed change to make CBTX

²⁹ See Rule 8.31(b).

and MBTX options that are P.M.-settled and expire on the last business day of the month or quarter eligible for listing under different programs under the Rules will have any burden on competition, as this proposed rule change is intended to maintain consistency within the Rules and will result in the same series being listed. The proposed 4:00 p.m. closing time for expiring P.M.-settled CBTX and MBTX options on their expiration dates will apply equally to all market participants trading these options.

The Exchange does not believe that the proposal to list P.M.-settled CBTX and MBTX options with Weekly and Expiration Friday expirations will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because these options are proprietary Exchange products. The Exchange may currently list the same expirations for other index options, so the proposed rule change merely expands the availability of these expiration programs to additional products. Other exchanges offer similar expirations for index options as well as short-term options programs for certain equity options that expire each day of the week, at the end of the calendar month, at the end of the calendar quarter, and on Expiration Fridays³⁰ and are welcome to similarly propose to list options on those index or equity products with similar expirations. To the extent that the addition of these expirations for CBTX and MBTX options makes the Exchange a more attractive marketplace to market participants at other exchanges, such market participants are free to elect to become market participants on the Exchange.

Additionally, CBTX and MBTX options with these expirations will trade in the same manner as other options with these expirations currently do.

³⁰ See, e.g., Nasdaq PHLX, LLC Options 4A, Section 12 (permitting nonstandard expirations, including daily expirations for Nasdaq-100 index options and Nasdaq 100-Micro index options); and Nasdaq ISE, LLC Options 4, Section 5, Supplementary Material .03 (permitting short-term options series with daily expirations for SPY and QQQ options).

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. Proceedings to Determine Whether to Approve or Disapprove SR-CBOE-2025-004 as Modified by Amendment No. 1, and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act³¹ to determine whether the proposed rule change, as modified by Amendment No. 1, 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, as modified by Amendment No. 1. 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, as modified by Amendment No. 1.

Pursuant to Section 19(b)(2)(B) of the Act,³² the Commission is providing notice of the grounds for disapproval under consideration. As described above, the Exchange has proposed to add P.M.-settled options on CBTX and MBTX with third Friday expirations, Weekly and EOM expirations, and quarterly index expirations. The Commission is instituting proceedings to allow for additional analysis of the proposal’s consistency with Section 6(b)(5) of the Act,³³ 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 protect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

³¹ 15 U.S.C. 78s(b)(2)(B).

³² See id.

³³ 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 [Act] and the rules and regulations issued thereunder . . . is on the self-regulatory organization that proposed the rule change.”³⁴ 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,³⁵ 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.³⁶ 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. In particular, the Commission asks commenters to address the potential market impacts of allowing the listing and trading of the proposed P.M.-settled options on CBTX and MBTX.

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 proposed rule change, as modified by Amendment No. 1. In particular, the Commission invites the written views of interested persons concerning whether the proposed rule change, as modified by Amendment No. 1, is consistent with Section 6(b)(5) or 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

³⁴ 17 CFR 201.700(b)(3).

³⁵ See id.

³⁶ See id.

presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4 under the Act,³⁷ any request for an opportunity to make an oral presentation.³⁸

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change, as modified by Amendment No. 1, 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. Please include file number SR-CBOE-2025-004 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-2025-004. This file number should be included on the subject line if email is used. To help the Commission process and review your

³⁷ 17 CFR 240.19b-4.

³⁸ 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 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-2025-004 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.³⁹

Stephanie Fouse,
Assistant Secretary.

³⁹ 17 CFR 200.30-3(a)(57).