Regulatory Circular 26-014

Date:	**August 5, 2026**
Exchange:	**Cboe Options**
Markets:	**Options**
To:	**Trading Permit Holders**
Re:	**Position Limits for Mini S&P 500 Index Binary Options (XSPBX)**

Cboe Options Exchange recently began trading Mini S&P 500 Index Binary Options (XSPBX).[1] This Regulatory Circular provides an overview of position and exercise limits on XSPBX.

Position and Exercise Limits

As of July 17, 2026, the position limit for XSPBX is 1,500,000 contracts on same side of the market **per expiration**.[2] There are no exercise limits.[3]

For purposes of position limits on XSPBX, long positions in put binary options and short positions in call binary options are considered to be on the same side of the market; and short positions in put binary options and long positions in call binary options are considered to be on the same side of the market.

Aggregation

Pursuant to Cboe Options Rule 8.36(c), positions in binary index options on the same index with different exercise settlement amounts will be aggregated with each other. However, pursuant to paragraph (d):

- binary options are not aggregated with non-binary option contracts on the same or similar underlying security or index;
- binary options on an index are not aggregated with non-binary option contracts on an underlying stock or stocks included within such index; and
- binary options on one index are not aggregated with binary options on any other index.

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[1] *See* Update - Cboe Options to List Mini S&P 500 Index Binary Options.

[2] Position limits for binary options are set forth in Cboe Options Rule 8.36 and are based on fixed and formulaic position limits. Pursuant to Cboe Options Rule 8.36(a), the fixed position limit for binary index options for which traditional options on the same **index have no position limit pursuant to Rules 8.30 through 8.32**, as applicable, is the number of contracts equal to 15,000 times the ratio of 10,000 to the exercise settlement amount per expiration. Because there is no position limit for XSP pursuant to Cboe Options Rule 8.31 and the exercise settlement amount of XSPBX is $100, the position limit is calculated as 15,000*(10,000/100) or 1,500,000 contracts. Prior to July 17, 2026, the position limit of 1,500,000 contracts applied across all expiries (*see* Release No. 34-105936 (July 17, 2026), (SR-CBOE-2026-032).

[3] *See* Cboe Options Rule 8.42(h).

Hedge Exemption

Pursuant to Cboe Options Rule 8.36(f), binary options are not subject to the standard position limits hedge exemptions in Cboe Options Rule 8.30. Instead, position limits for the hedged positions and strategies defined below are equal to FIVE times the position limit for XSPBX:

Qualified Hedge Exemption Position/Strategy	Example
(1) A binary option position "hedged" or "covered" by an appropriate amount of cash to meet the settlement obligation.	A TPH is short 2,000,000 XSPBX calls with the same expiration (exercise settlement amount: $100/contract), exceeding the 1,500,000 position limit. A TPH holds $200,000,000 in cash or cash equivalents (2,000,000 × $100) sufficient to satisfy the maximum settlement obligation. The entire position would qualify for the exemption.*
(2) A binary option position "hedged" or "covered" by a sufficient amount of a related or similar security to meet the settlement obligation.	A TPH is short 2,000,000 XSPBX calls with a strike of $550 all with the same expiration. A TPH purchases 1,000,000 long XSPBX calls with the same expiration and a strike price equal to or less than $550 sufficient to offset a sufficient portion of the settlement obligation to bring the position below the limit. 1,000,000 XSPBX contracts on the short call side qualify for the exemption; 1,000,000 XSPBX contracts on the short call side are subject to the position limit of 1,500,000.*
(3) A binary option position "hedged" or "covered" by a traditional option covering the same underlying index (which includes, among other strategies, a vertical spread with strikes reasonably close to the binary option strike) sufficient to meet the settlement obligation.	A TPH is short 2,000,000 XSPBX calls with a strike of 550 all with the same expiration. A TPH establishes a vertical call spread in SPXW with strikes reasonably close to the binary option strike (e.g., long SPXW 5500 C/short SPXW 5505 C) such that the maximum payout under the traditional options is sufficient to satisfy the $200,000,000 settlement obligation on the binary positions. The entire position would qualify for the exemption.*

*Only positions subject to a qualifying hedge are subject to five-times the position limit; any unhedged position is subject to the standard position limit.

Reports Related to Position Limits

XSPBX options are subject to the reporting requirements in Cboe Options Rule 8.43. Positions of 200 or more contracts on the same side of the market must be reported to the Exchange. Cboe Options Rule 8.43(f) addresses reports related to position limits. In computing reportable binary options under the Rule:

(1) positions in binary options on the same index that have different exercise settlement amounts are aggregated;
(2) positions in binary index options are not aggregated with non-binary option contracts on the same or similar underlying security or index;
(3) positions in binary index options are not aggregated with non-binary option contracts on an underlying security or securities included within the underlying index; and
(4) positions in binary index options on one index are not aggregated with binary index options on any other index.

Additional Information

The factors and illustrations noted above are not meant to be an exhaustive list. Additional questions about this circular may be directed to Regulatory Interpretations at RegInterps@cboe.com or 312.786.8141.