

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104588; File No. SR-CBOE-2026-004]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of a Proposed Rule

Change to Adopt Future-Option Orders

January 13, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 6, 2026, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (the “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 its Rules to permit orders comprised of options and futures legs (“future-option orders”). The text of the proposed rule change is also available on the Commission’s website (<https://www.sec.gov/rules/sro.shtml>), the Exchange’s website (https://www.cboe.com/us/options/regulation/rule_filings/bzx/) [sic], and at the principal office of the Exchange.

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

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

2 17 CFR 240.19b-4.

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 its Rules to permit future-option orders comprised of Cboe Volatility Index (“VIX”) options (“VIX options”) (which trade on the Exchange) and VIX futures (“VX futures”) (which trade on Cboe Futures Exchange, LLC’s (“CFE”)). The Exchange understands it is common for investors to engage in hedging or other investment strategies that involve VIX options and VX futures, given they both overlie the same index. However, to execute those strategies, investors must submit a VIX options order to the Exchange and separately submit a VX futures order to CFE, which is the designated contract market (“DCM”) on which the VX futures trade. For example, market participants may obtain positions in VIX options through a transaction on the Exchange and hedge those positions by entering into a separate transaction on CFE for VX futures. Separate executions of this sort create additional risks, including risk that one order will execute while the other does not and price risk resulting from the time it takes to complete both transactions. The Exchange understands that due to those risks and the complexities of multi-part transactions, market participants may instead transact in the over-the-counter (“OTC”) market or not obtain a hedge at all. The proposed rule change adopts a mechanism to facilitate the execution of these cross-product transactions in a simple, efficient manner that reduces these execution and price risks.

First, the Exchange proposes to adopt a definition of a future-option order. Specifically, the proposed rule change amends Rule 1.1 to define a “future-option order”³ as an order to buy or sell a stated number of units of an underlying or a related futures contract(s) coupled with the purchase or sale of an option contract(s) on the Exchange. Future-option orders will be available for VIX options and VX futures (the DCM for which is CFE), which may be referred to as “VIX future-option orders.”

The proposed definition of a future-option order includes a risk offset requirement. A User may only submit a future-option order if it satisfies the applicable risk offset requirement. The Exchange believes a risk offset requirement will provide market participants with sufficient flexibility to execute legitimate strategies comprised of options and futures while preventing a market participant from using the proposed execution mechanism to execute a futures trade outside of the normal trading process on the applicable designated contract market by combining the future leg(s), for example, with an inexpensive out-of-the-money option leg.

Pursuant to paragraph (a) of the proposed definition of future-option order, a VIX future-option order must be comprised of “groups” of offsetting future and options legs. The future and option components of each group must have the same expiration, and the VX future leg(s) in a group must provide a risk offset to the VIX option leg(s) in that group of no less than 10% and no greater than 125%. A future-option order satisfies this risk offset requirement if the delta

3 As proposed, a “future-option order” is deemed an inter-regulatory spread order for purposes of the Rules. Rule 1.1 defines an inter-regulatory spread order as an order involving the simultaneous purchase and/or sale of at least one unit in contracts each of which is subject to different regulatory jurisdictions at stated limits, or at a stated differential, or at market prices on the floor of the Exchange. The proposed rule change amends the definition of inter-regulatory spread order to provide that, with respect to future-option orders, market prices are those on the Exchange, not just the floor of the Exchange, given that trading on the Exchange currently occurs both on the trading floor and electronically.

value of each group is no greater than -0.10 and no less than -1.25.⁴ The delta value⁵ of VIX option leg equals the expected change in the price of that option contract given a \$1.00 change in the value of VIX. The delta value of a VX future leg equals the amount set forth in the CFE rules or contract specifications. The delta value of each VIX option leg is multiplied by its multiplier of 100, and the delta value of each VX future leg is multiplied by its multiplier of 1,000. The sum of the future legs delta values divided by the sum of the option legs delta values, which equals the delta value for the order.

For example, suppose a VIX future-option order is submitted with the following components:

- Sell 1 Dec VX future with a delta of -1
- Buy 2 Jan VX futures with delta of 1
- Buy 16 Dec VIX option calls with a delta of 0.50
- Buy 35 Jan VIX option puts with a delta of -0.60

The 1 short Dec VX future is grouped with the 16 long Dec VIX calls, which group has a delta of $/(-1 \times 1,000)/(16 \times .50 \times 100) = -1,000/800 = -0.125$. The 2 long Jan VX futures are grouped with the 35 short Jan VIX puts, which group has a delta of $(2 \times 1,000)/(35 \times -0.60 \times 100) = -2,000/2,100 = -0.9524$. This order would satisfy the risk offset requirement, as both groups have a delta between -0.10 and -1.25.

⁴ The System rejects a future-option order if any option contract leg or future contract leg cannot be grouped with any future leg(s) or option leg(s), respectively.

⁵ A User must include a reasonable delta value for each option leg when submitting a future-option order (excluding auction responses) to the Exchange. See paragraph (b) of proposed definition of future-option order in Rule 1.1. This will permit the System to calculate whether the delta value of a group satisfies the risk offset requirement. Auction responses need not include the reasonable delta value because the risk offset requirement would have already been deemed to be satisfied upon acceptance of the auctioned order.

If the System determines that a complex strategy comprised of VX future (at a specified price)⁶ and VIX option legs satisfies the risk offset requirement, it accepts all VIX future-option orders for that complex strategy for the remainder of the trading day. This will prevent a situation in which the Exchange accepts a future-option order for a specific complex strategy on a trading day but cannot execute against future-option orders for the same complex strategy submitted later that trading day but no longer satisfies the risk offset requirement because the delta values have changed since the initial order was submitted.⁷

The proposed rule change also amends the definition of “complex order” in Rule 1.1 to provide that unless the context otherwise requires, the term complex order will include future-option orders.⁸

The proposed rule change adds future-option order to the list of types of complex orders that may be accepted for electronic trading.⁹ Specifically, the proposed rule change amends Rule 5.33(b)(5) to reference the proposed definition of future-option order in Rule 1.1 and state that only VIX future-option orders with no more than the applicable number of legs are eligible for electronic processing.¹⁰ Future-option orders submitted for electronic processing may execute pursuant to a complex order auction (“COA”) if eligible as described in Rule 5.33(d) or in the

6 A User must include a net price for the option leg(s) and a price for each futures leg of a future-option order. See proposed subparagraph (b)(3) of the definition [sic] of future-option order in Rule 1.1.

7 It is for this reason a User may only designate a future-option order submitted for electronic processing as Day (an order that, if not executed, expires at the applicable market close) or IOC (an order that must execute in whole or in part as soon as the System receives it) and not GTC (good-till-cancelled) or GTD (good-till-date). See proposed Rule 1.1 (proposed paragraph (b)(1) of definition of future-option order).

8 The term complex order already includes cross-product orders such as stock-option orders and security future-option orders.

9 The proposed rule change also amends Rule 5.70(b) to provide that the Exchange may make future-option orders available for flexible (FLEX) options trading.

10 The definition of stock-option order in Rule 5.33(b)(5) similarly permits stock-option orders with no more than the applicable number of legs permitted by the Exchange for electronic processing. The proposed rule change also provides that future-option orders will execute (electronically) in the same manner as other complex orders, except as otherwise specified in Rule 5.33.

complex order book (“COB”) as described in Rule 5.33(e) and will execute in the same manner as other complex orders, except as described below. Future-option orders may also be submitted for execution (if eligible) in the complex automated improvement mechanism (“C-AIM”) as described in Rule 5.38 or complex solicitation auction mechanism (“C-SAM) as described in Rule 5.40. Processing of future-option orders through C-AIM or C-SAM will occur in the same manner as any other complex orders submitted into those execution mechanisms.

The Exchange proposes to amend Rule 5.33 to describe how future-option orders may execute electronically on the Exchange, which process is substantially similar to that for stock-option orders. As proposed in Rule 5.33(o), when a User submits to the System a future-option order:

- if the User is also a member of CFE (to which the Exchange has established electronic communication)¹¹, the Exchange will electronically communicate the future component of the future-option order to CFE on behalf of the User¹²; or
- if the User is not also a CFE member, the User must designate a specific futures commission merchant (“FCM”) or introducing broker (“IB”) with which it has entered into an agreement pursuant to proposed Rule 5.33, Interpretation and Policy .05 (the “designated FCM/IB”) to which the Exchange will communicate the futures component of the future-option order on behalf of the User.¹³

11 The rule text is drafted generically and refers to the DCM on which the applicable futures trade to accommodate the potential addition of additional classes of future-option orders in the future. However, as discussed above, the Exchange initially will only permit VIX future-option orders; therefore, the descriptions in this filing reference CFE rather than DCM in certain instances.

12 Unlike stock, a future trades on one DCM, which would make such direct communication with the DCM possible. This would only be available if the DCM and Exchange established electronic communication between the two markets to permit this direct communication of the futures component, as is the case with CFE.

13 As is the case with any order submitted to the Exchange, only authorized Users and associated persons of Users may establish connectivity to and access the Exchange to submit orders. See Rule 5.5(a). A “User”

Proposed Interpretation and Policy .05 provides that to submit a future-option order to the Exchange for execution, if the User is not also a CFE member, a User must enter into an agreement with one or more FCMs or IBs that are not affiliated with the Exchange, which FCM/IB(s) the Exchange has identified as having connectivity to electronically communicate the futures components of future-option orders to CFE.¹⁴ This will provide Users with flexibility to pick which FCM/IB will communicate the futures components of their orders for execution (if an FCM/IB is necessary for communication of the VX futures component to CFE).¹⁵

Proposed Rule 5.33(o)(2) provides that a future-option order may execute against other future-option orders (or COA Responses, if applicable), but may not execute against orders in the Simple Book.¹⁶ If a future-option order can execute upon entry or following a COA, or if it can execute following evaluation while resting in the COB pursuant to Rule 5.33(i), the System executes the option component(s) of a future-option order against the option component of other future-option orders resting in the COB or COA responses pursuant to the allocation algorithm applicable to the class (pursuant Rule 5.33(d)(5)(A)(ii)), as applicable, but does not immediately

is defined as a Trading Permit Holder (“TPH”) or Sponsored User who is authorized to obtain access to the System pursuant to Rule 5.5. See Rule 1.1 (definition of User). The User and any individuals associated with the User that submits a future-option order to the Exchange must have any required futures industry registrations and comply with applicable rules of the designated contract market on which the futures trades and the Commodity Futures Trading Commission (“CFTC”). In addition, as is the case with respect to any order submitted to the Exchange, the User and any individuals associated with the User that submits a future-option order to the Exchange must have any required securities industry registrations.

14 This requirement is substantially identical to that required for stock-option orders.

15 The Exchange intends to establish an arrangement with one or more FCMs/IBs that are members of the applicable designated contract market, pursuant to which arrangement those FCMs/IBs will have connectivity to the Exchange to receive the futures components of future-option orders and communicate those to the applicable designated contract market for execution of these futures components.

16 See also proposed Rule 5.33(g)(5) (which provides that future-option orders, like stock-option orders, may not leg into the simple book).

send the User a trade execution report, and then automatically communicates the future component(s) to the DCM or the designated FCM/IB, as applicable, for execution at the DCM on which the futures trade. If the System receives an execution report for the future component(s) from the DCM or the designated FCM/IB, as applicable, the Exchange sends the User the trade execution report for the future-option order, including execution information for the future and option components. If the System receives a report from the DCM or the designated FCM/IB, as applicable, that the future component(s) cannot execute,¹⁷ the Exchange nullifies the option component(s) trade and notifies the User of the reason for the nullification. If a future-option order is not marketable, it rests in the COB (if eligible to rest), subject to a User's instructions.

The proposed rule change adopts rule 5.33(f)(1)(C) to provide that Users may express bids and offers for a future-option order in any decimal price the Exchange determines, which will permit the Exchange to accommodate the available pricing of futures. The minimum increment for the option leg(s) of a future-option order is \$0.01 or greater, which the Exchange may determine on a class-by-class basis, regardless of the minimum increments otherwise applicable to the option leg(s),¹⁸ and the future leg(s) of a future-option order may be executed in any decimal price permitted in the DCM on which the applicable futures trade.¹⁹ Smaller minimum increments are appropriate for future-option orders as the future component may be able to trade at finer decimal increments permitted by the designated contract market on which

17 Execution of the futures components will need to satisfy requirements of the applicable designated contract market, including informational and reporting time requirements, risk controls, and price restrictions (such as needing to be within the daily quotation range). Pursuant to Rule 5.33(k), trading in any complex strategy (including one that comprises a future-option order) is suspended if any component of a complex strategy (including a future leg) is halted. Therefore, if trading in a future is halted, it could not execute and would result in the future-option order not being executed.

18 This is consistent with the permissible pricing of options legs of complex orders and stock-option orders. See Rule 5.4(b) and 5.33(f)(A) and (B).

19 The current minimum increment for VX futures on CFE is 0.05 index points, and the individual legs and net prices of spread trades in the VX futures contract may be in increments of 0.01 index points.

the futures trade. The Exchange notes that even with the flexibility provided in the proposed rule, the individual options legs must trade at increments as set forth in the Rules.

Proposed Rule 5.33(o)(2) provides that a future-option order may only execute if the price complies with proposed subparagraph (f)(2)(C), which describes the permissible execution prices and priority of future-option orders (which are substantially similar to that of stock-option orders). Specifically, proposed Rule 5.33(f)(2)(C) states for a future-option order with one option leg, the option leg may not trade at a price worse than the individual component price on the simple Book or at the same price as a priority customer order on the Simple Book.²⁰ For a future-option order with more than one option leg, the option legs must trade at price pursuant to Rule 5.33(f)(2)(A), which is the permissible execution prices and priority for complex orders comprised of option legs. The System, therefore, will not execute a future-option order at a net price: (1) that would cause any option component of the complex strategy to be executed at a price of zero; (2) that would cause any option component of the complex strategy to be executed at a price worse than the individual component prices on the simple Book; (3) worse than the price that would be available if the complex order legged into the simple Book; or (4) worse than the synthetic best bid or offer (“SBBO”)²¹ or equal to the SBBO when there is a priority customer order on any leg comprising the SBBO and, if a conforming complex order,²² at least

20 The DCM will check the prices of the futures legs to ensure the prices are consistent with its execution requirements (including those related to price and risk).

21 Because the price(s) of the future leg(s) is specified at the time of order entry, the proposed rule change amends the definition of SBBO in Rule 5.33(a) to provide that, for a future-option order, the SBBO is the best net bid and best net offer on the Exchange for a complex strategy calculated using the BBO for each option component (or the national best bid or offer (“NBBO”) for a component if the BBO for that component is not available). Similarly, the proposed rule change amends the definition of synthetic national best bid or offer (“SNBBO”) in Rule 5.33(a) to provide that, for a future-option order, the SNBBO is the national best net bid and net offer for a complex strategy calculated using the NBBO for each option component.

22 The proposed rule change amends the definition of “conforming complex order” in Rule 1.1 to include a future-option order. As discussed above, a future-option order must satisfy a risk offset to be entered into the System, which is intended to prevent misuse of this mechanism and permit entry of legitimate strategies

one option component of the complex order must execute at a price that improves the best bid or offer (“BBO”) for that component by at least one minimum increment or, if a nonconforming complex order, the option component(s) of the complex order for the leg(s) with a priority customer order at the BBO must execute at a price that improves the price of that priority customer order(s) on the simple Book by at least one minimum increment.²³ Pursuant to these proposed changes, the option component(s) of a future-option order will ultimately trade in the same manner and in accordance with the same priority principles as they would if they had been submitted without a future leg. Additionally, each component of a future-option order will clear in the same manner as they would if they executed in separate trades. Specifically, each executed VIX option leg of a VIX future-option order will clear at The Options Clearing Corporation (“OCC”) in the same manner as it would if the VIX option executed in a simple transaction on Cboe. Similarly, each VX future leg of a VIX future-option order will clear at OCC in the same manner as it would if the VX future executed in a simple transaction on CFE.

Unlike the stock component of stock-option orders, a future-option order may only execute if the future leg(s) is executable at the specified price(s). Therefore, while the options legs may execute at prices that satisfy the net price, the price(s) of the future leg(s) are set upon order entry, as noted above. Price competition for a future-option order exposed on the Exchange will, therefore, occur with respect to the option leg(s), and the package execution price will reflect the net price of the option leg(s) and the specified price(s) of the future leg(s).

comprised of options and futures. The Exchange believes this satisfies means it is appropriate to define all future-option orders as conforming. Pursuant to the proposed changes to Rule 5.33, if the ratio of the options components of a future-option order is nonconforming, then they must still satisfy the heightened execution pricing requirements in that rule, which will protect customer orders on the Simple Book.

23 All-or-none complex orders (including future-option orders) may only execute at prices better than the SBBO.

The Exchange believes the proposed execution process for future-option orders is reasonable, because the options and futures components of a future-option order are submitted for execution as part of the same investment strategy. Given this, if the future component(s) does not execute, the Exchange believes it is reasonable to expect that a User that submitted a future-option order to request nullification of the options trade (as permitted by Rule 6.5). If the future component(s) does not execute, rather than require the User that submitted the future-option order to contact the Exchange to request nullification of the option component(s) execution pursuant to Rule 6.5, the proposed rule eliminates this requirement for the User to make such request. Instead, the proposed rule change provides that the Exchange will automatically nullify the option transaction if the future component(s) does not execute. The Exchange believes such nullification without a request from the User is consistent with the purpose of future-option orders, as contingent execution at or near the same time (and thus reduction in price and execution risk) is one of the primary goals of future-option orders (as further discussed below).²⁴

The Exchange proposes to amend Rule 6.5, Interpretation and Policy .07 to describe how a future-option order may qualify as an obvious error. As proposed, future-option orders will be handled in a similar manner as stock-option orders for purposes of Rule 6.5. Specifically, if the option leg of a future-option order qualifies as an obvious error under Rule 6.5(c)(1) or catastrophic error under Rule 6.5(d)(1), then the option leg that is an obvious or catastrophic error will be adjusted in accordance with Rule 6.5(c)(4)(A) or (d)(3), respectively, regardless of whether one of the parties is a customer. However, the option leg of any customer future-option

24 This proposed process to nullify (without request) the option leg(s) of a future-option order if the DCM nullifies the future leg(s) of the order is consistent with the process used for stock-option orders. See Rule 6.5, Interpretation and Policy .07(c).

order will be nullified if the adjustment would result in an execution price higher (lower) for buy (sell) transactions than the customer's limit price on the future-option order, and the Exchange will attempt to nullify the future leg. Whenever a DCM nullifies the futures leg(s) of a future-option order or whenever the future leg(s) cannot be executed, the Exchange will nullify the option leg upon request of one of the parties to the transaction or in accordance with Rule 6.5(c)(3). While this has the same effective as nullification of the option leg(s) transactions set forth in proposed 5.33(o)(2), the proposed nullification in Rule 6.5, Interpretation and Policy .07 occurs at a different time, in a different manner, and for different reasons. Rule 5.33(o)(2) is nearly instantaneous nullification of the execution of the option leg(s) if it is communicated to the Exchange that the futures leg(s) was unable to execute. In that situation, the customer receives no fill report as the future-option order was not fully executed. However, with respect to Rule 6.5, Interpretation and Policy .07, nullification pursuant to this provision permits nullification of the option leg(s) if an execution of future-option order occurred, but the future leg(s) execution was nullified at a later time by the DCM pursuant to the DCM's rules.

Finally, the proposed rule change adds Interpretation and Policy .02 to Rule 6.6 to clarify that TPHs may update only the option component of a future-option order trade using Clearing Editor (and as permitted by Rule 6.6). Any updates to the future component would need to be done in accordance with the Rules of the applicable DCM (if permissible).²⁵ As the future component of a future-option order ultimately executes in accordance with the Rules of the DCM, and the Clearing Editor is an Exchange tool to correct information specific to option

25 The proposed rule change also adds that the same would be true for security-future orders, which are not currently listed for trading on the Exchange.

executions.²⁶ Updates to any future components of a future-option order may only be made in accordance with the Rules of the DCM.

Activity related to the execution of the options components of VIX future-option orders will be subject to Commission jurisdiction, and activity related to the execution of the futures components of VIX future-option orders will be subject to Commodity Futures Trading Commission (“CFTC”) jurisdiction.²⁷ Further, each of the Exchange and the DCM on which the futures component of a future-option order trades will regulate conduct relating to future-option orders and trades with respect to compliance with its rules, including bringing disciplinary actions for violations of its rules. The Exchange and CFE have an existing information sharing agreement that encompasses information relating to future-option orders and trades. This would allow for the sharing of information between the Exchange and CFE to permit the Exchange CFE to have access to all order, trade, regulatory, and other data relating to these orders and trades.

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

26 The Exchange notes Rule 6.6 permits TPHs to update the MPID of a stock component of a stock-option order, but that is a securities concept and thus Clearing Editor does not contain the functionality to update any corresponding futures field. However, unlike options components, TPHs cannot use Clearing Editor to update order-specific fields for stock components as they can for option components. Therefore, the proposed rule change is effectively consistent with the Clearing Editor use for stock components. Any post-execution changes to futures components would need to occur pursuant to the DCM’s rules.

27 On September 9, 2025, CFE submitted to the CFTC a rule certification filing to adopt rules regarding VIX future-option orders (which filing became effective ten business days following such filing date, however CFE stated in that filing it would not implement the functionality until the Exchange amended its rules to permit VIX future-option orders). See Cboe Futures Exchange, LLC Rule Certification Submission Number CFE-2025-021 (September 9, 2025), available at <https://www.cftc.gov/sites/default/files/filings/orgrules/25/09/rules09092530095.pdf>.

Section 6(b) of the Act.²⁸ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²⁹ 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)³⁰ 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 because it will provide investors with greater opportunities to manage risk. The proposed rule change would provide investors with a more efficient mechanism to execute strategies involving VIX options and VX futures, which investors regularly trade as part of hedging, management of risk exposure, and other investment strategies. The proposed execution mechanism for VIX future-option orders will make the trading and hedging process for investment strategies comprised of VIX option and VX future components more efficient, which will reduce execution, legging, and price drift risk that otherwise accompanies the current execution process for these strategies. For example, today, investors looking to execute an investment strategy comprised of VIX option and VX future

28 15 U.S.C. 78f(b).

29 15 U.S.C. 78f(b)(5).

30 Id.

components must do so through separate trades – one for the options on the Exchange and one for the futures on CFE. This creates risk that one trade occurs but the other does not, which may leave an investor with an unhedged position. Additionally, separate transactions create risk because market conditions may change between the time it takes to execute both transactions, which may make the full package execute in an unfavorable manner for the investor. Investors may continue to execute these strategies as separate transactions as they do today if they so choose. However, the addition of the proposed electronic execution process would provide investors with an optional, alternative means to execute strategies comprised of VX future and VIX options components that would reduce these risks, as it would permit the entire package to be priced together and will result in an execution only if both the options and futures components are able to trade. The proposed single execution mechanism, therefore, expands the ability of market participants to engage in cross-product investment and hedging transactions, which the Exchange believes will contribute to reduced overall market risk and increased liquidity in the listed markets for products overlying the VIX.

The Exchange believes the proposed rule change is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade. The proposed risk offset requirement is designed to provide market participants with sufficient flexibility to execute legitimate options strategies comprised of options and futures while preventing misuse of this mechanism, such as a market participant from using the proposed execution mechanism to execute a futures trade outside of the normal trading process on the applicable designated contract market by combining the future leg(s), for example, with an inexpensive out-of-the-money option leg. As noted above, the Exchange determined the proposed risk offset range based on experience with and feedback from market participants, as

well as a review of the risk offsets of transactions involving VX futures and VIX options. As a result, we feel this range would accommodate their investment strategies. Additionally, the Exchange manually reviewed the risk offsets of executed Exchange of Contract for Related Positions (“ECRPs”) that occurred in accordance with CFE rules (which market participants engage in to exchange future positions for options positions) over a six-month period. None of those ECRP transactions had a risk offset outside of the 10% to 125% range. The Exchange believes review of the risk offsets in ECRPs is informative, as it is a common investment strategy comprised of options and futures positions.

As discussed above, the Commission and the CFTC will maintain jurisdiction over execution of the options and futures components, respectively, of future-option orders. The Exchange would not list future-option orders until the CFTC separately approves any necessary CFE rule filings, grants any necessary exemptive relief, or takes any other required action with respect to the execution of the VX futures components of these orders. Further, each of the Exchange and CFE will regulate conduct relating to future-option orders and trades with respect to compliance with its rules, including bringing disciplinary actions for violations of its rules.³¹ The Exchange is a member of the Intermarket Surveillance Group (“ISG”). The ISG members work together to coordinate surveillance and investigative information sharing in the futures and options markets, and the Exchange would therefore have access to information regarding relevant trading activity from other ISG members, including CFE. This would allow for the sharing of information between the Exchange and the designated contract market to permit the Exchange (and the designated contract market) to have access to all order, trade, regulatory, and

31 This would include any rules the designated contract market related to the execution of the future component of a future-option order.

other data relating to these orders and trades, and thus facilitate the intermarket surveillance of future-option orders. As a self-regulatory organization, the Exchange recognizes the importance of surveillance, among other things, to detect and deter fraudulent and manipulative trading activity as well as other violations of Exchange rules and the federal securities laws. The Exchange's current rules prohibiting market manipulation and fraudulent, noncompetitive, and disruptive trading practices will apply to future-option orders. The Cboe Regulatory Division will incorporate information it receives from CFE into its surveillance procedures to monitor trading of VIX future-option orders, including to detect any manipulative trading activity. The Exchange believes its surveillance, along with the proposed risk offset requirement and application of current surveillances to evaluate the reasonability of User-designated delta values, are reasonably designed to detect manipulative trading and enforce compliance with the proposed rules and other Exchange Rules. The Exchange performs ongoing evaluations of its surveillance program to ensure its continued effectiveness and will continue to review its surveillance procedures on an ongoing basis and make any necessary enhancements and/or modifications that may be needed for future-option orders.

The Exchange believes the proposed execution process will also promote just and equitable principles of trade. As described above, VIX future-option orders will execute in a substantially similar way as complex orders, including stock-option orders. The proposed priority for VIX future-option orders will protect customer VIX option orders in the simple Book. As proposed, the VIX option component(s) of a VIX future-option order will ultimately trade in the same manner and in accordance with the same priority principles as they would if they had been submitted without a VX future leg(s). Further, the proposed process to nullify the option component execution if the future-option order does not execute is consistent with the

purpose of the future-option order. Given the option and future components of a future-option order are submitted as part of the same investment strategy, if the future component does not execute, the Exchange believes it is reasonable to expect that a User that submitted a future-option to request nullification of the options trade in accordance with current Exchange Rules. If the future component does not execute, rather than require the User that submitted the future-option order to contact the Exchange to request nullification of the option component execution, the proposed rule eliminates this requirement for the User to make such request. Instead, the proposed rule change provides that the Exchange will automatically nullify the option transaction if the future component does not execute. The Exchange believes such nullification without a request from the User is consistent with the purpose of future-option orders, as contingent execution at or near the same time (and thus reduction in price and execution risk) is one of the primary goals of future-option orders (as further discussed below).

Additionally, the Exchange believes the availability of VIX future-option orders 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 because it will provide investors with an alternative to the OTC market for investment strategies comprised of VX future and VIX option components. The proposed rule change will provide investors with the ability to execute these investment strategies in a listed market environment as opposed to in the unregulated OTC market. The proposed rule change may shift liquidity from the OTC market onto the Exchange (as well as shift swaps and OTC combos from the OTC market onto designated contract markets in the form of futures), which the Exchange believes would increase market transparency as well as enhance the process of price discovery conducted on the Exchange through increased order flow to the benefit of all investors. The Exchange believes it

may be a more attractive alternative to the OTC market, because trading these strategies in an exchange environment may benefit market participants in several ways, including but not limited to the following: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to clearing requirements for listed options and futures.

The Commission previously determined that permitting investors to submit an order for execution to Cboe that included components subject to different regulatory jurisdictions was consistent with the Act.³² Specifically, in 1988, the Commission approved a Cboe proposed rule change to allow inter-regulatory spread orders (which were defined as the simultaneous purchase and/or sale of at least one unit in contracts each of which is subject to different regulatory jurisdictions at stated limits, or at a stated differential, or at market prices on the floor of the Exchange) to trade on Cboe’s trading floor.³³ The only substantive differences between that proposal and the proposed rule change regarding future-option orders are as follows:

- The proposed rule change would permit future-option orders in classes authorized by the Exchange, dependent upon agreements the Exchange may make with applicable DCMs, compared to the prior filing that was limited to orders comprised of two options and two related futures.³⁴ The Exchange believes this is reasonable because the proposed rule change will provide the Exchange with the ability to expand the availability of future-option order functionality in the future

32 Securities Exchange Act Release No. 26271 (November 10, 1988), 53 FR 46727 (November 18, 1988) (SR-CBOE-88-17) (“CBOE-CBOT JV Approval Order”); see also Securities Exchange Act Release No. 24235 (March 19, 1987), 52 FR 9750 (March 26, 1987) (SR-Phlx-86-43).

33 See CBOE-CBOT JV Approval Order.

34 Inter-regulatory spreads subject to that proposal were limited to those comprised of S&P 500 Index options and CBOE 50 futures, and S&P 100 Index options and S&P 250 futures.

to accommodate additional investment strategies of investors, and the proposed rules regarding future-option orders would apply in the same manner regardless of the underlying components.³⁵

- The proposed rule change would permit electronic execution.³⁶ This merely reflects the advancement in the availability of electronic trading since 1988 and provides an additional manner of execution for future-option orders.
- The proposed rule change does not create a separate pit on the Exchange's trading floor for the related futures as the prior proposal did. Given the advances in electronic trading (and the fact that many futures exchanges no longer have open outcry trading), the Exchange believes this is no longer necessary to permit future-option orders.³⁷

These differences have no impact on the fundamental attributes of the underlying product that the Commission approved in 1988 and that the Exchange proposes in this filing, which is a multi-part order comprised of an option and a related future submitted to the Exchange for pricing as a package, with execution of each component contingent on the other. When approving the prior proposal, the Commission stated that permitting execution of inter-regulatory

35 As noted above, if the Exchange determines a different risk offset requirement would be appropriate for a different class of future-option orders, it will submit a rule filing as necessary to implement that requirement.

36 The proposed rule change does not adopt future-option orders for open outcry trading. The Exchange intends to add future-option orders for open outcry trading at a later date and will submit a separate rule filing for that functionality.

37 As an example, VX futures trade electronically only on CFE. For similar reasons, the Exchange believes structuring future-option orders as a joint venture is unnecessary, as the individual components will continue to trade on the applicable market as proposed. As noted above, the Exchange will be able to share information with the applicable DCM (through ISG or information sharing agreements) for regulatory purposes. It is possible the Exchange and the designated contract market may enter into other agreements as appropriate to permit future-option orders (e.g., to establish electronic connections for purposes of routing the futures component), but such agreements would have no impact on the proposed rules.

spreads (including for hedging purposes) on the Exchange would “contribute to the mechanism of a free and open market by enhancing . . . market makers’ ability to hedge their positions with futures [and] enable market makers to better accommodate customer orders and to provide deeper and tighter markets.”³⁸ The Commission further stated that the proposed rule change was designed to minimize regulatory concerns, and clarifying the regulatory responsibility for each leg of an inter-regulatory spread (as the current filing does) would “expedite the enforcement of each jurisdiction’s regulations and foster coordination and cooperation between the jurisdictions involved.”³⁹ Ultimately, the Commission found that the proposal to execute inter-regulatory spreads on Cboe to be consistent with the requirements of the Act.⁴⁰ While some time has passed since approving inter-regulatory spreads (the Exchange notes the rules permitted execution of inter-regulatory spreads remained in Cboe’s Rulebook until 2005,⁴¹ and the definition of an inter-regulatory spreads remains in Cboe’s Rulebook⁴²), the Exchange is unaware of any changes to Section 6(b)(5) of the Act since the Commission approved that the trading of inter-regulatory spreads that would prevent the Commission from approving future-option orders at this time.

Further, as discussed above, the proposed rules regarding the handling and execution of VIX future-option orders are also substantially similar to that of stock-option orders,⁴³ and rules

38 See CBOE-CBOT JV Approval Order at 46729.

39 Id. at 46730.

40 Id.

41 See Securities Exchange Act Release No. 52824 (November 22, 2005), 70 FR 72318 (December 2, 2005) (SR-CBOE-2005-69).

42 See Rule 1.1 (definition of inter-regulatory spread).

43 See Rules 5.33 (including subparagraphs (f)(1)(B) and (2)(B), paragraph (l), and Interpretation and Policy .04), and 5.70(b).

previously filed with the Commission for security-future option orders.⁴⁴ The only substantive difference between stock-option orders (and security-future option orders) is that one component of a future-option order (the future leg(s)) is not subject to Commission jurisdiction. The Exchange believes market participants who trade want to trade these strategies because they have determined these strategies are the most appropriate to achieve their investment goals should be able to avail themselves of a more efficient and lower risk execution mechanism for these strategies, even though those strategies happen to include a component subject to jurisdiction of another regulator.

Ultimately, 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 because it will provide investors with a competitive and efficient market mechanism for executing investment strategies comprised of VX futures and VIX options on the Exchange, which will provide a venue for order exposure and price discovery. These are bona fide investment strategies that reduce market participants' risk and facilitate hedging. A robust and competitive market requires that exchanges respond to investors' evolving needs by constantly improving their offerings. When Congress charged the Commission with supervising the development of a "national market system" for securities, Congress stated its intent that the "national market system evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed.⁴⁵ Consistent with this purpose, Congress and the Commission have repeatedly stated their preference for competition,

44 See Securities Exchange Act Release No. 49367 (March 5, 2004), 69 FR 11678 (March 11, 2004) (SR-CBOE-2004-14); see also Securities Exchange Act Release Nos. 46390 (August 21, 2002), 67 FR 55290 (August 28, 2002) (SR-ISE-2002-18); and 48894 (December 8, 2003), 68 FR 70328 (December 17, 2003) (SR-PCX-2003-42).

45 See H.R. Rep. No. 94-229, at 92 (1975) (Conf. Rep.).

rather than regulatory intervention to determine products and services in the securities markets.⁴⁶

This consistent and considered judgment of Congress and the Commission is correct, particularly in light of evidence of robust competition in the options trading industry. The fact that an exchange proposed something new is a reason to be receptive, not skeptical — innovation is the life-blood of a vibrant competitive market — and that is particularly so given the continued internationalization of the securities markets, as exchanges continue to implement new products and services to compete not only in the United States but throughout the world. Options exchanges continuously adopt new and different products and trading services in response to industry demands in order to attract order flow and liquidity to increase their trading volume. This competition has led to a growth in investment choices, which ultimately benefits the marketplace and the public. The Exchange believes that the proposed rule change will help further competition by providing market participants with yet another investment option for the listed options market.

While a VIX future-option order contains a component that is not a security, the Exchange believes the proposed rule change may be approved as consistent with the Exchange Act. The Commission’s primary purposes are to protect investors and maintain fair, orderly, and efficient markets.⁴⁷ As discussed in this rule filing, the primary purpose of this proposal is to

46 See S. Rep. No. 94-75, 94th Cong., 1st Sess. 8 (1975) (“The objective [in enacting the 1975 amendments to the Exchange Act] would be to enhance competition and to allow economic forces, interacting within a fair regulatory field, to arrive at appropriate variations in practices and services.”); Order Approving Proposed Rule Change Relating to NYSE Arca Data, Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770 (December 9, 2008) (“The Exchange Act and its legislative history strongly support the Commission’s reliance on competition, whenever possible, in meeting its regulatory responsibilities for overseeing the [self-regulatory organizations] and the national market system. Indeed, competition among multiple markets and market participants trading the same products is the hallmark of the national market system.”); and Regulation NMS, 70 FR at 37499 (observing that NMS regulation “has been remarkably successful in promoting market competition in [the] forms that are most important to investors and listed companies”).

47 See SEC.gov | Mission.

create a more efficient mechanism for investors to execute their investment strategies that include VIX options and VX futures components. VX futures are highly correlated and strongly related to VIX options, given they both overlie the same index and thus have similar characteristics.⁴⁸ As a result, the Exchange believes that VIX futures-option orders are related to the purposes of the Act, which would make it appropriate for the Commission to approve this proposal.⁴⁹ Consistent with Congress's finding in connection with the establishment of a national market system, the proposed rule change strengthens the securities market by providing investors with a more efficient and transparent mechanisms to execute VIX options that are part of investment strategies that include VX futures.⁵⁰ As discussed above, the proposed rule change promotes a more economically efficient manner to execute VIX options transactions that are tied to VX futures.⁵¹ The proposed rule change may also reduce the execution and price risks that accompany the current method of executing VIX options and VX futures as separate transactions, as well as increase transparency by providing a listed environment to execute these transactions. While the price discovery for the entire package (that includes VX futures) will occur on the Exchange, the execution of the VX futures must still occur in accordance with CFE rules and will be regulated by CFE and the CFTC. Therefore, the proposed rule change increases the information available with respect to these transactions and improves the practicability of

48 See Cboe VIX Index Futures & Options Fact Sheet, [available at VIX_fact_sheet.pdf](#).

49 See 15 U.S.C. 78f(b)(5); see also Alliance for Fair Board Recruitment & National Center for Public Policy Research v. Securities and Exchange Commission, No. 21-60626 (5th Circuit December 11, 2024), at 4 (“AFBR v. SEC”). The Act provides that exchanges may not regulate matters not related to the Act’s purposes. It is common practice for market participants to engage in investment strategies that involve securities and non-securities. As part of its need to regulate securities transactions, the Exchange may request information from other exchanges (including about non-securities) that relate to those securities transactions. Therefore, it is possible for the execution of a non-security, such as a future, to be related to the purposes of the Act and thus permit the Exchange to adopt rules related to such non-securities transactions when they are tied to securities transactions occurring on the Exchange.

50 See 15 U.S.C. 78k-1(a)(1).

51 See 15 U.S.C. 78k-1(a)(1)(C)(i).

executing these orders in the best market, which ultimately enables market participants to receive better executions of their orders.⁵²

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 VIX future-option orders will be available to all TPHs and will execute in the same manner. VIX future-option orders will be available to all Users on a voluntary basis, and Users will not be required to use VIX future-option orders to execute investment strategies comprised of option and future components. Users may continue to execute these strategies as they do today by entering a VIX option order on the Exchange and separately executing the VX future component on CFE. For Users that elect to use the proposed functionality, the proposed rule change would reduce price and execution risk that currently exists when executing these strategies.

The Exchange does not believe the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because other options exchanges may propose similar functionality (and previously have, as noted above). The Exchange understands investors currently execute investment strategies comprised of VIX option and VX future components today. Investors may continue to do so; however, the proposed rule change merely provides them with a simpler, more efficient, more

52 See 15 U.S.C. 78k-1(a)(1)(C)(iii) – (v). Further, reduction in price risk that currently results from separate transaction may ultimately reduce overall transaction costs associated with execution of VIX options and the related VX future as it may lower the overall cost of the transaction. This plausible reduction in transactions associated with executing this securities trade “presumably relate[s] to the purpose of” the national market system. See AFBR v. SEC, at 27.

transparent, and competitive execution mechanism for hedging and other investment strategies that contain VIX options and VX futures components.

The Exchange believes the proposed rule change may relieve any burden on, or otherwise promote, competition. The proposed rule change is designed to provide investors with a more efficient and lower risk mechanism to execute investment strategies comprised of futures and options components. The Exchange believes this is an enhancement to executing these investment strategies in a riskier and more complex manner through separate transactions or in the unregulated and opaque OTC market. The proposed rule change would make a more attractive alternative to either of these options by providing investors with the ability to execute these strategies in a single transaction in an exchange environment. This would result in increased market transparency, enhanced efficiency in initiating and closing out positions, and heightened contra-party creditworthiness.

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 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.

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-2026-004 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-2026-004. 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 filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-CBOE-2026-004 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.⁵³

J. Matthew DeLesDernier,

Deputy Secretary.

53 17 CFR 200.30-3(a)(12).