



Regulatory Circular 26-005

Date: February 18, 2026
Exchange: Cboe Options
Markets: Options
To: Trading Permit Holders and Members
Re: Correction to Cboe Options Rule 8.30.04 – Equity Hedge Exemptions

Cboe Options is issuing this Regulatory Circular to highlight a typographical error in Cboe Options Rule 8.30.04(a) that was recently corrected.¹

Background

Cboe Options Rule 8.30 addresses Position Limits, and its Interpretation and Policy .04 addresses Equity Hedge Exemptions. Subparagraphs (a)(1) through (a)(6) describe six (6) qualified hedging transaction strategies: (1) positions hedged or covered by the underlying security or securities readily convertible into such underlying security; (2) reverse conversions; (3) conversions; (4) collars; (5) reverse collars; and (6) box spreads. Subparagraphs (a)(7) and (8) address strategies that include an OTC option contract. Prior to the recent correction, the subparagraph references in the introductory paragraph made it appear as if only the first five hedging strategies were exempt from established position limits and that box spreads and an OTC option contract strategy were subject to a position limit equal to five (5) times the standard limit, which was incorrect.

The intent of the Rule was/is to exempt positions from position and exercise limits when any of the six (6) qualified hedging strategies are employed and to establish a position and exercise limit of five times the standard limit for hedging strategies that include an OTC option component.² At the time the Rule was amended to add a sixth qualified hedging transaction pertaining to box spreads, the cross references in the introductory paragraph were inadvertently not updated to account for the added strategy.³

The introductory language to Cboe Options Rule 8.30.04(a) has now been corrected and the corrections make it clear that all six of the (non-OTC) qualified hedging transactions and positions described under Cboe Options Rule 8.30.04(a) qualify for the exemption from established position limits, and that qualified OTC option contract strategies are subject to a position limit equal to five (5) times the standard limit.

Additional Information

For questions related to this Regulatory Circular, please contact Regulatory Interpretations at reginterps@cboe.com or 312.786.8141.

¹ See [Release No. 34-104850](#) (February 17, 2026) ([SR-CBOE-2026-018](#)).

² See Release No. 34-45603 (March 20, 2002), [67 FR 14751](#) (March 27, 2002) (SR-CBOE-00-12).

³ See Release No. 34-51244 (February 23, 2005), [70 FR 10010](#) (March 1, 2005) ([SR-CBOE-2003-30](#)).