Cboe KPI Binary Options FAQ

Product Basics

What is a KPI Binary Option?

A KPI Binary Option is an exchange-listed, cash-settled option contract whose payout is based on a specific company Key Performance Indicator (KPI) - such as revenue, earnings per share, or another disclosed financial or operating metric - rather than a stock price. Each contract pays $1.00 if the reported KPI meets the stated condition at expiration, or $0.00 if it does not. There is no in-between: the payout is always binary.

What does "binary" mean in this context?

Binary simply means the option has only two possible outcomes at settlement:

- $1.00 payout - if the exercise criteria is met.
- $0.00 payout - if the exercise criteria is not met.

Unlike traditional options where the payout scales with how far the underlying has moved, KPI Binary Options pay out the same fixed amount or nothing at all.

Where do KPI Binary Options trade?

KPI Binary Options are listed and traded on Cboe Exchange (Cboe) and cleared by CCUS (Cboe Clear U.S.), which acts as the central counterparty - guaranteeing performance to both buyers and sellers. The listing and trading of KPI Binary Options with the terms described in this FAQ on Cboe and clearing of KPI Binary Options by CCUS is subject to regulatory review and approval of all applicable Cboe and CCUS filings.

What is the contract multiplier?

The contract multiplier is 1. The maximum payout per contract is $1.00 (if exercised) and the minimum is $0.00 (if it expires worthless). Options are quoted in decimals with a minimum increment of $0.01.

What are the trading hours for KPI Binary Options?

KPI Binary Options trade during Regular Trading Hours (RTH) only: 8:30 a.m. to 3:00 p.m. CT (9:30 a.m. to 4:00 p.m. ET). Global Trading Hours and overnight sessions will not be supported at launch.

What exercise style are KPI Binary Options?

KPI Binary Options are European-style - they can only be exercised on their expiration date, not before. You may close your position by selling it on the exchange during trading hours, but early exercise is not permitted.

What strike prices are available?

Cboe initially lists in-the-money, at-the-money, and out-of-the-money strikes. New strikes are added as needed. The minimum spacing between strikes depends on the price level:

Strike Price Level	Minimum Strike Interval
Less than $10	$0.01
$10 to less than $100	$0.10
$100 to less than $1,000	$1.00
$1,000 to less than $10,000	$10.00
$10,000 or greater	$100.00

How many expirations are available?

Cboe may list up to two quarterly expirations per KPI Binary Option product. The expiration date is the date on which an issuer discloses its earnings results for the applicable quarter (and not the last day of calendar quarter).

Are KPI Binary Options eligible for FLEX trading?

No. KPI Binary Options are not FLEX-eligible at launch.

The Underlying: What is a KPI?

What is a KPI in the context of these options?

KPI stands for Key Performance Indicator - a specific, measurable financial or operating metric disclosed by a public company in its earnings-related filings made with the Securities and Exchange Commission (SEC) (such as an earnings press release filing on a Form 8-K). Examples include:

- GAAP metrics: Diluted Earnings Per Share (EPS), Total Revenue, Segment Revenue
- Non-GAAP metrics: Free Cash Flow, company-specific segment revenues
- Operational statistics: Daily Active Users, production volumes, and other issuer-specific figures

Cboe designates the specific KPI and reporting period for each listed product.

What companies and KPIs are available?

At initial launch, KPIs from approximately 20 public companies will be listed. Each unique company + KPI combination is assigned its own trading symbol (OSI Root). By convention, all KPI Binary Option symbols begin with the letter "K". For example:

- KATSL - Tesla, Inc. Earnings Per Share ($/share)
- KBTSL - Tesla, Inc. Revenue ($B)

The company and KPI associated with a given symbol cannot be inferred from the symbol alone. Cboe provides a supplemental reference data file ("KPI Binary Options CSV") on Cboe.com mapping each symbol to its company, KPI description, scale, and other details.

Where does the KPI value come from?

The KPI value used for settlement is sourced exclusively from the company's official earnings press release furnished as Exhibit 99 to its Form 8-K filed with the SEC. If the KPI value is unavailable there, Cboe will use the corresponding Form 10-Q or 10-K for the same reporting period.

What is the reporting period for a KPI?

The reporting period is the specific fiscal quarter or year the KPI covers - for example, "Q1 2026" or "Fiscal Q3 2026." A company's fiscal calendar year may differ from the standard calendar year. Cboe designates the applicable reporting period at listing.

What happens if the KPI is reported in different units or scales?

For settlement purposes, the KPI value is adjusted according to the Settlement Formula designated for that product. These details are published in each product's contract specifications on Cboe.com.

What is a KPI Binary Option equivalent to in plain terms?

A KPI Binary Call Option with a given strike is economically equivalent to a prediction market contract listed on another market asking: "Will [KPI] equal or exceed [threshold] for [reporting period]?" Both pay $1.00 if the condition is met and $0.00 otherwise. For example, a call on META FY2026 Q1 Revenue with a $50.0B strike pays $1.00 if META reports Q1 revenue of $50.0B or more.

Each of these KPI Prediction Market Contracts maps directly to a KPI Binary Call Option as follows:

KPI Prediction Market Question	OSI_ROOT	Expiration Date	P/C	Strike
Will META FY2026 Q1 revenue equal or exceed $45.0B?	KBMET	4/29/2026	Call	45

Will META FY2026 Q1 revenue equal or exceed $47.5B?	KBMET	4/29/2026	Call	47.5
Will META FY2026 Q1 revenue equal or exceed $50.0B?	KBMET	4/29/2026	Call	50
Will META FY2026 Q1 revenue equal or exceed $52.5B?	KBMET	4/29/2026	Call	52.5
Will META FY2026 Q1 revenue equal or exceed $55.0B?	KBMET	4/29/2026	Call	55

How KPI Binary Options Work

What is a call option vs. a put option?

A KPI Binary Call Option pays $1.00 if the reported KPI value is equal to or greater than the strike price at expiration. A KPI Binary Put Option pays $1.00 if the reported KPI value is less than the strike price at expiration.

Scenario	Call Option Payout	Put Option Payout
KPI Result >= Strike Price	$1.00 (exercised)	$0.00 (expires worthless)
KPI Result < Strike Price	$0.00 (expires worthless)	$1.00 (exercised)

How much can I make or lose?

The maximum gain or loss per contract is $1.00 (the contract multiplier of 1 x $1.00 payout amount) (excluding transaction costs).

- Buyers (holders): Maximum loss = full premium paid. Maximum gain = $1.00 minus the premium paid.
- Sellers (writers): Maximum gain = premium received. Maximum loss = $1.00 minus the premium received.

To accommodate transaction costs, the maximum price allowable for a KPI Binary Option will be 1.03. Any execution price above 1.03 will be automatically adjusted down to 1.03.

What does in-the-money mean for a KPI Binary Option?

A call binary option is in-the-money (ITM) if the current expected KPI value is above the strike price; a put binary option is ITM if it is below. Important: for put binary options, at-the-money (KPI exactly equals the strike) is treated as out-of-the-money - the put does NOT pay out if the KPI exactly equals the strike price.

Can I sell a KPI Binary Option I previously bought?

Yes. You can close your position at any time during regular trading hours by executing an offsetting trade on Cboe. Since these are European-style options, early exercise is not permitted, but you are always free to sell your position to another market participant at the prevailing market price.

What order types are supported?

At launch, only Limit Orders are supported, with Day or Immediate-or-Cancel (IOC) time-in-force. Market orders, Good-til-cancelled (GTC) and Good-til-date (GTD) orders are not supported. Spreads for the same issuer KPI are supported; cross-product (inter-KPI or KPI v. issuer stock) spreads are not supported at launch.

Expiration and Settlement

When do KPI Binary Options expire?

The expiration date is tied to the date the issuer discloses its earnings results for the applicable reporting period. There are two settlement types:

- AM-settled (company discloses before the market open): Last trading day is the day before expiration; trading ends at 3:00 p.m. CT. Expiration time is 8:30 a.m. CT on expiration day.
- PM-settled (company discloses after the market close): Last trading day is the expiration date itself; trading ends at 3:00 p.m. CT. Expiration time is 3:00 p.m. CT.

Why might the expiration date change after I purchase the option?

This is a feature unique to KPI Binary Options. When a new expiration is first listed, the exact date on which the issuer will disclose its earnings results for that reporting period is often not yet known (companies typically announce it only 2-4 weeks in advance). Cboe initially assigns a placeholder expiration date set on or after the expected disclosure date.

Once the issuer announces its actual earnings disclosure date, Cboe updates the effective expiration date to match. This means the option will typically expire earlier than the date embedded in the original OSI symbol. Both the original placeholder and the actual expiration date are always available in Cboe's supplemental KPI reference data on Cboe.com.

Key takeaway: Always check the actual expiration date in Cboe's KPI reference data - do not rely solely on the date in the option symbol.

How is the settlement value determined?

The settlement value is the KPI disclosed in the issuer's earnings results for the applicable period on the expiration date, adjusted per the Settlement Formula. Key rules:

- Source: Official company's earnings press release or other publication (furnished with SEC on Exhibit 99 to Form 8-K). If unavailable, the Form 10-Q or 10-K is used.

- Precision: If the KPI appears multiple times in a single earnings release, the figure with the highest level of numerical precision is used.
- Finality: Once determined, the settlement value is final and will NOT be changed for subsequent restatements, amendments, or corrections.

Are KPI Binary Options automatically exercised?

Yes. KPI Binary Options are subject to automatic exercise, and no action is required from you. If your option meets the exercise criteria at expiration, it is automatically exercised and you receive $1.00. If it does not meet the criteria, it expires worthless at $0.00.

When is cash delivered after exercise?

Cash settlement occurs on the business day following the expiration date. If there is a delay in determining the settlement value (e.g., disclosure of earnings results is delayed), cash is delivered on the business day following the date the settlement value is officially determined.

What happens if the company delays or does not publish its earnings?

If the KPI is not available on the scheduled expiration date, CCUS may delay settlement processing. After the maximum permissible delay period, the exercise criteria will be determined by the Binary Options Settlement Determinations Committee. Trading will still cease the business day prior to the expiration date (for AM-settled KPI binary options) or on the expiration date (for PM-settled KPI binary options), so option holders will be unable to close positions after the expiration date while settlement is pending.

Will the settlement value change if the company later restates its earnings?

No. Once determined from the originally reported KPI, the settlement value is final. Subsequent restatements, corrections, or amendments do not affect settlement for expiring contracts.

How can I access settlement values quickly after earnings are released?

Cboe will publish final exercise settlement values on a dedicated "KPI Settlement Values" page on Cboe.com. Settlement values will be grouped by underlying company and KPI Binary Options symbol (OSI Root).

Margin and Account Requirements

Do I need to pay the full purchase price upfront as a buyer?

Yes. Buyers of KPI Binary Options must pay the full premium in cash at the time of purchase. Margin borrowing is not permitted for the buyer side of a binary option.

What are the margin requirements for sellers (option writers)?

Sellers must deposit and maintain 100% of the maximum possible payout ($1.00 per contract) as collateral, from the first settlement cycle through to expiration.

Exception - spread offsets: No margin is required on a short call (or put) fully offset by a long call (or put) on the same underlying, expiring at the same time, with a lower (or higher) strike, provided the long option is paid for in full.

How does margin work for a combined short call and short put position?

When holding both a short binary call and a short binary put on the same underlying for the same expiration, where the put strike is less than or equal to the call strike - only one exercise settlement amount is required as margin, since only one side can pay out at expiration.

Are KPI Binary Options suitable for all investors?

No. Options involve risk and are not suitable for all investors. KPI Binary Options have unique characteristics including dependence on company-reported data, mutable expiration dates, and a binary payout structure. Investors should fully understand the product terms and all risks before trading. The entire premium paid can be lost.