Cboe® Magnificent 10 Index Options – FAQ

Underlying Index

What is the underlying index for this product?

The Cboe Magnificent 10 Index (MGTN) is an equal-weighted equity index designed to measure the price return of a select group of large-cap U.S. technology and growth-oriented companies with listed options. The index initially comprises the common stocks:

Stock Name	Ticker	Primary Market
Broadcom Inc.	AVGO	NASDAQ
Alphabet Inc. "Class A"	GOOGL	NASDAQ
Tesla Inc.	TSLA	NASDAQ
Meta Platforms Inc. "Class A"	META	NASDAQ
Microsoft Corp	MSFT	NASDAQ
Amazon.com Inc.	AMZN	NASDAQ
Apple Inc.	AAPL	NASDAQ
Nvidia Corp.	NVDA	NASDAQ
Palantir Technologies Inc. Class A	PLTR	NASDAQ
Advanced Micro Devices, Inc.	AMD	NASDAQ

Any stock's removal due to corporate action will have a replacement defined by size and liquidity constraints within the technology sector, in order to maintain the goal of growth-oriented tech companies.

How were the stocks selected for the Cboe Magnificent 10 Index?

The stocks were selected based on their size, liquidity, and the technology-driven, growth-oriented nature of their businesses. Each stock is for a U.S.-listed company widely recognized as a market leader with significant influence on innovation, market dynamics, and consumer behavior. The index has been designed to have no fewer than 10 stocks in order to maintain meaningful exposure to the largest and most influential technology and growth-oriented companies.

What is the methodology for the underlying index?

The Cboe Magnificent 10 Index is an equal-weighted index of 10 stocks of U.S.-listed technology and growth-oriented companies: AVGO, GOOGL, TSLA, META, MSFT, AMZN, AAPL, NVDA, PLTR, and AMD. Stocks are fixed and only adjusted for corporate actions, per the published methodology. The index rebalances monthly: weights are reset to equal allocation on the second Friday of each month (based on closing prices) and applied after the close on the third Friday, effective the following Monday. Between rebalances, weights drift with changes to the prices of the stocks, so the index is monitored daily for an ad-hoc capping process that resets weights if set thresholds are breached.

How will stocks be added/deleted from this underlying index?

The stocks are intended to remain fixed, with no routine constituent additions or deletions during rebalances. Changes to the stocks will only occur in the event of corporate actions that reduce the number of stocks. In such cases, replacement stocks will be added per the index methodology, to ensure the index maintains 10 stocks.

Why was the daily-monitored Ad-Hoc Capping added to this index methodology?

The Ad-Hoc Capping is intended to maintain the equal-weighted design of the index. Between scheduled monthly rebalances, stock price movements can cause a single stock or the top five to exceed set concentration limits. Daily monitoring allows immediate reweighting if thresholds are breached, preventing dominance by a few stocks and preserving balanced exposure across all 10 constituent stocks.

How is the end-of-day value for the Cboe Magnificent 10 Index calculated?

The closing value of the index is calculated using the closing prices from each stock's primary exchange and will be made available under the ticker MGTN around 4:20 PM ET. For further details on the MGTN closing value calculation, please refer to this: Cboe Magnificent 10 Index Methodology.

How is the Special Opening Quotation ("SOQ") for Cboe Magnificent 10 Index calculated?

The SOQ for the Cboe Magnificent 10 Index (MGSET) is calculated using the Cboe Magnificent 10 Index Methodology, except that the price for each stock is the price at which it first trades upon the opening of the primary listing exchange. The SOQ is calculated each business day, after the first trade for each stock has occurred. For further details on SOQ calculation, please refer to this: Special Opening Quotation Overview.

Product Basics

What are Cboe Magnificent 10 Index Options?

Cboe Magnificent 10 Index options are cash-settled options contracts based on the performance of the Cboe Magnificent 10 Index. These options allow investors to gain exposure during Regular Trading Hours to a rules-based index designed to measure the performance of leading U.S. technology and growth-oriented companies, with settlement in cash, rather than delivery of shares.

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What are the contract specifications for the product?

Draft contract specifications can be found here: Contract Specifications.

What contracts will be available to trade?

The Exchange may list for trading MGTN AM-settled options contracts with standard monthly expirations on the third Friday of the contract month. If the Exchange is closed on that Friday, the option series will expire on the preceding business day. In addition, the Exchange may list MGTNW PM-settled options contracts with expirations on the last business day of each calendar month.

Will these contracts eligible for trading during Global Trading Hours and Curb Trading Hours?

No. MGTN/MGTNW Options will be available for trading according to the following table:

Type of Trading Hours	Monday – Friday
Regular Hours	8:30 a.m. to 3:15 p.m. (CT)

How are exercise settlement value determined?

The exercise settlement value of an expiring MGTN AM-settled options contract is the Special Opening Quotation ("SOQ") of the Cboe Magnificent 10 Index (MGSET) on the contract's final settlement date, which is calculated using the Cboe Magnificent 10 Index Methodology, except that the price for each constituent stock is the price at which the constituent first trades upon the opening of the primary listing exchange. Further information regarding the calculation of an SOQ for the Cboe Magnificent 10 Index may be found in the Cboe Global Indices Special Opening Quotation Mathematics Methodology.

The exercise settlement value of an MGTNW expiring PM-settled options contract is the closing value of the Cboe Magnificent 10 Index on the contract's final settlement date, which is calculated using the Cboe Magnificent 10 Index Methodology, except that the price for each constituent stock is the price at which the constituent closes on the primary listing exchange. Further information regarding the calculation of the closing value for the Cboe Magnificent 10 Index may be found in the Cboe Magnificent 10 Index Methodology.

Will there be a lead market-maker (LMM) program for MGTN options?

Yes, subject to regulatory review.

What is the position limit for MGTN options?

The position limit for MGTN options will be 24,000 contracts under Cboe Options Rule 8.32(a)(2).

How do position limits generally work for options products?

Position limits are quantitative thresholds that Trading Permit Holders may not exceed unless they qualify, and have received any required approval for, an exemption. Generally, pursuant to Cboe Options Rule 8.30, a Trading Permit Holder may not execute, for any account in which it has an interest or for the account of a customer, an opening transaction it would cause the Trading Permit Holder or its customer to control an option contract dealt in on the Exchange (whether long or short) of the put type and the call type on the same side of the market respecting the same underlying security. For the purposes of this position limit, long positions in put options are combined with short positions in call options, and short positions in put options are combined with long positions in call options.

The following examples illustrate the operation of a 24,000 option contract limit:

- Customer A, who is long 24,000 XYZ calls, may at the same time be short 24,000 XYZ calls, since long call and short call positions in the same class of options are on opposite sides of the market and are not aggregated for purposes of Cboe Options Rule 8.30.
- Customer B, who is long 24,000 XYZ calls, may at the same time be long 24,000 XYZ puts. Cboe Options Rule 8.30 does not require the aggregation of long call and long put (or short call and short put) positions, since they are on opposite sides of the market.
- Customer C, who is long 20,000 XYZ calls, may not at the same time be short more than 4,000 XYZ puts, since the 24,000 contract limit applies to the aggregation of long call and short put positions in options covering the same underlying security. Similarly, if Customer C is also short 20,000 XYZ calls, he may not at the same time be long more than 4,000 XYZ puts, since the 24,000 contract limit applies separately to the aggregation of short call and long put positions in options covering the same underlying security.

Given these position limits, what is the resulting maximum total notional value that a Trading Permit Holder may hold in MGTN options?

Suppose the value of the Cboe Magnificent 10 is 400. As each options contract has a multiplier of $100, each contract has a notional value of 400 * $100 = $40,000. With a position limit of 24,000 contracts, the maximum total notional value of MGTN options a Trading Permit Holder may hold is $40,000 * 24,000 = $960M (subject to permissible exemptions).

What hedge exemptions to position limits are available for narrow-baed index options, such as MGTN options?

The industry (narrow-based) index hedge exemption is **in addition** to the standard limit (24,000 contracts) and other exemptions available under the Cboe Options Rules and may not exceed twice the standard limit (2 * 24,000 = 48,000 contracts). Industry index option positions may be exempt from established position limits for each option contract “hedged” by an equivalent dollar amount of the underlying component securities or securities convertible into such components; provided that, in applying such hedge, each option position to be exempted is hedged by a position in at least 75% of the number of component securities underlying the index.

In addition, the underlying value of the option position may not exceed the value of the underlying portfolio. The value of the portfolio is:

1. The total market value of the net stock position; and
2. For positions in excess of the standard limit, subtract the underlying market value of:
    1. any offsetting calls and puts in the respective index option; and
    2. any offsetting positions in related stock index futures or options; and
    3. any economically equivalent positions (assuming no other hedges for these contracts exist).

Additional exemptions may be available pursuant to Cboe Options Rule 8.30.

What is the exercise limit for this product?
The exercise limit for this product will be equal to the position limit (24,000 contracts) under Cboe Options Rule 8.42(b).

FLEX Options

Will the product be eligible for trading FLEX options?
Yes, the Exchange plans to list FLEX options on the Cboe Magnificent 10 Index.

When will FLEX options become available for this product?
FLEX MGTN options will be available at launch.

What is the process to seek approval for hedge exemptions for FLEX options?
Email requests for hedge exemptions for FLEX options should be sent to IndexHedgeExemption@cboe.com. The request is routed to the appropriate Regulatory team responsible for reviewing and facilitating hedge exemption approvals.

What are the position limits for FLEX options? How are these offsets aggregated for the purposes of determining position limits?
According to Cboe Options Rule 8.35(a)(3), in no event shall the position limits for FLEX options on an industry (narrow-based) index exceed four times the applicable number of non-FLEX options on the same index (whether long or short) of the put class and the call class on the same side of the market. According to Rule 8.35(d)(3), as long as the options positions remain open, positions in FLEX options that expire on a third Friday-of-the-month expiration

day shall be aggregated with positions in Non-FLEX options on the same underlying index and shall be subject to the position limits set forth in Cboe Options Rule 8.32, and the exercise limits set forth in Rule 8.42, as applicable.