SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106980; File No. SR-CBOE-2026-087]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt Rules to Permit the Listing of Binary Equity Options

November 24, 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 November 13, 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 and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to adopt rules to permit the listing of binary equity options. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Commission's website (https://www.sec.gov/rules/sro.shtml), the Exchange's website (https://www.cboe.com/us/options/regulation/rule_filings/cone/), and at the principal office of the Exchange.

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

2 17 CFR 240.19b-4.

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 its Rules to permit the listing of binary options overlying individual stocks, exchange-traded funds ("ETFs" (also referred to as Units)), and exchange-traded notes ("ETNs" (also referred to as Index-Linked Securities), and together with ETFs, exchange-traded products or "ETPs")), or "binary equity options."[3] This filing is based on previously approved rules of NYSE American, LLC ("NYSE American"), as recently amended.[4]

By way of background, binary options are based on the same framework as traditional, standardized options traded on the Exchange, except the payout of a binary option is a fixed amount contingent upon the occurrence of the option being in- or at-the-money rather than an amount based on the degree to which the option is in-the-money. As a result, payout at expiration of a binary option is an all-or-nothing occurrence. Under current Rules, the Exchange may list binary options on broad-based indexes, the Cboe Magnificent 10 Index, and key

[3] See proposed Rule 4.91(a); see also NYSE American Rule 915ByRDs, Commentary .01 and .02.

[4] See NYSE American Options Rules, Trading of Option Contracts, Section 17; see also SR-NYSEAMER-2026-096 (filed October 21, 2026) ("NYSE American Filing").

performance indicators ("KPIs").[5] The Exchange proposes to amend its Rules to permit the listing of binary equity options. Binary equity options are European-style, cash-settled option contracts listed on a stock or an ETP.

The proposed rule change amends the definition of binary option in Rule 1.1 to provide that unless the context otherwise requires, references in the Rules to binary options apply to binary equity options, in addition to binary index options[6].

The Exchange proposes to adopt Chapter 4, Section J to describe binary equity options. The Rules in proposed Chapter 4, Section J apply only to binary equity options. All other Rules apply to binary equity options, except as otherwise provided or the context otherwise requires.[7]

The Exchange proposes to adopt Rule 4.90 to define certain terms related to binary equity options. Like other standardized options, binary equity options have standardized terms established by the Exchange. Standardized terms for binary equity options include the exercise criterion that is the condition that must be met for a binary equity option to be auto-exercised, the exercise settlement amount (i.e., payout amount), the exercise price (or strike price), the

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5 See Chapter 4, Sections H and I.

6 The Exchange also adds a reference to binary KPI options in this provision, which was inadvertently omitted when the Exchange adopted rules to list binary KPI options. See Securities Exchange Act Release No. 106659 (October 13, 2026), 91 FR 65854 (October 16, 2026) (SR-CBOE-2026-061) (order approving the Exchange's listing of binary KPI options).

7 Binary equity options will be available for complex order trading (NYSE American indicated its binary equity options would not currently eligible for complex order trading, implying it may make that functionality available in the future; the Exchange's system is currently able to accommodate complex order trading for binary equity options, and the Exchange believes it is appropriate to make this available to investors); see NYSE American Filing) and open outcry trading (a prior NYSE American rule filing that amended its rules related to binary equity options indicated electronic and floor trading would be available; see Securities Exchange Act Release No. 71957 (April 16, 2014), 79 FR 22563 (April 22, 2014) (SR-NYSEMKT-2014-06)). Binary equity options will not be available for FLEX trading. Complex order and open outcry rules will apply to binary equity options in the same manner as they do to other binary options and traditional options, except as otherwise provided in the Rules.

expiration date, the settlement type (which is P.M.-settlement), and the exercise style (which is European-style and, thus, a binary equity option may only be exercised on its expiration date).[8]

The Exchange proposes to establish these terms in new Rule 4.90 and additional provisions related to binary equity options in proposed Chapter 4, Section J, as described below.

The Exchange proposes to define binary equity option as a cash-settled option contract having an exercise settlement amount that is established at the creation of the option. Binary equity options are paid out if the settlement price of the underlying security (1) equals or is greater than the exercise price for a call binary equity option or (2) is less than the exercise price for a put binary equity option.[9]

The Exchange proposes to define a call binary equity option as an option contract that returns an exercise settlement amount if the settlement price of the underlying security is at or above the exercise price at expiration (i.e., in- or -at-the-money).[10]

The Exchange proposes to define exercise price (also referred to as strike price) as the value to which the settlement price of the underlying security is compared to determine whether the holder of a binary equity option is entitled to have the option be paid out.[11]

The Exchange proposes to define exercise settlement amount for binary equity options as $100 (unless otherwise adjusted per Rule 4.6).[12]

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8 See Rule 1.1 (definition of European-style option).

9 See also NYSE American Rule 900ByRDs(b)(1).

10 See also NYSE American Rule 900ByRDs(b)(2).

11 See also NYSE American Rule 910ByRDs(a).

12 See also NYSE American Rule 900ByRDs(b)(5).

The Exchange proposes to define put binary equity option as an option contract that returns an exercise settlement amount if the settlement price of the underlying security is below the exercise price at expiration (i.e., in-the-money).[13]

The Exchange proposes to define settlement price as the closing price of the underlying security of a binary equity option as reported by the primary listed market on the business day of its expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last trading day prior to expiration as reported by the primary listed market.[14]

Proposed Rule 4.91 adopts initial and maintenance listing criteria for binary equity options. Specifically, proposed Rule 4.91(a) states the Exchange may from time to time approve for listing and trading on the Exchange binary equity option contracts on an individual stock or ETP if it satisfies the initial listing criteria in Rule 4.3 (as applicable) and the additional following criteria:

(1) a minimum market capitalization of at least $290 billion (applicable to individual stocks only and not ETPs);

(2) a minimum trading volume (in all markets in which the underlying security is traded) of at least 1 billion shares in the preceding 12 months;

(3) a minimum average daily trading volume of 4 million shares;

(4) a minimum average daily trading value of at least $200 million during the prior six months;

(5) an underlying market price per share of at least $10 over the previous five consecutive business days preceding the date on which the Exchange submits a certificate to the

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13 See also NYSE American Rule 900ByRDs(b)(3).

14 See also NYSE American Rule 900ByRDs(b)(4).

Clearing Corporation[15] for listing and trading, as measured by the closing price reported in the primary listed market in which the underlying security is traded; and

(6) maintain an average daily trading value in the primary listing market's closing auction of at least $10 million over the prior six months.[16]

Proposed Rule 4.91(b) states the Exchange may continue approval for listing and trading on the Exchange binary equity option contracts on an individual stock or ETP if it satisfies the continued listing criteria in Rule 4.4 (as applicable) and the additional following criteria:

(1) a minimum market capitalization of at least $30 billion (applicable to individual stocks only and not ETPs)[17];

(2) a minimum trading volume (in all markets in which the underlying security is traded) of at least 1 billion shares in the preceding 12 months;

(3) a minimum average daily trading volume of 4 million shares;

(4) a minimum average daily trading value of at least $125 million during the last 6 months;

(5) an underlying market price per share of at least $5 at the time such additional series are authorized for trading; and

(6) maintain an average daily trading value in the primary listing market's closing auction of at least $10 million over the prior six months.[18]

For purposes of this proposed maintenance listing criteria, the market price of an underlying security is (i) for intra-day series additions, the last reported trade in the primary listed market in

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15 The Clearing Corporation for binary equity options will be The Options Clearing Corporation ("OCC").

16 See also NYSE American Rule 915ByRDs (as amended by NYSE American Filing).

17 The Exchange represents that it will monitor both initial and continued listing criteria applicable to binary equity options on an ongoing basis and will submit a proposed rule change to make changes no later than four months from the date that binary equity options begin to trade on the Exchange.

18 See also NYSE American Rule 916ByRDs (as amended by the NYSE American Filing).

which the underlying security trades at the time the Exchange determines to add these additional series; and (ii) for next-day and expiration series additions, the closing price reported in the primary listed market in which the underlying security traded on the last trading day before the series are added.

Proposed Rule 4.91(c) provides that binary equity options are a separate class from other options overlying the same underlying security.[19]

Proposed Rule 4.92 describes the terms of binary equity option contracts that the Exchange may list. Binary equity options listed and traded on the Exchange are designated as to expiration date, exercise price, exercise settlement amount, and underlying security.[20] Proposed paragraph (a) describes the settlement of binary equity options, which are P.M.-settled and have European-style settlement.

Proposed Rule 4.92(b) describes the permissible expirations of binary equity options. Specifically, except for consecutive week expiration series, at the commencement of trading of a particular class of binary equity options, the Exchange will open a minimum of one expiration for each class of binary equity options open for trading on the Exchange. The Exchange may list binary equity options having five consecutive weekly expiration series available at one time. Each expiration series will expire at the end of the week, normally a Friday, with consecutive week expirations covering the next five calendar weeks. New expiration week series will be added for trading on Thursday each week, unless Thursday or Friday is an Exchange holiday in which case new expiration series would be added for trading on Wednesday.[21]

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19 See also Rule 4.71(b) (which applies the same provision to binary index options).

20 See also NYSE American Rule 903ByRDs(a).

21 See also NYSE American Rule 903ByRDs(a) and (b). In other words, for example, a series the Exchange lists on a Thursday would expire the Friday the following week (or any Friday after that).

Proposed Rule 4.92(c) describes permissible exercise prices for binary equity options. The interval between strike prices for binary equity option contracts will be $1 for strike prices between $3 and $200. The interval between strike prices for binary equity option contracts will be $5 for strike prices over $200. The Exchange will initially list series that are no more than 30% away from the price of the underlying security. The Exchange may list additional series if the furthest out-of-the-money strike is less than 10% out of the money. At such time, the Exchange will list additional series that are not more than 30% away from the price of the underlying security. At the time the Exchange is adding additional series, it may proactively delist any existing series without open interest.[22]

Proposed Rule 4.92(d) states the multiplier for each class of binary equity options is 100.[23]

Proposed Rule 4.93 describes how the settlement price of binary equity options is determined. Specifically, binary equity options that are "at-the-money," "in-the-money," or "out-of-the-money" are a function of the settlement price of the underlying security in relation to the type of binary equity option (i.e., put or call) and the exercise price. The Exchange will use the closing price of the security underlying the binary equity option as reported by the primary listing market on the business day of their expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day immediately preceding the expiration date as reported by the primary listing market. Call binary equity options pay out the exercise settlement amount if the settlement price is at or above the exercise price, which includes both in-the-money and at-the-money outcomes. Put binary equity options pay out the exercise settlement amount only if the

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22 See also NYSE American Rule 903ByRDs(c).

23 The NYSE American Rules do not include a rule provision establishing the multiplier of binary equity options. However, in a previous filing establish rules for binary equity options, NYSE American indicated the contract multiplier would be 100. See Securities Exchange Act Release No. 56251 (August 14, 2007), 72 FR 46523, 46524 (August 20, 2007) (SR-NYSEMKT-2014-06). The Exchange believes the proposed rule change to state the multiplier in the rules will provide more transparency to investors.

settlement price is below the exercise price, which includes only in-the-money outcomes. As a result, if the settlement price is equal to the exercise price, the call binary equity options will pay out the exercise settlement amount and the put binary equity options will not. If an underlying security does not trade or is unavailable during regular trading hours on expiration, then pursuant to the Rules of the Clearing Corporation, a settlement price may be fixed on such basis as the Clearing Corporation believes appropriate under the circumstances. This authority includes using the last sale price during regular trading hours on the most recent trading day for which a last sale price is available.[24]

Proposed Rule 4.94 provides that binary equity option contracts are subject to adjustment only in accordance with and to the extent specified in the Rules of the Clearing Corporation. When any such adjustment has been determined, the Exchange will announce this adjustment, which will become effective as of the time specified in that announcement.[25]

Binary equity options will be available for trading during Regular Trading Hours, which are the normal business days and hours set forth in the rules of the primary market currently trading the securities underlying the options, except for options on ETFs, ETNs, Index Portfolio Shares, Index Portfolio Receipts, and Trust Issued Receipts the Exchange designates to remain open for trading beyond 4:00 p.m. but in no case later than 4:15 p.m.[26] The Exchange proposes to amend Rule 5.1(b)(1) to provide that for binary equity options overlying any such ETPs, on their last trading day, Regular Trading Hours are from 9:30 a.m. to 4:00 p.m. The Exchange believes this is

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24 See also NYSE American Rule 910ByRDs.

25 This is consistent with Rules regarding other binary options. See, e.g., Rules 4.74 (regarding binary index options) and 4.84 (regarding binary KPI options).

26 See Rule 5.1(b). Binary equity options will not be available for trading during the Global Trading Hours session or Curb Trading Hours session.

reasonable given that expiring binary equity options will settle to the 4:00 p.m. closing price of the underlying ETP.[27]

The proposed rule change amends Rule 5.4(c)(1) to provide that the Exchange may establish a minimum increment for bids and offers for binary equity options, like other binary options, on a class-by-class basis of a minimum of $0.01.[28]

The proposed rule change also amends Rule 5.20(a)(8) to describe the factors the Exchange may consider when determining whether to halt trading in binary equity options. Rule 5.20(a) states any two Floor Officials, in consultation with a designated senior executive officer of the Exchange, may halt trading in any security in the interests of a fair and orderly market and to protect investors. Any trading halt that lasts more than two consecutive business days shall be reviewed on a regular basis by the Exchange, which may determine whether, in the interests of a fair and orderly market, to terminate or modify any such trading halt that is then still in effect. Among the factors that may be considered in making the foregoing determinations are whether:

> (1) in the case of an option on a security: (A) trading in the underlying security has been halted in one or more of the markets trading the underlying security; or (B) the opening of such underlying security has been delayed because of unusual circumstances;
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> (2) in the case of an option on a security other than a stock option, trading in related index options has been halted pursuant to the provisions of paragraphs (3), (5), and (6) below;

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27 Note this differs from NYSE American, which will permit but monitor trading in any binary equity options overlying ETPs that may trading beyond 4:00 p.m. but indicated it intends to examine making changes to its system to prevent trading in such binary equity options after 4:00 p.m., given such options will settle to the 4:00 p.m. closing price of the underlying on that day.

28 See also NYSE American Rule 951ByRDs.

(3) in the case of an index option: (A) the extent to which trading is not occurring in the stocks or options underlying the index; (B) the current calculation of the index derived from the current market prices of the stocks is not available; or (C) the "current index level," which is the implied forward level based on volatility index (security) futures prices, for a volatility index is not available or the cash (spot) value for a volatility index is not available;

(4) in the case of any security other than an option, (A) the opening of such security has been delayed due to order imbalances, (B) the Exchange has been advised that the issuer of the security is about to make an important announcement affecting such issue, or (C) trading in such security has been halted in one or more of the markets trading such security;

(5) the extent to which the opening process pursuant to Rule 5.31 has been completed or other factors regarding the status of the opening process; or

(6) other unusual conditions or circumstances are present, which may include the activation of price limits on futures exchanges or the halt of trading in related futures with respect to index options; and

(7) specific factors for other types of options.

Current Rule 5.20(a)(8) provides that in the case of binary options, the factors described in paragraphs (1) through (6) above are applicable. This will be the case for binary equity options, as proposed; the Exchange will consider the same factors for when to halt trading in a binary equity option as it does when it considers whether to halt trading in the non-binary options on the same underlying security. Further, as proposed, in the case of binary equity options, the Exchange will halt or suspend trading in a binary equity option to the same extent it halts or suspends trading in a non-binary option contract on the same underlying security.[29]

[29] See also NYSE American Rule 953ByRDs.

Rule 5.34(d) provides the Exchange may apply a maximum execution price protection for binary options on a class basis, pursuant to which the System adjusts any execution price for a binary option above the Exchange-designated maximum execution price for that class down to that maximum execution price. This will apply to binary equity options in the same manner as it applies to other binary options listed on the Exchange.[30]

Proposed Rule 5.52(h) states that a Market-Maker is not required to enter quotes in binary equity options in which it is appointed. If, however, a Market-Maker chooses to enter quotes in binary equity options to which it has an appointment, it will be subject to the continuous quoting obligations described in Rule 5.52.[31] The Exchange believes not requiring Market-Makers to continuously enter quotations in their appointed binary equity option classes is appropriate because Market-Maker appointments apply at the underlying security level, and a Market-Maker appointed in an underlying security is therefore automatically appointed in that security's corresponding binary equity options as well, regardless of whether the Market-Maker has chosen to participate in that product. Given that an appointment occurs automatically rather than by a Market-Maker's election, the Exchange does not believe it would be appropriate to enforce continuous quoting obligations in a binary equity option absent some affirmative indication, such as entering a quote, that the Market-Maker has chosen to participate in a particular series. If the Exchange required

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30 This price protection is similar to the one in NYSE American Rule 928.1NYP(a)(4).

31 See also NYSE American Rule 958ByRDs, Commentary .02 (as amended by NYSE American Filing). The proposed rule change does not propose to adopt maximum bid-ask quote differentials for Market-Maker quotes in binary equity options (NYSE American Rule 958ByRDs does impose maximum bid-ask quote differentials. The Exchange does not currently impose quote widths for any product and thus does not have system surveillance capabilities in place to monitor quote widths for binary equity options. The Exchange is in the process of updating its system to do so, as it intends to impose maximum bid-ask differential requirements for Market-Maker quotes in other products. See Securities Exchange Act Release No. 106208 (August 27, 2026), 91 FR 56254 (September 1, 2026) (SR-CBOE-2026-074). The Exchange will submit a proposed rule change to adopt a rule imposing maximum bid-ask differential requirements for Market-Maker quotes when its surveillance system has been updated to enforce them for binary equity options.

Market-Makers to meet continuous quoting obligations in binary equity options regardless of this automatic appointment, a Market-Maker could be penalized for choosing not to quote despite never having elected to make a market in that product. The Exchange believes providing Market-Makers with this flexibility promotes clarity and would encourage Market-Maker participation without inadvertently penalizing them for not continuously quoting in a product in which they were automatically, rather than voluntarily, appointed.

The proposed rule change amends Rule 6.5, Interpretation and Policy .04 to apply to binary equity options in addition to binary index options. Specifically, the proposed rule change moves the current language regarding binary index options into proposed paragraph (a) and adds paragraph (b) to provide that, with respect to binary equity options, for purposes of the obvious error provisions in Rule 6.5(c), the adjusted price (including any applicable adjustment under subparagraph (c)(4)(A) for non-customer transactions) shall not exceed $1.00. As discussed above, binary equity options have a multiplier of 100 and an exercise settlement amount of $100. Therefore, a transaction price of $1.00 times a multiplier of 100 would equal the exercise settlement amount of the binary equity option, and the proposed rule change would provide that any adjusted transaction price pursuant to Rule 6.5(c) would not exceed the value (the exercise settlement amount of $100) of the binary equity option. This has the same effect as the current provision (proposed paragraph (a)) for binary index options if, for example, the exercise settlement value of a binary index option was 1 and the multiplier of the binary index option was 100.[32] While this differs slightly from the NYSE American Rules,[33] it has a similar effect of limiting the execution price to be in line with the value of a binary equity option.

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32 See Rule 4.70 (definitions of binary index option, contract multiplier, and exercise settlement amount).

33 See NYSE American Rule 975NY(c)(6) and (d)(6) (which provides any adjusted price of a transaction in a binary equity option may be no higher than $1.02).

The proposed rule change adopts Rule 6.20(g)(3) to provide that binary equity options will be automatically exercised at expiration if the settlement price of the underlying security is equal to or greater than the exercise price of a call binary equity option or less than the exercise price of a put binary equity option.[34]

The proposed rule change adopts Rule 8.36(a)(4), which provides that in determining compliance with Rule 8.30, the position limit for binary equity options is 25,000 standard option contracts on the same side of the market.[35] This is the lowest position limit applicable to any options product under Rule 8.30, Interpretation and Policy .02. The Exchange believes that this limit constrains the size of any hedge position that a market participant could be required to unwind at expiration. Further, proposed Rule 8.36(b)(3) states that positions in binary equity options are not aggregated with option contracts on the same or similar underlying security.[36]

Pursuant to Rule 8.42(h), binary equity options (like all other binary options that may be listed on the Exchange) are not subject to exercise limits. Binary equity options, as discussed above, are European-style and are automatically exercised at expiration if the settlement value of the underlying index is equal to or greater than the exercise price of a call binary option or less than the exercise price in the case of a put binary option. Exercise limits are intended to prevent a single investor from exercising a number of option contracts that could potentially manipulate the value of

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34 See also NYSE American Rule 980ByRDs (as amended by the NYSE American Filing).

35 See also NYSE American Rule 904ByRDs(a). The Exchange did not propose to include the provision in NYSE American Rule 904ByRDs, Commentary .01, which states for purposes of position limits established under Rule 904ByRDs, long positions in puts (referred to as "Finish Low") and short positions in calls (referred to as "Finish High") are considered to be on the same side of the market, and short positions in puts and long positions in calls are considered to be on the same side of the market, because current Rule 8.36(d) includes comparable language, which will apply to binary equity options.

36 See also NYSE American Rule 904ByRDs(b).

the underlying. Because investors have no discretion regarding whether to exercise their binary equity options due to their automatic exercise at expiration, there is no need for exercise limits.[37]

The proposed rule change amends Rule 8.43(f) to provide that, for purposes of the report required by Rule 8.43(a), the minimum position in account that must be reported is 200 binary equity options, and binary equity options are not aggregated with non-binary options on the same underlying security nor binary KPI options on KPIs for issuers of the same underlying security.[38]

The proposed rule change adopts Rule 1.16 regarding a limitation on liability for binary options. The Exchange shall have no liability for damages, claims, losses or expenses caused by any errors, omissions or delays in calculating or disseminating any settlement price and/or index value resulting from any negligent act or omission by the Exchange or any act, condition or cause beyond the reasonable control of the Exchange, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; any error, omission or delay in the reports of transactions in one or more underlying securities.[39] This is similar to other Exchange rules limiting its liability (such as Rule 1.10) but includes limiting liability related to settlement prices and values of binary options.

The margin requirements in Rule 10.3(m) will apply to binary equity options. Specifically, for a margin account, except as provided below, no binary option carried for a

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37 The proposed rule change does not adopt a rule equivalent to NYSE American 909ByRDs, as Rule 8.46 contains substantively the same provisions and will apply to binary equity options. Specifically, Rule 8.46(c) states that binary options are not subject to Rule 8.46(b) (which applies only to American-style options, and, as noted above, binary equity options are European-style options) or Interpretation and Policy .01 (which applies only to options that are settled by delivery of an underlying security, and, as noted above, binary options are settled by delivery of a settlement value in cash).

38 See also NYSE American Rule 906ByRDs.

39 See NYSE American Rule 902ByRDs(b).

customer may be considered of any value for purposes of computing the margin required in the account of such customer. The initial and maintenance margin required on any binary option carried long in a customer's account is 100% of the purchase price of such binary option (i.e., the premium). The Exchange notes margin required for binary equity options is more robust than that required for traditional index options, the margin rules for which permit various offsets. The initial and maintenance margin required on any binary option carried short in a customer's account is the exercise settlement amount. With respect to spreads, no margin is required on a binary call option (put option) carried short in a customer's account that is offset by a long binary call option (put option) for the same underlying security or instrument that expires at the same time and has an exercise price that is less than (greater than) the exercise price of the short call (put). The long call (put) must be paid for in full. With respect to straddles and combinations, when a binary call option is carried short in a customer's account and there is also carried a short binary put option for the same underlying security or instrument that expires at the same time and has an exercise price that is less than or equal to the exercise price of the short call, the initial and maintenance margin required is the exercise settlement amount applicable to one contract. The Rules of OCC also subject binary equity options to OCC's margin and risk management methodology.[40]

Pursuant to Rule 10.3(m)(2), for a cash account, a binary option carried short in a customer's account is deemed a covered position, and eligible for the cash account, provided any

[40] See Securities Exchange Act Release No. 105537 (May 21, 2026), 91 FR 31513 (May 27, 2026) (SR-OCC-2026-003) (which amended OCC's STANS methodology description to enable OCC to accept binary options for clearing and appropriately manage the risk created by binary options).

one of the following either is held in the account at the time the option is written or is received into the account promptly thereafter:

(1) cash or cash equivalents equal to 100% of the exercise settlement amount; or

(2) a long binary option of the same type (put or call) for the same underlying security or instrument that is paid for in full and expires at the same time, and has an exercise price that is less than the exercise price of the short in the case of a call or greater than the exercise price of the short in the case of a put; or

(3) an escrow agreement. The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement (i) cash, (ii) cash equivalents, (iii) one or more qualified equity securities, or (iv) a combination thereof having an aggregate market value of not less than 100% of the exercise settlement amount and that the bank will promptly pay the Trading Permit Holders ("TPH") organization the exercise settlement amount in the event the account is assigned an exercise notice.

The Exchange believes these proposed levels are appropriate because risk exposure is limited with binary options and the proposed customer initial and maintenance margin is equal to the maximum risk exposure.[41]

Except as otherwise described above, all binary equity options will be listed and traded on the Exchange in a substantially similar manner as non-binary equity options are permitted to be listed and traded under current Rules. The Rules that apply to the listing and trading of non-binary equity options on the Exchange, including those related to priority and execution, Market-Makers (including Market-Maker obligations, except as proposed to be amended), obvious error,

[41] Pursuant to Rule 10.9, the Exchange has the ability to impose higher margin requirements than those described above in respect to any binary option position when it deems such higher margin requirements to be advisable. Because binary options must be fully funded pursuant to Rule 10.3(m), Rule 6.22 regarding delivery and payment does not apply to binary options.

and clearing, will apply to the listing and trading of binary equity options. The Exchange has analyzed its capacity and represents that it believes the Exchange has the necessary systems capacity to handle any potential additional message traffic associated with the listing of binary equity options. The Exchange intends to follow the Options Price Reporting Authority's ("OPRA") standard capacity monitoring process for binary equity options (in accordance with OPRA instructions), which includes submission of quarterly capacity projections (the Exchange will include its projected binary equity option volume in the applicable submission). The Exchange does not believe TPHs will experience any capacity issues as a result of this proposal and represents that it will monitor the trading volume associated with binary equity options and the effect (if any) of binary equity options on market fragmentation and the capacity of the Exchange's automated system.

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply the same program procedures to binary equity options the Exchange applies to its other options products (which overlie the same underlying securities on which the proposed rule change would permit the Exchange to list binary equity options), as well as procedures it currently applies to other binary options. Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition, the Exchange has a Regulatory Services Agreement with the Financial Industry Regulatory Authority ("FINRA") for certain market surveillance, investigation and examinations functions. Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate amongst themselves and FINRA responsibilities to conduct certain options-related market surveillance that are common to rules of all options

exchanges.[42] The Exchange believes its existing surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed binary options. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of binary equity options, including to address the potential increased susceptibility to manipulation of binary options, particularly when they are near-the-money and near expiration given the fixed payout structure of binary options.[43] The Exchange notes, however, it believes the large market capitalization of the securities proposed to underlie binary equity options reduces any susceptibility to manipulation of binary equity options.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[44] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[45] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing,

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42 Section 19(g)(1) of the Securities Exchange Act of 1934 (the "Act"), among other things, requires every self-regulatory organization ("SRO") registered as a national securities exchange or national securities association to comply with the Act, the rules and regulations thereunder, and the SRO's own rules, and, absent reasonable justification or excuse, enforce compliance by its members and persons associated with its members. See 15 U.S.C. 78q(d)(1) and 17 CFR 240.17d-2. Section 17(d)(1) of the Act allows the Commission to relieve an SRO of certain responsibilities with respect to members of the SRO who are also members of another SRO ("common members"). Specifically, Section 17(d)(1) allows the Commission to relieve an SRO of its responsibilities to: (i) receive regulatory reports from such members; (ii) examine such members for compliance with the Act and the rules and regulations thereunder, and the rules of the SRO; or (iii) carry out other specified regulatory responsibilities with respect to such members.

43 The Exchange currently lists binary index options on the Mini-SPX Index (XSP) and the Mini-RUT Index (MRUT) for trading, and its surveillances have been updated to monitor those options.

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

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

settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[46] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change will facilitate transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it will provide investors with additional securities exchange-listed investment choices for options on securities. The proposed binary equity options are listed options with a simpler, all-or-none payout structure and limited risk profile compared to traditional listed options. Thus, the Exchange believes the proposed rule change will permit investors to manage their risk exposures and carry out their investment objectives on a securities exchange with more flexibility and broader applicability. The Exchange also believes the proposed rule change will promote competition, as it will meet demands of investors that currently may trade products that are permissible under the Rules of another options exchange.[47]

The Exchange believes expanding the universe of binary options to include binary equity options will benefit investors, particularly retail investors and other investors who prefer simplicity, as a complementary offering to current exchange-traded options. Buyers and sellers of traditional, non-binary options listed on the Exchange do not know the return on those options

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46 Id.

47 See NYSE American Options Rules, Section 17 (as amended by the NYSE American Filing).

at the time of the transaction, as the return cannot be determined until near the option's expiration given movements in the underlying. For example, suppose an investor buys a traditional equity call option with an exercise price of 100. If the equity price at expiration is $105, the investor gets a payout of $5 (times the multiplier of that option). If the equity price at expiration is $110, the investor gets a payout of $10 (times the multiplier for that option). Therefore, the payout of a traditional equity option is dependent on how in-the-money the option is at expiration, which is unknown until the time of expiration.

On the contrary, binary options offer a set payout if the underlying closes at, below, or above the exercise price (depending on the type of binary option). Buyers and sellers of binary options know the expected return at the time of purchase if the underlying performs as expected, as the return is a fixed, "all-or-none" amount. Using the example above, suppose an investor buys a binary equity call option with an exercise price of 100 and an exercise settlement amount of $100. If the underlying price at expiration is $105, the investor receives a payout of $100. If the underlying price at expiration is $110, the investor receives a payout of $100. In fact, if the underlying price at expiration is any value of $100 or greater, the investor receives that same payout of $100. In addition, because the return on the binary option is a set amount, a buyer of a binary option need not determine the absolute magnitude of the underlying's price movement relative to the exercise price, as is the case with traditional, non-binary options. Instead, the buyer of a binary option needs only to determine whether the underlying value is expected to be above, at, or below the exercise price (as applicable).

The Exchange believes expanding the availability of binary options will further protect investors because of the reduced risk of the seller compared to the seller of a traditional option. While sellers of traditional options have unlimited risk (as the payout amount increases the

further in-the-money the option is at expiration), the maximum obligation for the seller of a binary option is known when the contract is written, which is the fixed payout amount. The structure of binary options offers investors pre- and post-trade transparency with respect to the risk associated with their binary options trades. Binary equity options will ultimately provide the same benefits to investors as other binary options the Exchange may list pursuant to its Rules.

The Exchange believes the proposed criteria for securities on which the Exchange may list binary equity options will remove impediments to and perfect the mechanism of a free and open market, because only a select list of approximately 100 underlying securities would meet the qualification requirement to have a binary equity option on it. Therefore, as proposed, binary equity options may only be listed on some of the most liquid and actively traded underlying securities. Applying both liquidity and market capitalization requirements, as well as an average daily closing auction trading value, yields approximately 100 eligible securities that may underlie binary equity options, with a median closing auction value traded of approximately $92.5 million per day across those securities. At these liquidity levels, a participant seeking to move the closing price of a security by a meaningful amount would need to commit substantial capital against prevailing order flow within a brief, closely observed window, and the closing auction's real-time dissemination of indicative prices and imbalances would make such an attempt visible to the market and likely to draw offsetting liquidity. The Exchange further believes the proposed listing criteria are 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 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 because only large, well-

capitalized, and highly liquid issuers would qualify. Securities with high market capitalization and liquid markets are generally less susceptible to manipulation because of the substantial capital required to artificially influence prices of those securities. The depth and breadth of trading activity for securities with significant market capitalization make it unlikely that a single market participant would be able to exert undue influence on the price of such a stock, as large volumes of buyers and sellers are what ultimately continuously reflect the true market value of the stock.

Further, the proposed rule change will permit the Exchange to list binary options overlying securities on a national securities exchange as alternatives to products that are structured in substantially the same manner as binary options currently available in the OTC market and on other platforms. By trading a product in a securities exchange-traded environment (that is currently traded in the OTC market or other platforms that trade products structured in a substantially similar manner as binary equity options), the Exchange would be able to compete more effectively with the OTC market and these platforms. The Exchange believes the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that it would lead to the migration of options currently trading in the OTC market and other non-securities exchange platforms to trading on the Exchange, where such trading would become subject to the Exchange's surveillance, audit trail, and member conduct rules that do not apply to comparable OTC or other-platform trading today. Also, any migration to the Exchange from such other markets would result in increased market transparency. Additionally, the Exchange believes the proposed rule change is designed to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest in that it should create greater trading and hedging

opportunities and flexibility. The proposed rule change should also result in enhanced efficiency in initiating and closing out positions and heightened contra-party creditworthiness due to the role of the Clearing Corporation as issuer and guarantor of binary equity options. Further, the proposed rule change would result in increased competition by permitting the Exchange to offer products that are currently available for trading in the OTC market and other platforms, as well as permissible under the Rules of another options exchange, as discussed above.

The Exchange believes not requiring Market-Makers to continuously enter quotations in their appointed binary equity options class is consistent with the Act, protects investors, and prevents fraudulent and manipulative acts because Market-Maker appointments apply at the underlying security level, and a Market-Maker appointed in an underlying security is, therefore, automatically appointed in that security's corresponding binary equity options as well, regardless of whether the Market-Maker has chosen to participate in that product. Given that an appointment occurs automatically rather than by a Market-Maker's election, the Exchange does not believe it would be appropriate to enforce continuous quoting obligations in a binary equity option absent some affirmative indication, such as entering a quote, that the Market-Maker has chosen to participate in a particular series.

The Exchange believes the proposed position limit for binary equity options is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and thus to protect investors. The proposed position limit is the lowest position limit applicable to any equity option under Rule 8.30, Interpretation and Policy .02. The Exchange believes this limit will constrain the size of any hedge position that a market participant could be required to unwind at expiration. This is a particularly conservative position limit given the high market capitalization and market liquidity of each of the securities that

would satisfy the proposed listing criteria for binary equity options. Securities with high market capitalizations and liquid markets are generally less susceptible to manipulation because of the substantial capital required to artificially influence prices of those securities. The depth and breadth of trading activity for securities with significant market capitalizations make it unlikely that a single market participant would be able to exert undue influence on the price of such a stock, as large volumes of buyers and sellers are what ultimately continuously reflect the true market value of the stock. Therefore, the Exchange believes the proposed rule change reasonably balances the promotion of a free and open market for these securities with minimization of incentives for market manipulation. The Exchange further notes the proposed position limit for binary equity options is conservative when compared to the position limit for traditional options on the securities that would satisfy the proposed listing criteria, which have position limits significantly higher than 25,000 contracts pursuant to Rule 8.30.

Position limits are designed to limit the number of options contracts overlying a security or index traded on the exchange that an investor, acting alone or in concert with others directly or indirectly, may control. These limits are intended to address potential manipulative schemes and adverse market impacts surrounding the use of options, such as disrupting the market in the security or index underlying the options. Position limits must balance concerns regarding mitigating potential manipulation and the cost of inhibiting potential hedging activity that could be used for legitimate economic purposes. Position limits do not limit the total number of options that may be held by all customers across the entire industry, but rather they limit the number of unhedged positions on the same side of the market a single customer may hold or exercise at one time. "Since the inception of standardized options trading, the options exchanges have had rules imposing limits on the aggregate number of options contracts that a member or

customer could hold or exercise."[48] Position limit rules are intended "to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position."[49] The Exchange believes the proposed position limit for binary equity options reasonably and appropriately balances the liquidity provisioning in the market against the prevention of manipulation without unnecessarily constraining investment activity.

The Exchange also believes the margin requirements that would apply to binary equity options (which are the current margin requirements for binary index and KPI options) are reasonable and will protect investors, because they limit investors' risk exposure given that the initial and maintenance margin requirements are equal to the maximum risk exposure.[50] As noted above, the Exchange may determine to impose higher margin requirements than those proposed in respect of any binary option position when it deems such higher margin requirements are appropriate.[51] Further, the Rules of the Clearing Corporation also subject binary equity options to the Clearing Corporation's margin and risk management methodology.[52]

Ultimately, the Exchange believes the proposed rule change will provide investors with greater trading tools and opportunities and flexibility, resulting in investors having additional means to carry out their investment objectives and manage their risk exposures with the benefits of being listed and traded on a national securities exchange. The Exchange believes the

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48 See Securities Exchange Act Release No. 39489 (December 24, 1997), 63 FR 276 (January 5, 1998) (SR-CBOE-1997-11).

49 See id.

50 See Rule 10.3(m).

51 See Rule 10.9.

52 See Securities Exchange Act Release No. 105537 (May 21, 2026), 91 FR 31513 (May 27, 2026) (SR-OCC-2026-003) (which amended OCC's STANS methodology description to enable OCC to accept binary options for clearing and appropriately manage the risk created by binary options).

proposed rule change will offer market participants a simplified, transparent, and limited risk investment choice overlying securities indexes, which may be more aligned with their specific timing needs and investment and hedging strategies and risk tolerances. The Exchange believes it benefits the investing public to continue to enhance its listed product offerings to respond to continuously changing needs of investors and to a continuously changing competitive environment.

A robust and competitive market requires exchanges to respond to investors' evolving needs by regularly 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."[53] Consistent with this purpose, Congress and the Commission have repeatedly stated their preference for competition, rather than regulatory intervention to determine products and services in the securities markets.[54] 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 lifeblood of a vibrant competitive market — and that is particularly so given the continued internalization of

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

54 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").

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 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 the proposed rule change will help further competition by providing market participants with yet another investment option for options listed on a national securities exchange.

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

The Exchange does not believe the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because binary equity options will be available to all market participants who wish to trade such options on the same terms and in the same manner (including with respect to the payout terms and amount). All market participants will be subject to the same margin rules and position limits, as well as other rules applicable to binary equity options, as described in this proposed rule change. To qualify for listing as a binary equity option, an underlying security must meet the same initial and maintenance listing criteria it must meet to underlie a traditional, non-binary option, as well as the proposed additional criteria. Except as set forth in the proposed rule change, binary equity options will trade in the same manner as other options on the Exchange.

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, and will relieve any burden on, or otherwise promote, competition, because the Rules of at

least one other options exchange permit the listing of the same products.[55] Additionally, as noted above, substantively similar products to binary equity options are available in the OTC market and various other markets.

The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues who offer similar products. The Exchange believes the proposed rule change will provide investors with a comparable alternative to the OTC market and other venues. The Exchange believes it may be a more attractive alternative to the OTC market and these other venues, as market participants will benefit from being able to trade these options in an exchange environment, which provides, among other things: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness. As a result, the Exchange believes that the proposed rule change may relieve any burden on, or otherwise promote, competition, as it will allow the Exchange to offer a securities exchange-listed alternative to the products currently available in these other markets.

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

Because the foregoing proposed rule change does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the

[55] See NYSE American Options Rules, Section 17 (as amended by the NYSE American Filing).

Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act[56] and subparagraph (f)(6) of Rule 19b-4 thereunder.[57]

A proposed rule change filed under Rule 19b-4(f)(6)[58] normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),[59] the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative upon filing. Another exchange's rules already permit the listing and trading of binary equity options.[60] Waiver of the operative delay, therefore, would allow the Exchange to immediately list binary equity options and provide market participants with an alternative marketplace for utilizing binary equity options to manage their trading and investment risk. For these reasons, and because the proposal raises no new or novel legal or regulatory issues, the Commission finds that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the operative delay and designates the proposal operative upon filing.[61]

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such

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56 15 U.S.C. 78s(b)(3)(A).

57 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

58 17 CFR 240.19b-4(f)(6).

59 17 CFR 240.19b-4(f)(6)(iii).

60 See supra note 4.

61 For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include file number SR-CBOE-2026-087 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-2026-087. 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-2026-087 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.[62]

Stephanie J. Fouse,

Assistant Secretary.

[62] 17 CFR 200.30-3(a)(12) and (59).