

**Item 1.        Text of the Proposed Rule Change**

Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) proposes to amend Rule 19.6 (Series of Options Contracts Open for Trading) to harmonize the equity options listing rules of the Exchange in regard to the listing of options series with \$1 strike prices with the equity options listing rules of its affiliated exchange, Cboe Exchange, Inc. (“Cboe Options”). The text of the proposed rule change is in Exhibit 5.

(b)     Not applicable

(c)     Not applicable.

**Item 2.        Procedures of the Self-Regulatory Organization**

(a)     The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on December 19, 2024.

(b)     Please refer questions and comments on the proposed rule change to Pat Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7467, or Sarah Williams, (224) 461-6793, Cboe BZX Exchange, Inc., 433 West Van Buren Street, Chicago, Illinois 60607.

**Item 3.        Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

(a)     Purpose

The Exchange proposes amendments to Rule 19.6, Interpretation and Policy .02 (Series of Options Contracts Open for Trading), which sets forth the Exchange’s equity options listing rules. Specifically, the proposed rule change harmonizes the equity options listing rules of the Exchange in regard to the listing of options series with \$1 strike prices, with the equity options listing rules of Cboe Options. Generally, the current equity options listing rules in Exchange Rule 19.6, Interpretation and Policy .02 and in Cboe Options Rule

4.5, Interpretation and Policy .01 are substantially similar, save for minor differences the Exchange proposes to harmonize herein.

The Exchange and Cboe Options each have a \$1 Strike Price Program, which permits each exchange to establish intervals between strike prices of series of options on individual stocks of \$1.00 or greater in no more than 150 individual stocks designated by the Exchange (and in any other class designated by another national securities exchange that employs a similar \$1 Strike Price Program) if the strike price is no less than \$1 and no more than \$50.<sup>1</sup> To be eligible for inclusion into the \$1 Strike Price Program, an underlying security must close below \$50 in the primary market on the previous trading day.<sup>2</sup>

However, BZX Rule 19.6, Interpretation and Policy .02(b) states after a security is added to the \$1 Strike Price Program, BZX may list \$1 strike prices from \$1 to \$50 that are no more than \$5 from the closing price of the underlying on the preceding day. Additionally, BZX may not list \$1 strike prices on any series having greater than nine months until expiration. The Exchange proposes to delete this language and adopt language set forth in Cboe Options Rule 4.5, Interpretation and Policy .01(a)(2). Specifically, the Exchange proposes to adopt the below language, which provides that the Exchange may list \$1 strike price intervals from \$1 to \$50 according to the following parameters:

- If the price of the underlying stock is equal to or less than \$20, the Exchange may list series with an exercise price up to 100% above and 100% below the price of the underlying stock. However, this restriction does not prohibit

---

<sup>1</sup> See BZX Rule 19.6, Interpretation and Policy .02(a) and Cboe Options Rule 4.5, Interpretation and Policy .01(a)(1).

<sup>2</sup> See BZX Rule 19.6, Interpretation and Policy .02(b) and Cboe Options Rule 4.5, Interpretation and Policy .01(a)(2).

listing at least five strike prices above and below the price of the underlying stock per expiration month in an option class. For example, if the price of the underlying stock is \$2, the Exchange would be permitted to list series for \$1, \$2, \$3, \$4, \$5, \$6, and \$7.

- If the price of the underlying stock is greater than \$20, the Exchange may list series with an exercise price up to 50% above and 50% below the price of the underlying security up to \$50.
- For purposes of adding strikes under the \$1 Strike Price Interval Program, the “price of the underlying stock” is measured in the same way as “the price of the underlying security” is as set forth in the Options Listing Procedures Plan (“OLPP”).<sup>3</sup>
- No additional series in \$1 strike price intervals may be listed if the underlying stock closes at or above \$50 in its primary market. Additional series in \$1 strike price intervals may not be added until the underlying stock closes again below \$50.
- For long-term equity options series (referred to as LEAPS in Cboe Options rules), for stocks in the \$1 Strike Price Interval Program, the Exchange may list one \$1 strike price interval between each \$5 strike interval, with the \$1 strike price interval being \$2 above the standard strike for each interval above the price of the underlying stock, and \$2 below the standard strike for

---

<sup>3</sup> Cboe Options Rule 4.5, Interpretation and Policy .01(a)(2) references Cboe Options Rule 4.7, which contains provisions of the OLPP, a national market system plan. While BZX currently does not have a similar rule, it sponsors that plan and thus currently follows the procedures set forth in the OLPP, including the procedures regarding the price of the underlying stock.

each interval below the price of the underlying stock (“\$2 wings”). For example, if the price of the underlying stock is \$24.50, the Exchange may list the following standard strikes in \$5 intervals: \$15, \$20, \$25, \$30, and \$35. Between these standard \$5 strikes, the Exchange may list the following \$2 wings: \$18, \$27, and \$32.

The Exchange also proposes to add language which provides that, in addition to the above, the Exchange may list the \$1 strike price interval which is \$2 above the standard strike just below the underlying price at the time of listing. In the above example, since the standard strike just below the underlying price (\$24.50) is \$20, the Exchange may list a \$22 strike. The Exchange may add additional long-term equity options series strikes as the price of the underlying stock moves, consistent with OLPP. Additional long-term equity option strikes may not be listed within \$1 of an existing strike until less than 9 months to expiration. The Exchange may also list \$1 strike prices up to \$5 in long-term options contracts in up to 200 option classes on individual stocks, but may not list \$1 strike price intervals within \$0.50 of an existing \$2.50 strike in the same expiration.<sup>4</sup>

The proposed rule change also adds clarifying language to Rule 19.6, Interpretation and Policy .02(a), which states that if a class participates in the \$1 Strike Price Interval Program, \$2.50 strike price intervals are not permitted between \$1 and \$50 for non-long-term options contracts and long-term options contracts, similar to Cboe Options Rule 4.5, Interpretation and Policy .01(a)(1).

The proposed rule change updates the Exchange rules on the \$1 strike price

---

<sup>4</sup>

As part of the proposed rule change, the Exchange proposes a non-substantive change to renumber current Rule 19.6, Interpretation and Policy .02(c) to Rule 19.6, Interpretation and Policy .02(d).

intervals that are permitted for stocks with strike prices between \$1 and \$50. Additionally, the proposed rule change will permit \$1 strike price intervals for long-term equity options series. Further, the proposed rule change prohibits \$2.50 interval strikes below \$50 in all \$1 Strike Price Program issues, including long term options series, and provides that, for long-term equity options series, for stocks in the \$1 Strike Price Interval Program, the Exchange may list \$2 wings, i.e., one additional series within each natural \$5 interval. Such proposed change serves to prevent discontinuities in strike prices when long-term options series become non-long term options series.

The Exchange believes \$1 strike price intervals provide investors with greater flexibility in the trading of equity options that overlie lower price stocks by allowing investors to establish options positions better tailored to meet their investment objectives. The Exchange believes the \$1 Strike Price Program has provided investors with greater opportunities and flexibility and the ability to more closely tailor their investment and risk management strategies and decisions to the movement of the underlying security. The Exchange has not detected any material proliferation of illiquid options series resulting from the narrower strike price intervals. Further, the Exchange currently lists strikes consistent with the proposed rules; the proposed changes codify such practices into Exchange rules, consistent with the rules of other options exchanges, in addition to Cboe Options.<sup>5</sup>

---

<sup>5</sup> See, e.g., ISE Rule Options 4, Section 5, Supplementary Material .01; and Arca Rule 6.4-O, Commentary .04.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>6</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>7</sup> 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)<sup>8</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change promotes just and equitable principles of trade and removes impediments to and perfects the mechanism of a free and open market and a national market system because it will harmonize the equity options listing rules of the Exchange in regards to the listing of options series with \$1 strike prices, with the equity options listing rules of its affiliated exchange, Cboe Options, and permit the Exchange to list the same equity options as other options exchanges, in the same manner. As noted above, the

---

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

<sup>8</sup> Id.

Exchange's current Rule 19.6 is substantially similar to Cboe Options Rule 4.5, and the proposed rule change will make the equity options listing rules of BZX in regard to the listing of options series with \$1 strike prices identical to those of Cboe Options, which have already been approved by the Commission<sup>9</sup>, as well as other options exchanges.<sup>10</sup>

The proposed rule change will also foster cooperation and coordination with persons engaged in facilitating transactions in securities because it will result in a more uniform, and thus more efficient, listing process among affiliated options exchanges. The Exchange believes the proposed change will reduce potential confusion related to the listing of options series with \$1 strike prices, to the benefit of investors.

**Item 4. 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 proposed rule change provides greater harmonization between Exchange and Cboe Options rules related to the listing of equity options, which will result in a more uniform, and thus more efficient, listing process for options exchanges. The proposed rule change promotes competition, as BZX and Cboe Options will have identical rules for listing equity options, and thus will be able to list the same options for trading. Additionally, the proposed rule change is consistent with the series listing rules of other exchanges (in addition to Cboe Options).

**Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

The Exchange neither solicited nor received comments on the proposed rule change.

---

<sup>9</sup> See Exchange Act Release 34-65383 (September 22, 2011), 76 FR 60107 (September 28, 2011) (SR-CBOE-2011-040).

<sup>10</sup> See, e.g., ISE Rule Options 4, Section 5, Supplementary Material .01; and Arca Rule 6.4-O, Commentary .04.

**Item 6.        Extension of Time Period for Commission Action**

Not applicable.

**Item 7.        Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

(a)        The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act<sup>11</sup> and Rule 19b-4(f)(6)<sup>12</sup> thereunder.

(b)        The Exchange designates that the proposed rule change effects a change that (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Additionally, the Exchange has given 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 proposed changes do not impose any significant burden on competition. The Exchange's current Rule 19.6 is substantially similar to Cboe Options Rule 4.5, and the proposed rule change will make the equity options listing rules of BZX in regard to the listing

---

<sup>11</sup>        15 U.S.C. 78s(b)(3)(A).

<sup>12</sup>        17 CFR 240.19b-4(f)(6).



of options series with \$1 strike prices identical to those of Cboe Options, which have already been approved by the Commission<sup>13</sup>, as well as other options exchanges.<sup>14</sup>

Further, the Exchange believes the proposed rule change will not significantly affect the protection of investors and the public interest. As noted above, the proposed rule changes will harmonize the equity options listing rules of the Exchange in regard to the listing of options series with \$1 strike prices, with the equity options listing rules of its affiliated exchange, Cboe Options, and permit the Exchange to list the same equity options as other options exchanges, in the same manner. As such, the Exchange believes the proposed rule changes will result in a uniform, and thus more efficient, listing process among options exchanges, and reduce potential confusion related to the listing of options series with \$1 strike prices, to the benefit of investors.

For the foregoing reasons, this rule filing qualifies as a “non-controversial” rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

---

<sup>13</sup> See Exchange Act Release 34-65383 (September 22, 2011), 76 FR 60107 (September 28, 2011) (SR-CBOE-2011-040).

<sup>14</sup> See, e.g., ISE Rule Options 4, Section 5, Supplementary Material .01; and Arca Rule 6.4-O, Commentary .04.

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. As described above, the proposed rule changes will make the equity options listing rules of BZX in regard to the listing of options series with \$1 strike prices identical to those of Cboe Options, which have already been approved by the Commission<sup>15</sup>, as well as other options exchanges.<sup>16</sup> The proposed change is designed to protect investors and is in the public interest, by reducing potential confusion related to the listing of options series with \$1 strike prices, to the benefit of investors. Therefore, the Exchange respectfully requests that the Commission waive the 30-day operative delay, as such waiver will benefit investors by mitigating any potential confusion as soon as practicable.

(c) Not applicable.

(d) Not applicable.

**Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

As described above, the proposed changes are based on Cboe Options Rule 4.5, Interpretation and Policy .01(a), as well as the listing rules of other options exchanges.<sup>17</sup>

**Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

---

<sup>15</sup> See Exchange Act Release 34-65383 (September 22, 2011), 76 FR 60107 (September 28, 2011) (SR-CBOE-2011-040).

<sup>16</sup> See, e.g., ISE Rule Options 4, Section 5, Supplementary Material .01; and Arca Rule 6.4-O, Commentary .04.

<sup>17</sup> See, e.g., ISE Rule Options 4, Section 5, Supplementary Material .01; and Arca Rule 6.4-O, Commentary .04.

**Item 10.      Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

**Item 11.      Exhibits**

Exhibit 1.      Completed Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 5.      Proposed rule text.