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June 18, 2026

Via Electronic Submission

Benjamin W. McDonough
Secretary
Board of Governors of the Federal Reserve System
20th St. and Constitution Ave. NW
Washington, DC 20551

Jennifer M. Jones
Deputy Executive Secretary
Federal Deposit Insurance Corporation
550 17th St. NW
Washington, DC 20429

Chief Counsel's Office
Office of the Comptroller of the Currency
400 7th St. SW
Washington, DC 20219

Re: Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations with Significant Trading Activity, and Optional Adoption for Other Banking Organizations (OCC Docket ID OCC-2026-0265; Board Docket No. R-1887; FDIC RIN 3064-AF29)

Dear Sir or Madam,

On March 19, 2026, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (collectively, the “agencies”) released a proposed rulemaking with stated intention to, among other things, improve the regulatory capital framework applicable to banking organizations by enhancing the frameworks risk sensitivity.¹ As a global leader in exchange-traded centrally cleared derivatives

¹ See Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Federal Reserve Board), and the Federal Deposit Insurance Corporation (FDIC), Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations with Significant Trading Activity, and Optional Adoption for Other Banking Organizations, 91 FR 14952 (March 27, 2026), *available at*, <https://www.federalregister.gov/documents/2026/03/27/2026-05959/regulatory-capital-rule-category-i-and-ii-banking-organizations-banking-organizations-with>

markets – one of the largest risk transfer and hedging mechanisms in the world – Cboe Global Markets is supportive of these efforts.

Cboe has long believed that a well-calibrated prudential framework is one that supports client clearing, promotes capital efficiencies, and recognizes offsetting risk exposures. Thus, in response to the agencies' initial 2023 proposal,² Cboe requested that the agencies:

- (i) permit the exclusion of derivative exposures arising from client clearing from the credit valuation adjustment (“CVA”) capital charge;
- (ii) allow settled-to-market contracts (futures) to net against collateralized-to-market contracts (equity options); and
- (iii) enable the decomposition of index options and options on ETFs.³

This revised proposal addresses the majority of these issues, and Cboe appreciates the agencies' thoughtful consideration of these matters. In particular, the proposal excludes derivative exposures arising from client clearing from the CVA capital charge. This functioned as a duplicative surcharge, and its elimination from this proposal ensures banks are better able to support client clearing services. Cboe also welcomes the proposal's allowance for settled-to-market contracts (e.g., futures) to net against collateralized-to-market contracts (e.g., equity options) as options and futures based on the same underlying index or asset are a natural hedge. These changes, taken together with Cboe's remaining recommendations, reflect a measured, risk-sensitive approach to prudential requirements.

Decomposition of Index Options and Options on ETFs

The ability of banking organizations to decompose index options and options on ETFs remains unresolved. The proposal would permit the decomposition of linear index contracts (i.e., delta one derivatives) but takes the position that the decomposition of non-linear index contracts (e.g., index options) is “not mathematically possible” because the supervisory delta cannot be calculated at the component level. While we understand the complexity, we also believe that a blanket prohibition on the decomposition of index and ETF options would unnecessarily increase capital charges associated with clearing an important segment of the market – options market makers. This would be to the detriment of client clearing and the exchange-traded derivatives market.

Cboe recommends the proposal be revised to allow banking organizations to decompose index options and ETF options by applying the delta of the options position to each decomposed

² See Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Federal Reserve Board), and the Federal Deposit Insurance Corporation (FDIC), Regulatory Capital Rule: Large Banking Organizations and Banking Organizations with Significant Trading Activity, 88 FR 64028 (September 18, 2023), available at, <https://www.federalregister.gov/documents/2023/09/18/2023-19200/regulatory-capital-rule-large-banking-organizations-and-banking-organizations-with-significant>.

³ See Cboe Global Markets, Inc., Comment Letter on Regulatory Capital Rule: Large Banking Organizations and Banking Organizations with Significant Trading Activity (January 16, 2024), available at, https://cdn.cboe.com/resources/government_relations/Cboe-Response-1-16-2024.pdf.

component of the index. We believe the delta of the index option or ETF option would serve as a sufficient proxy for calculating the delta of each decomposed component. It would also support client clearing and help maintain a liquid and resilient exchange-traded centrally cleared derivatives market for the benefit of all investors. Alternatively, we believe an index options position should be allowed to net against options on an ETF when both options are tracking the same underlying index. In short, decomposition should not be necessary in this scenario. Because the options essentially have the same underlying – an index - exposures should be allowed to net; if required, the exposures could net at slightly less than 100% to account for de minimis tracking error. However, treating them differently for purposes of hedging sets would impose artificial capital costs on exposures that serve as economically offsetting positions.

Cboe thanks the agencies for the opportunity to comment on this topic and welcomes further discussion.

Sincerely,

A handwritten signature in black ink that reads "Kyle Edwards". The signature is written in a cursive, slightly slanted style.

Kyle Edwards
Vice President, Market Policy
Cboe Global Markets, Inc