Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2026 - * 032
Amendment No. (req. for Amendments *) 1

Filing by Cboe Exchange, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☐	☑	☐	☑	☐	☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Laura
Last Name * Dickman
Title * VP, Associate General Counsel
E-mail * ldickman@cboe.com
Telephone * (312) 786-7572
Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Cboe Exchange, Inc.
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 07/13/2026
By Laura G. Dickman
(Name *)

(Title *)
VP, Associate General Counsel

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Laura Dickman
Date: 2026.07.13
11:41:46 -05'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information * Add | Remove | View 26-032 19b-4 (MGTN Binary Options a	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add | Remove | View 26-032 Exhibit 1 (MGTN Binary Optior	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies * Add | Remove | View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2- Notices, Written Comments, Transcripts, Other Communications Add | Remove | View	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G. ☐ Exhibit Sent As Paper Document
Exhibit 3 - Form, Report, or Questionnaire Add | Remove | View	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change. ☐ Exhibit Sent As Paper Document
Exhibit 4 - Marked Copies Add | Remove | View 26-032 Exhibit 4 (MGTN Binary Optior	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add | Remove | View 26-032 Exhibit 5 (MGTN Binary Optior	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change
Partial Amendment Add | Remove | View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Item 1. <u>Text of the Proposed Rule Change</u>

(a) Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend its Rules related to binary options. The Exchange initially submitted this rule filing SR-CBOE-2026-032 on April 2, 2026 (the "Initial Rule Filing"). This Amendment No. 1 supersedes the Initial Rule Filing and replaces it in its entirety. This Amendment No. 1 narrows the scope of the proposed rule change from permitting binary options to be listed on any non-broad-based index to the Cboe Magnificent 10 Index and to provide additional support for the proposal. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

Item 2. <u>Procedures of the Self-Regulatory Organization</u>

(a) The Exchange's President (or designee) pursuant to delegated authority approved the proposed rule change on July 6, 2026.

(b) Please refer questions and comments on the proposed rule change to Pat Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7467, or Laura G. Dickman, (312) 786-7572, Cboe Exchange, Inc., 433 West Van Buren Street, Chicago, Illinois 60607.

Item 3. <u>Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change</u>

(a) <u>Purpose</u>

The Exchange proposes to amend its Rules related to binary options. Binary options are based on the same framework as traditional, standardized options traded on the Exchange, except the payout of a binary option is an amount contingent upon the occurrence of the option being in- or at-the-money rather than the degree to which the option is in-the-money. As a result, payout at expiration of a binary option is an all-or-nothing occurrence. Current Rule 4.16 permits the Exchange to list binary options on broad-based indexes.[1] Current Rule 4.16(b) defines a binary option as a European-style option contract having an exercise settlement amount[2] that is established at the creation of the option. Under current Rules, binary options are paid out if the settlement value[3] of the underlying broad-based index equals, exceeds, or is less than the exercise price, depending on the type of option (i.e., call or put). A call binary option is an option contract that returns an exercise settlement amount if the settlement value of the underlying broad-based index is at or above the exercise price[4] at expiration (i.e., in- or at-the-money), while a put binary option is an option contract that returns an exercise settlement amount if the settlement

1 Pursuant to current Rule 4.16(a), Rule 4.16 applies to binary options only, and all Rules apply to the trading of binary options, except as otherwise provided or the context otherwise requires.

2 The exercise settlement amount for a binary option is the amount of cash that a holder will receive upon exercise of the contract. The exercise settlement amount is a set amount equal to the exercise settlement value multiplied by the contract multiplier. The exercise settlement value will be an amount determined by the Exchange on a class-by-class basis and shall be equal to $1 or $1,000 or a value between those values, unless otherwise adjusted per Rule 4.6. See current Rule 4.16(b) (definition of "exercise settlement amount"). Pursuant to current Rule 4.16(f), binary option contracts are subject to adjustment only in accordance with and to the extent specified in the By-Laws and Rules of The Options Clearing Corporation ("OCC"). The contract multiplier is the multiple applied to the exercise settlement value to arrive at the total exercise settlement amount per contract, which is established on a class-by-class basis and shall be at least one. See current Rule 4.16(b) (definition of "contract multiplier").

3 The settlement value for a binary option is the value of the underlying broad-based index that is used to determine whether a binary option is in, at, or out of the money. For binary options on a broad-based index on which traditional options on the same broad-based index are A.M.-settled, the "settlement value" is the reported opening level of such index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index. For binary options on a broad-based index on which traditional options on the same broad-based index are P.M.-settled, the "settlement value" is the reported closing level of such index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index. See current Rule 4.16(b) (definition of "settlement value"). Binary options that are "at-the-money," "in-the-money," or "out-of-the-money" are a function of the settlement value of the underlying broad-based index in relation to the type of binary option (i.e., put or call) and the exercise price. See current Rule 4.16(e).

4 With respect to a binary option, the exercise price is the value to which the settlement value of the underlying broad-based index is compared to determine whether the holder of a binary option is entitled to have the option be paid out. See current Rule 4.16(b) (definition of "exercise price").

value of the underlying broad-based index is below the exercise price at expiration (i.e., in-the-money).[5] The Exchange designates binary options as to expiration date, exercise price, exercise settlement amount, contract multiplier, and underlying broad-based index.[6]

Currently, the Exchange may from time to time approve for listing and trading on the Exchange binary option contracts on a broad-based index that has been selected in accordance with Rule 4.10 and the Interpretations and Policies thereunder.[7] The Exchange may add new series of options of the same class as provided for in Rule 4.13 and the Interpretations and Policies thereunder. Additional series of the same binary option class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market or to meet customer demand (the opening of a new series of binary options on the Exchange will not affect any other series of options of the same class previously opened).[8] After a particular binary option class has been approved for listing and trading on the Exchange, the Exchange from time to time may open for trading series of options on that class. In order to afford investors maximum flexibility, binary option series may expire from one day up to 36 months from the time they are listed.[9] Binary options will be quoted based on the existing strike intervals utilized for traditional, non-

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5 See current Rule 4.16(b) (definitions of "call binary option" and "put binary option").

6 See Rule 4.16(c)(2).

7 See current Rule 4.16(c)(1). Binary options are a separate class from other options overlying the same broad-based index. The maintenance listing standards with respect to options on broad-based indexes set forth in Rule 4.10 and the Interpretations and Policies thereunder apply to binary options on broad-based indexes as well. See Rule 4.16(d).

8 See current Rule 4.16(c)(4).

9 See current Rule 4.16(c)(3).

binary index options[10] with minimum price variations, established by class, to be no less than $0.01.[11]

The proposed rule change moves the Rule provisions regarding binary options from current Rule 4.16 to new Chapter 4, Section H, which section will relate specifically to binary index options. Specifically, the proposed rule change[12]:

- moves current Rule 4.16(a) to the introductory language for proposed Section H;
- moves the defined terms in current Rule 4.16(b) to proposed Rule 4.70;
- moves the provisions from current Rule 4.16(c)(1) and (d) regarding the listing and maintenance criteria for binary index options to Rule 4.71(a);
- moves the provision regarding binary index options being a separate class from the traditional options with the same underlying from current Rule 4.16(c)(1) to Rule 4.71(b);
- moves the provision regarding the designated terms of binary index options from current Rule 4.16(c)(2) to the introductory language of proposed Rule 4.72[13];

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10 See Rule 4.13, including Interpretation and Policy .01.

11 See Rule 5.4(c)(1).

12 In addition to substantive changes to current Rule 4.16 described below, the proposed rule change made nonsubstantive changes to simplify the current provisions (including eliminate redundancies) and make the provisions more plain English, as well as to clarify that these provisions apply to binary index options. The proposed rule change also adds an example of how the exercise settlement amount is calculated.

13 The Exchange deleted from current Rule 4.16(c)(2) the provision stating only binary option contracts approved by the Exchange and currently open for trading on the Exchange may be purchased or sold on the Exchange, as that is a general, true of all options approved for listing on the Exchange.

- moves the provision regarding settlement of binary index options from current Rule 4.16(b) (the provision that binary index options have European-style settlement) and 4.16(c)(2) to proposed Rule 4.72(a);
- moves the provision regarding permissible expirations of binary index options from current Rule 4.16(c)(3) to proposed Rule 4.72(b);
- moves the provision regarding additional series of binary index options from current Rule 4.16(c)(4) to proposed Rule 4.72(c);
- moves the provision regarding the determination of the settlement value from current Rule 4.16(e) to proposed Rule 4.73;
- moves the provision regarding adjustment of binary index options from current Rule 4.16(f) to proposed Rule 4.74;
- moves the provision regarding the availability of Flexible Exchange ("FLEX") options for binary index options from current Rule 4.16(g) to proposed Rule 4.21(c); and
- moves the provision regarding position limits for binary index options to Rules 8.35(e) and 8.36.

While there is no current definition of the term "market capitalization ratio" in the Rules, that term is effectively defined in current Rule 8.36(b) as the ratio of the market capitalization of a broad-based index underlying a binary index option to the market capitalization of the S&P 500 Index. The proposed rule change creates a defined term of "market capitalization ratio" in proposed Rule 4.70, which means the ratio of the market capitalization of an index to the market capitalization of the S&P 500 Index. This is equivalent to the meaning of that term in the current Rules but expanded to apply to any index rather than just broad-based index, as the proposed Rules regarding all binary index options reference that term.

The proposed rule change also adds a definition of "binary option" to Rule 1.1. Specifically, the proposed rule change defines "binary option" as an option contract having an exercise settlement amount that is established at the creation of an option and only two possible payoff outcomes: either a fixed amount equal to the exercise payout amount or nothing at all. Unless the context otherwise requires, references in the Rules to binary options apply to binary index options. This is consistent with the current definition of binary option in current Rule 4.16(b) and provides additional detail regarding how binary options work. The proposed definition is also consistent with the definition of binary option in the Options Disclosure Document.[14]

In addition to the relocation of and nonsubstantive changes to the provisions of current Rule 4.16 regarding binary index options as described above, the proposed rule change amends the current Rules regarding the availability of binary index options to (1) permit the listing of binary options on the Cboe Magnificent 10 Index; and (2) permit A.M.-settlement and P.M.-settlement for all binary index options.

First, the proposed rule change would make binary index options available on the Cboe Magnificent 10 Index (in addition to broad-based indexes). Currently, the Exchange may list binary index options only on broad-based index options. Proposed Rule 4.71(a) provides that the Exchange may from time to time approve for listing and trading on the Exchange binary option contracts on a broad-based index that satisfies the initial listing criteria in Rule 4.10 and the Interpretations and Policies thereunder and on the Cboe

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14 See Options Disclosure Document at 8, available at riskstoc.pdf.

Magnificent 10 Index. The Exchange may currently list traditional (i.e., non-binary) options on the Cboe Magnificent 10 Index ("MGTN options") pursuant to Rule 4.10(b).[15] The Exchange believes being able to list binary MGTN options will provide more investors with access to a securities exchange-listed product with the simplified, limited risk structure of binary index options.

Second, the Exchange proposes to amend the Rules regarding permissible settlements of binary index options. Pursuant to proposed Rule 4.72(a), the Exchange may designate binary index options as A.M.-settled or P.M.-settled. Current Rule 4.16(c)(2) provides that binary index options on broad-based index options for which traditional (i.e., non-binary) options on the same broad-based index are A.M.-settled will be A.M.-settled, and binary index options on broad-based indexes for which traditional options on the same broad-based index are P.M.-settled will be P.M.-settled. Currently, nearly all of the traditional broad-based index options the Exchange lists for trading and MGTN options can be both A.M.-settled and P.M.-settled.[16] Therefore, current Rule 4.16 would permit the Exchange to list A.M.-settled and P.M.-settled binary index options overlying most

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15 Pursuant to proposed Rule 4.21(c) (as is the case today for binary index options on broad-based indexes pursuant to current Rule 4.16(g)), binary options on indexes that are eligible for trading on the Exchange will be eligible for trading as FLEX options (as provided for in Chapter 4, Section C), even if the Exchange does not list and trade non-FLEX binary options or non-FLEX traditional options on such index. For purposes of Rule 4.21, the applicable exercise settlement value is designed by the parties to the contract, the parties may not designate an exercise style other than European-style, and the term "index multiplier" refers to the contract multiplier.

16 See Rule 4.13(a)(4), (e), and Interpretation and Policy .13. Currently, the Exchange lists the following index options: S&P 500 Index options ("SPX options"), Mini-S&P 500 Index options ("XSP options"), S&P 500 Scored and Screened Index ("SPESG options"), Mini-S&P 500 Equal Weight Index Options ("SPEQX options"), Cboe Volatility Index Options ("VIX options"), Dow Jones Industrial Average options ("DJX options"), S&P 100 Index options ("OEX options"), Russell 2000 Index options ("RUT options"), Mini-Russell 2000 Index options ("MRUT options"), Cboe Bitcoin U.S. ETF Index options ("CBTX options"), Cboe Mini Bitcoin U.S. ETF Index options ("MBTX options"), and the Cboe Magnificent 10 Index options ("MGTN options"). All of these index options may have A.M.-settled series and P.M.-settled series except OEX options (P.M.-settled only) and VIX options (A.M.-settled only).

broad-based indexes on which the Exchange lists non-binary options. Permitting both A.M.- and P.M.-settlement for binary index options for all broad-based indexes and the Cboe Magnificent 10 Index will afford investors further flexibility (coupled with the flexibility of permissible expirations, as noted above) with respect to their investment strategies, regardless of the index option market in which investors participate. Additionally, the Exchange believes it is appropriate to be able to list A.M.- and P.M.-settled binary index options to provide investors with the same flexibility currently available for similar products currently available on other trading platforms (as further discussed below).

In connection with the proposed rule change described above to permit P.M.-settlement for all binary index options, the Exchange proposes to amend Rule 5.1(b)(2)(C) to provide that on their last trading day, Regular Trading Hours ("RTH") for P.M.-settled binary index options may be effected on the Exchange between 9:30 a.m. and 4:00 p.m.[17] (as opposed to the 9:30 a.m. to 4:15 p.m. RTH for non-expiring binary index options).[18] The primary listing markets for the component securities comprising the indexes underlying options listed on the Exchange close trading in those securities at 4:00 p.m. The primary listing exchanges for the component securities disseminate closing prices for the component securities, which are used to calculate the exercise settlement value of these indexes. The Exchange believes that, under normal trading circumstances, the primary

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17 All times set forth in this rule filing are Eastern Time.

18 The Exchange notes that pursuant to Rule 5.1(b)(2)(G), RTH for binary index options are the same as the RTH for options with the same underlying index. Additionally, pursuant to Rule 5.1(c) and (d), if the Exchange designates a class of index options as eligible for trading during Global Trading Hours and Curb Trading Hours, respectively, binary index options with the same underlying index are also deemed eligible for trading during Global Trading Hours and Curb Trading Hours.

listing markets have sufficient bandwidth to prevent any data queuing that may cause any trades that are executed prior to the closing time from being reported after 4:00 p.m. If trading in expiring P.M.-settled binary index options continued an additional fifteen minutes until 4:15 p.m. on their last trading day, these expiring options would be trading after the exercise settlement value for those expiring options was calculated. Therefore, in order to mitigate potential investor confusion and the potential for increased costs to investors as a result of potential pricing divergence at the end of the trading day, the Exchange believes it is appropriate to cease trading in the expiring P.M.-settled binary index options at 4:00 p.m., which is currently the case for P.M.-settled non-binary index options. The Exchange does not believe the proposed rule change will impact volatility on the underlying cash market comprising the indexes at the close on expiration days, as it already closes trading on the last trading day for expiring P.M.-settled non-binary index options overlying the same indexes at 4:00 p.m. The Exchange does not believe this has had an adverse impact on fair and orderly markets on expiration days for the underlying securities comprising the corresponding indexes.

The Exchange currently only lists P.M.-settled OEX options. As is the case for other index options (except VIX options), the settlement value for P.M.-settled OEX options is the closing value of the index value on the expiration date. The Exchange began listing OEX options for trading prior to the Exchange's adoption of listing rules for index options (as set forth in Rule 4.10), and when the Exchange began listing OEX options, the Exchange designated them as P.M.-settled, which was the standard settlement type of index options at the time. Like all other traditional P.M.-settled index options the Exchange lists for trading, the settlement value of OEX options is the closing value of the underlying index on the expiration date. The settlement value for binary OEX options (if the Exchange were to determine to list them) would be determined in the same manner as all other binary index options (both A.M.-settled and P.M.-settled) — specifically, the opening or closing value, respectively, of the index on the expiration date would be the settlement value. Permitting the Exchange to list both A.M.-settled and P.M.-settled binary OEX options would provide investors with the same flexibility for binary options on this index that would be available to all other binary broad-based index options on which the Exchange may currently list binary index options (other than VIX options).

As noted above, VIX options are currently A.M.-settled only. The settlement value for these options is calculated as a special opening quotation using a modified opening auction process on exercise settlement value determination days pursuant to Rules 4.13(a)(5)(B) and 5.31(j). This is different than other index options, for which the settlement value is the current index value at the expiration of the option (either the opening value (if A.M.-settled) or the closing value (if P.M.-settled) of the index on the expiration date). It is for this reason VIX options are currently only A.M.-settled. However, binary VIX options, as proposed, may be A.M.-settled or P.M.-settled because the settlement value for binary VIX options will be, like all other binary index options, the reported opening or closing level of the underlying index (and therefore not calculated pursuant to a special quotation). This is consistent with the current binary index option rules today that state the settlement value for all binary index options that are A.M.-settled will be the reported opening level of the underlying index, which applies to binary VIX options. Therefore, the Exchange believes it is appropriate to permit the listing of binary VIX options that are P.M.-settled.

The Exchange also proposes to amend the position limits for binary options in Rule 8.36. Current Rule 8.36 provides that the position limit for binary options on a broad-based index will be 15,000 contracts if the exercise settlement is $10,000 (or 15,000 times the ratio of 10,000 to the exercise settlement amount if the exercise settlement amount is not $10,000) if traditional (i.e., non-binary) options on the same broad-based index have no position limit pursuant to Rule 8.31. For binary options on a broad-based index for which traditional options on the same broad-based index do have a position limit pursuant to Rule 8.31, the position limit for the binary index option (if the exercise settlement amount is $10,000) is:

- 10,000 contracts if the market capitalization ratio for the index is greater than or equal to 0.50;
- 5,000 contracts if the market capitalization ratio is less than 0.50 but greater than or equal to 0.25; or
- 2,500 contracts if the market capitalization ratio is less than 0.25 but greater than or equal to 0.10.[19]

For binary options that have an exercise settlement amount that is not equal to $10,000, the position limit is the ratio of 10,000 to the exercise settlement amount multiplied by the applicable amount set forth above.

The proposed rule change expands the fixed and formulaic limits to all indexes that may underlie binary options as proposed (i.e., all broad-based indexes (as currently permitted) and the Cboe Magnificent 10 Index) and applies the proposed position limits on

[19] The rule provides that the Exchange would need to seek approval from the Securities and Exchange Commission (the "Commission") prior to establishing position limits for binary options on broad-based indexes that have a market capitalization ratio that is less than 0.10.

an expiration basis.[20] Specifically, the proposed rule change amends Rule 8.36(a) to provide that the position limit for binary options for which the traditional options on the same index have no position limit pursuant to Rules 8.30 through 8.32, as applicable,[21] is the number of contracts equal to 15,000 times the ratio of 10,000 to the exercise settlement amount per expiration.[22] The proposed rule change amends Rule 8.36(b) to provide that for binary options for which traditional options on the same index have a position limit pursuant to Rules 8.30 through 8.32, as applicable, the position limit is the number of contracts equal to the ratio of 10,000 to the exercise settlement amount multiplied by the number of contracts set forth in the table below (based on the market capitalization ratio of the underlying index) per expiration[23]:

Market Capitalization Ratio of Underlying	**Number of Contracts**
Greater than or equal to 0.50	10,000
Less than 0.50 but greater than or equal to 0.25	5,000
Less than 0.25 but greater than or equal to 0.10	2,500

20 The proposed rule change also makes nonsubstantive changes to simplify the rule language.

21 Rules 8.31 and 8.32 provide position limits for broad-based and narrow-based index options, respectively, the Exchange may list for trading.

22 For example, if the binary option exercise settlement amount is $10,000, then the position limit is 15,000 contracts per expiration; if the binary option exercise settlement amount is $1,000, then the position limit is 150,000 contracts per expiration; and if the binary option exercise settlement amount is $12,000, then the position limit is 12,500 contracts per expiration.

23 Pursuant to current and proposed Rule 8.36(b), to the Exchange will seek Commission approval prior to establishing position limits for binary options on broad-based indexes that have a Market Capitalization Ratio less than 0.10,.

For reference, the table below sets forth the approximate market capitalizations that would equate to the above ratios based on a market capitalization of the S&P 500 Index of $62.5 trillion as of February 20, 2026:

Market Capitalization Ratio of Underlying	**Range of Underlying Market Capitalizations**	**Number of Contracts**
Greater than or equal to 0.50	Greater than or equal to $31.3 trillion	10,000
Less than 0.50 but greater than or equal to 0.25	Less than $31.3 trillion but greater than or equal to $15.6 trillion	5,000
Less than 0.25 but greater than or equal to 0.10	Less than $15.6 trillion but greater than or equal to $6.3 trillion	2,500

Pursuant to current Rule 8.36(c), positions in binary options on the same broad-based index with different exercise settlement amounts will be aggregated with each other and, pursuant to current Rule 8.36(d), will not be aggregated with non-binary option contracts on the same broad-based index. The proposed rule change amends these provisions to apply to all binary index options. Therefore, pursuant to proposed Rule 8.36(d), binary index options, which include binary options on any broad-based index and the Cboe Magnificent 10 Index as proposed, will not be aggregated with non-binary options on the same index.[24]

Current Rule 8.36(f) provides that binary options are not subject to the hedge exemption to the standard position limits in Rule 8.30 and instead exempts certain qualified

[24] Additionally, pursuant to current Rule 8.36(d), binary options on broad-based indexes will not be aggregated with non-binary option contracts on an underlying stock or stocks (the Exchanges makes a nonsubstantive change to make this security or securities to be consistent with the first sentence of the subparagraph) included within such broad-based index, and binary options on one broad-based index will not be aggregated with binary index options on any other broad-based index. The proposed rule change amends these provisions in Rule 8.36(d) to apply to binary MGTN options. See proposed Rule 8.36(d).

hedge exemption strategies and positions from the position limits established in Rule 8.36(a) and (b). The proposed rule change amends Rule 8.36(f) to provide that notwithstanding Rules 8.36(a) and (b), position limits for the hedged positions and strategies defined below are equal to five times the position limit established under proposed Rule 8.36(a) and (b). In other words, the proposed rule change imposes a position limit on these hedged positions and strategies higher than the position limit for non-hedged positions and strategies but no longer fully exempts them from position limits, as is the case under current Rules. As proposed, this same higher position limit would apply to hedged strategies and positions in binary MGTN options as well. The following strategies and positions would qualify for these increased position limits (which are the strategies and positions exempt from position limits for binary options established in current Rule 8.36):

- a binary option position "hedged" or "covered" by an appropriate amount of cash to meet the settlement obligation (e.g., $1,000 for a binary option with an exercise settlement amount of $1,000);
- a binary option position "hedged" or "covered" by a sufficient amount of a related or similar security to meet the settlement obligation; and
- 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[25] to the binary option strike) sufficient to meet the settlement obligation.

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[25] The Exchange will determine strikes that are "reasonably close" in the same manner it currently does pursuant to Rule 4.13.

Pursuant to Rule 8.42(h), binary options are not subject to exercise limits. This is currently the case for binary index options on broad-based indexes and will be the case for binary index options on Cboe Magnificent 10 Index. Binary index options, as discussed above, are European-style and are automatically exercised at expiration if the settlement value of the underlying index is equal to or greater than the exercise price of a call binary option or less than the exercise price in the case of a put binary option.[26] Exercise limits are intended to prevent a single investor from exercising a number of option contracts that could potentially manipulate the value of the underlying. Because investors have no discretion regarding whether to exercise their binary index options due to their automatic exercise at expiration, there is no need for exercise limits.

As set forth in Rule 8.35(d), positions in FLEX binary index options (including binary options on broad-based indexes, as are permitted today, and binary options on the Cboe Magnificent 10 Index, as proposed) will not be aggregated with positions in non-FLEX binary index options. While this is true today, the proposed rule change proposes to add this language to proposed Rule 8.35(e) for additional transparency. The proposed rule change also adds the following provisions to proposed Rule 8.35(e) to clarify how certain provisions regarding aggregation and nonaggregation of positions for purposes of calculating position limits will apply to FLEX binary index options:

- positions in FLEX binary index options on the same index that have different exercise settlement amounts are aggregated (this is consistent with

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[26] See Rule 6.20(g). The proposed rule change amends Rule 6.20(g) to (a) delete "broad-based" so that the provision will apply to all binary index options (including binary MGTN options as proposed) and (2) to clarify the provision applies to binary index options. Because binary options are automatically exercised, Rule 6.21 regarding exercise notices does not apply to binary options.

current Rule 8.36(c) with respect to non-FLEX binary index options, and the proposed language merely adds clarification regarding how this will apply to FLEX binary index options[27]; and

- in determining compliance with the position limits set forth in Rule 8.36, FLEX binary options are not aggregated with non-binary index option contracts (FLEX or non-FLEX) on the same or similar underlying security or index. In addition, FLEX binary options on an index are not aggregated with non-binary option contracts (FLEX or non-FLEX) on an underlying stock or stocks included within such index, and FLEX binary options on one index are not aggregated with binary options (FLEX or non-FLEX) on any other index (this is consistent with current Rule 8.36(d) with respect to non-FLEX binary index options, and the proposed language merely adds clarification regarding how this will apply to FLEX binary index options).

With respect to reports related to position limits, proposed Rule 8.43(f) provides that in computing reportable binary options under Rule 8.43, as is the case today for binary index options on broad-based indexes and will be the case for binary index options on the Cboe Magnificent 10 Index as proposed:

(1) positions in binary index 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;

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27 As set forth in current proposed Rule 8.35(e)(1), FLEX binary index options will not be aggregated with positions in non-FLEX binary index options on the same index, regardless of the exercise settlement amount.

(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.

All binary index options as proposed will not be subject to Rule 8.46(b) and Interpretation and Policy .01 regarding certain restrictions on options transactions and exercises. Rule 8.46(b) applies only to American-style options (as noted above, binary options are European-style), and Rule 8.46, Interpretation and Policy .01 applies only to options that are settled by delivery of an underlying security (as noted above, binary options are settled by delivery of a settlement value in cash).

The margin requirements in Rule 10.3(m) (currently applicable to binary index options on broad-based indexes) will apply to all binary index options. Specifically, for a margin account, except as provided below, no binary option carried for a customer may be considered of any value for purposes of computing the margin required in the account of such customer. The initial and maintenance margin required on any binary option carried long in a customer's account is 100% of the purchase price of such binary option (i.e., the premium). The Exchange notes margin required for binary index options is more robust than that required for traditional index options, the margin rules for which permit various offsets. The initial and maintenance margin required on any binary option carried short in a customer's account is the exercise settlement amount. With respect to spreads, no margin is required on a binary call option (put option) carried short in a customer's account that is offset by a long binary call option (put option) for the same underlying security or instrument that expires at the same time and has an exercise price that is less than (greater than) the exercise price of the short call (put). The long call (put) must be paid for in full. With respect to straddles and combinations, when a binary call option is carried short in a customer's account and there is also carried a short binary put option for the same underlying security or instrument that expires at the same time and has an exercise price that is less than or equal to the exercise price of the short call, the initial and maintenance margin required is the exercise settlement amount applicable to one contract. The Rules of OCC also subject binary index options to OCC's margin and risk management methodology.[28]

For a cash account, a binary option carried short in a customer's account is deemed a covered position, and eligible for the cash account, provided any one of the following either is held in the account at the time the option is written or is received into the account promptly thereafter:

(1) cash or cash equivalents equal to 100% of the exercise settlement amount; or

(2) a long binary option of the same type (put or call) for the same underlying security or instrument that is paid for in full and expires at the same time, and has an exercise price that is less than the exercise price of the short in the case of a call or greater than the exercise price of the short in the case of a put; or

(3) an escrow agreement. The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement (i) cash, (ii) cash equivalents, (iii) one or more qualified equity securities, or (iv) a combination

[28] See Securities Exchange Act Release No. 105537 (May 21, 2026), 91 FR 31513 (May 27, 2026) (SR-OCC-2026-003) (which amended OCC's STANS methodology description to enable OCC to accept binary options for clearing and appropriately manage the risk created by binary options).

thereof having an aggregate market value of not less than 100% of the exercise settlement amount and that the bank will promptly pay the TPH organization the exercise settlement amount in the event the account is assigned an exercise notice.

The Exchange believes these proposed levels are appropriate because risk exposure is limited with binary options and the proposed customer initial and maintenance margin is equal to the maximum risk exposure.[29]

Except as otherwise described above, all binary index options will be listed and traded on the Exchange in a substantially similar manner as non-binary index options are permitted to be listed and traded under current Rules. The Rules that apply to the listing and trading of non-binary index options on the Exchange, including those related to priority and execution, Market-Makers (including Market-Maker obligations), obvious error,[30] trading halt procedures, and clearing, will apply to the listing and trading of binary options. The Exchange has analyzed its capacity and represents that it believes the Exchange has the necessary systems capacity to handle any potential additional message traffic associated with the listing of binary options on indexes (including non-broad-based indexes). The Options Price Reporting Authority ("OPRA") also informed the Exchange it believes it has the necessary systems capacity to handle the additional traffic associated with the listing

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29 Pursuant to Rule 10.9, the Exchange has the ability to impose higher margin requirements than those described above in respect to any binary option position when it deems such higher margin requirements to be advisable. Because binary options must be fully funded pursuant to Rule 10.3(m), Rule 6.22 regarding delivery and payment does not apply to binary options.

30 The Exchange notes Rule 6.5, Interpretation and Policy .04 states that for purposes of the obvious error provisions in Rule 6.5(c), the adjusted price (including any applicable adjustment under subparagraph (c)(4)(A) for non-customer transactions) may not exceed the applicable exercise settlement amount for the binary option. The proposed rule change amends the term "exercise settlement amount" to "exercise settlement value," as that is the appropriate price comparison for the transaction price (which is generally considered prior to application of the contract multiplier). The exercise settlement value is similar the value of settlement prior to application of the contract multiplier. This is a technical change to reflect the intended purpose of this provision.

of new options that would result from this proposed rule change. The Exchange does not believe Trading Permit Holders ("TPHs") will experience any capacity issues as a result of this proposal and represents that it will monitor the trading volume associated with binary options and the effect (if any) of binary options on market fragmentation and the capacity of the Exchange's automated system.

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply the same program procedures to binary options the Exchange applies to its other options products (which overly the same indexes on which the proposed rule change would permit the Exchange to list binary options). Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition, the Exchange has a Regulatory Services Agreement with the Financial Industry Regulatory Authority ("FINRA") for certain market surveillance, investigation and examinations functions. Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate amongst themselves and FINRA responsibilities to conduct certain options-related market surveillance that are common to rules of all options exchanges.[31] The Exchange believes its existing surveillance procedures are designed to

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[31] Section 19(g)(1) of the Securities Exchange Act of 1934 (the "Act"), among other things, requires every self-regulatory organization ("SRO") registered as a national securities exchange or national securities association to comply with the Act, the rules and regulations thereunder, and the SRO's own rules, and, absent reasonable justification or excuse, enforce compliance by its members and persons associated with its members. See 15 U.S.C. 78q(d)(1) and 17 CFR 240.17d-2. Section 17(d)(1) of the Act allows the Commission to relieve an SRO of certain responsibilities with respect to members of the SRO who are also members of another SRO ("common members"). Specifically, Section 17(d)(1) allows the Commission to relieve an SRO of its responsibilities to: (i) receive regulatory reports from such members; (ii) examine such members for compliance with the Act and

deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed binary options. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of binary MGTN options (as well as A.M.-settled binary OEX options and P.M.-settled binary VIX options, to the extent the Exchange lists those or any other binary index options for trading), including to address the potential increased susceptibility to manipulation of binary options, particularly when they are near-the-money and near expiration given the fixed payout structure of binary options.[32] The Exchange notes, however, it believes the large market capitalization of the Cboe Magnificent 10 Index and each of its constituent stocks reduces any susceptibility to manipulation of binary options on that index, similar to the reduced risk associated with binary index options on broad-based indexes.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[33] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[34] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and

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the rules and regulations thereunder, and the rules of the SRO; or (iii) carry out other specified regulatory responsibilities with respect to such members.

32 The Exchange notes it currently lists binary XSP options for trading, and its surveillances have been updated to monitor those options.

33 15 U.S.C. 78f(b).

34 15 U.S.C. 78f(b)(5).

facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[35] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change will facilitate transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it will provide investors with a securities exchange-listed investment choice for an additional class, and with additional settlements for two binary index options. The proposed binary index options are listed options with a simpler, all-or-none payout structure and limited risk profile compared to traditional listed options.[36] Thus, the Exchange believes the proposed rule change will permit investors to manage their risk exposures and carry out their investment objectives on a securities exchange with more flexibility and broader applicability. The Exchange also believes the proposed rule change will promote competition, as it will meet demands of investors that currently may trade products structured in substantively the same manner as the proposed binary options in other markets (as further discussed below).

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35 Id.

36 The Commission has previously recognized the benefits of listing and trading binary options on a securities exchange. See Securities Exchange Act Release No. 57850 (May 22, 2008), 73 FR 31169, 31172 (May 30, 2008) (SR-CBOE-2006-105) ("Binary BBI Option Approval") ("The Commission believes that binary options on broad-based indexes will provide investors with a potentially useful investment choice. The proposal will extend to these options the benefits of a listed exchange market, which include a centralized forum for price discovery, pre- and post-trade transparency, standardized contract specifications, and the guarantee of the OCC.").

The Exchange believes expanding the universe of binary options to include binary MGTN options will benefit investors, particularly retail investors and other investors who prefer simplicity, as a complementary offering to current exchange-traded options. Buyers and sellers of traditional, non-binary options listed on the Exchange do not know the return on those options at the time of the transaction, as the return cannot be determined until near the option's expiration given movements in the underlying. For example, suppose an investor buys a traditional index call option with an exercise price of 100. If the index value at expiration is 105, the investor gets a payout of $5 (times the multiplier for that option). If the index value at expiration is 110, the investor gets a payout of $10 (times the multiplier for that option). Therefore, the payout of a traditional index option is dependent on how in-the-money the option is at expiration, which is unknown until the time of expiration.

On the contrary, binary options offer a set payout if the underlying closes at, below, or above the exercise price (depending on the type of binary option). Buyers and sellers of binary options know the expected return at the time of purchase if the underlying performs as expected, as the return is a fixed, "all-or-none" amount. Using the example above, suppose an investor buys a binary index call option with an exercise price of 100 and an exercise settlement value of $10. If the index value at expiration is 105, the investor receives a payout of $10 (times the multiplier for that option). In fact, if the index value at expiration is any value of 100 or greater, the investor receives that same payout. In addition, because the return on the binary option is a set amount, a buyer of a binary option need not determine the absolute magnitude of the underlying's value movement relative to the exercise price, as is the case with traditional, non-binary options. Instead, the buyer of a binary option needs only to determine whether the underlying value is expected to be above, at, or below the exercise price (as applicable).

The Exchange believes expanding the availability of binary options will further protect investors because of the reduced risk of the seller compared to the seller of a traditional option. While sellers of traditional options have unlimited risk (as the payout amount increases the further in-the-money the option is at expiration), the maximum obligation for the seller of a binary option is known when the contract is written, which is the fixed payout amount. The structure of binary options offers investors pre- and post-trade transparency with respect to the risk associated with their binary options trades. Binary options on non-broad-based indexes will ultimately provide the same benefits to investors as binary options on broad-based indexes.

The Exchange also believes the proposed rule change to expand available underlying indexes for binary options and permit listing of both A.M.- and P.M.-settled binary index options will facilitate transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.[37] Current rules regarding binary index would permit A.M.-settlement and P.M.-settlement for binary index options on all broad-based indexes on which the Exchange lists traditional options except OEX (which are only P.M.-settled) and VIX options (which are only A.M.-settled). Therefore, the proposed rule

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37 Index options listed pursuant to generic listing criteria in Rule 4.10 are eligible for A.M.-settlement, and thus pursuant to the current Rule, all binary options overlying broad-based indexes and the Cboe Magnificent 10 Index that satisfy that criteria would be eligible for A.M.-settlement. As noted above, nearly all broad-based index options are currently eligible for both A.M.-settlement and P.M.-settlement, so the proposed rule change provides for P.M.-settled binary options for only one additional index options that the Exchange currently lists for trading.

change would permit the Exchange to list A.M.-settled and P.M.-settled binary MGTN options, as well as A.M.-settled binary OEX options and P.M.-settled binary VIX options.

With respect to OEX, the Exchange believes allowing A.M.-settled in addition to currently permissible P.M.-settled binary OEX options will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. This additional settlement would allow investors to further tailor their investment strategies for OEX and related options (for example, the underlying index of OEX options is the S&P 100 Index, the constituents of which are all constituents of the S&P 500 Index), as the different timing of settlements would allow market participants to trade binary OEX options (if the Exchange chose to list these options) in a manner more aligned with specific timing needs and more effectively tailor their investment and hedging strategies, including to incorporate daily changes in the market, which may reduce the premium cost of buying binary OEX options. This precision is particularly beneficial for binary index options, which provide investors with the ability to take discrete and precise positions on the value of the underlying index.

Similar reasoning applies to binary VIX options. As described above, traditional VIX options are currently A.M.-settled only (and thus current binary index rules permit A.M.-settlement only). The settlement value for these options is calculated as a special opening quotation using a modified opening auction process on exercise settlement value determination days pursuant to Rules 4.13(a)(5)(B) and 5.31(j). This is different than other index options, for which the settlement value is the current index value at the expiration of the option (either the opening value or the closing value of the index on the expiration date). It is for this reason VIX options are currently only A.M.-settled. However, binary

VIX options, as proposed, may be A.M.-settled or P.M.-settled because the settlement value for binary VIX options will be, like all other binary index options, the reported opening or closing level of the underlying index (and therefore not calculated pursuant to a special quotation). This is consistent with the current binary index option rules today that state the settlement value for all binary index options that are A.M.-settled will be the reported opening level of the underlying index, which applies to binary VIX options. Therefore, the Exchange believes it would benefit investors to be authorized to list binary VIX options that are P.M.-settled, as it would allow investors to further tailor their investment strategies for VIX and related options (including, for example, options related to the S&P 500 Index), as the different timing of settlements would allow market participants to trade binary VIX options (if the Exchange chose to list these options) in a manner more aligned with specific timing needs and more effectively tailor their investment and hedging strategies, including to incorporate daily changes in the market, which may reduce the premium cost of buying binary VIX options. This precision is particularly beneficial for binary index options, which provide investors with the ability to take discrete and precise positions on the value of the underlying index.

This same reasoning also applies to the proposed rule change to permit both A.M.-settled and P.M.-settled binary MGTN options. The Exchange is currently authorized to list both A.M.-settled and P.M.-settled traditional MGTN options.[38] The Exchange believes permitting these same settlements for binary MGTN options would remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it would provide

[38] See Rule 4.13(e).

investors with additional investment options they can use to tailor their investment strategies with more precision with respect to specific timing needs and strategies related to traditional MGTN options and related options. This precision is particularly beneficial for binary index options, which provide investors with the ability to take discrete and precise positions on the value of the underlying index.

Further, the proposed rule change will permit the Exchange to list binary options overlying securities indexes with similar terms (such as A.M.- and P.M.-settlement) on a national securities exchange as alternatives to products that are structured in substantially the same manner as binary options currently available in the OTC market and on other platforms. The Exchange understands investors have traded binary options similar to the proposed binary index options in OTC markets for many years but may prefer to trade such options in a listed environment to receive the benefits of trading listing options. These benefits include: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of all listed options. The Exchange believes the proposed rule change may encourage liquidity to shift from the OTC market onto the Exchange, which the Exchange believes would increase market transparency as well as enhance the process of price discovery conducted on the Exchange through increased order flow. The proposed rule change is intended to provide a market for binary options as a standardized product without the credit risk of an individual issuer. By providing a listed and standardized market for more classes of binary options, the Exchange seeks to attract investors who desire the simplicity of a binary option with the certainty and safeguards of a regulated and standardized marketplace. Additionally, unlike an OTC binary option, counter-party credit risk for Exchange-listed binary options is significantly reduced through the issuance and guarantee of the contracts by OCC. Further, as an exchange-traded option, binary options will have the advantage of liquidity provided by Market-Makers, which the Exchange believes may lead to tighter spreads than those in the OTC market. The Exchange also believes that standardization will enable more interested parties to become market participants.

In addition to the OTC market, various market platforms that are not registered as national securities exchanges currently offer products structured in substantively the same manner as binary options the Exchange may list pursuant to current Rules and as proposed. These platforms offer binary option products overlying securities indexes, which may be settled at varying points of the day (not just at the open and close of the trading day). However, as these venues are not national securities exchanges, they do not offer investors the benefits of centralized liquidity, market transparency, or securities regulations intended to protect investors. The Exchange believes listing competitive products on a securities exchange may create a centralized and standardized marketplace for these products, which promotes price discovery and transparency, within a regulatory framework designed to protect investors in securities. In other words, the Exchange believes its proposal offers a more transparent platform than the OTC market and other market platforms offer and would contribute to leveling the playing field with these alternative markets.

Additionally, the proposed rule change is consistent with the requirements of the Act because binary options on securities indexes are securities under the Act. The Act defines "security" as, among other things, a "put, call, straddle, option, or privilege on any security . . . or group or index of securities (including any interest therein or based on the value thereof)."[39] Binary options on securities indexes, like non-binary options on securities indexes, are puts and calls. The value of a binary option is based on the value of the underlying index. As securities, pursuant to Section 9(b)(1) of the Act, a person may effect any transaction in connection with a binary option only in accordance with Commission rules and regulations.[40] Therefore, the Exchange believes transactions in binary options on and securities indexes must occur on a national securities exchange, subject to Commission jurisdiction and oversight.

As discussed above, the Exchange has current Rules that permit the listing of binary options on broad-based index options, which Rules were approved previously by the Commission as being consistent with the Act. This further indicates that binary options are securities under the Act, subject to Commission jurisdiction and oversight.[41] When approving the Exchange's prior proposed rule change regarding the listing and trading of binary options on broad-based security indexes, the Commission described the terms of these options, including listings standards, position limits, and margin, and found them to be consistent with the Act.[42] In connection with the Commission's approval of trading binary options on the Exchange, OCC adopted rules pursuant to which it could clear binary

39 See 15 U.S.C. 78c(a)(10). The Exchange notes options on securities indexes (and thus binary options on securities indexes) are not swaps. See Statement on Tokenized Securities, Commission Divisions of Corporation Finance, Investment Management, and Trading and Markets (January 28, 2026), available at https://www.sec.gov/newsroom/speeches-statements/corp-fin-statement-tokenized-securities-012826?utm_medium=email&utm_source=govdelivery (". . . any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities, including any interest therein or based on the value thereof, that is subject to the Securities Act [of 1933] and the Exchange Act, is excluded from the definition of swap. When assessing whether a financial instrument formatted as a crypto asset satisfies one of these exclusions, the economic reality of the instrument rather than the name given to the instrument determines whether it is excluded.") (cites excluded).

40 See 15 U.S.C.78i(b).

41 See Binary BBI Option Approval.

42 See id. at 31171 – 31172.

options.[43] When approving OCC's proposed rule change related to the clearing of binary options, the Commission noted it met the requirements of Section 17A(b)(3)(F) of the Act[44] because it would permit OCC to clear and settle binary options that had been approved to be listed and traded on Cboe, which would promote the "prompt and accurate clearance and settlement of such *securities transactions*."[45] The Commission also approved updates to the Options Disclosure Document ("ODD") in advance of the listing of binary options on Cboe, as required by the Act.[46] Rule 9b-1 under the Act requires a broker-dealer to furnish a customer a copy of the ODD prior to accepting an order from that customer for an option that is subject to the ODD.[47] Rule 9b-1 defines standardized options as options contracts traded on national securities exchanges that relate to options classes the terms of which are limited to specific expiration dates and exercise prices, as well as other securities as the Commission may, by order designate.[48] The Commission's order approving the ability of the Exchange to list binary options overlying certain securities signified that binary options are standardized options under the Act.[49] As binary index options, as currently available and as proposed, are standardized options to be traded on a national

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43 See Securities Exchange Act Release Nos. 56875 (November 30, 2007), 72 FR 69274 (December 7, 2007) (SR-OCC-2007-08) (which OCC rules explicitly related to clearing binary options within the definition of a "security" as determined by the Commission); and 105537 (May 21, 2026), 91 FR 31513 (May 27, 2026) (SR-OCC-2026-003) (which amended OCC's STANS methodology description to enable OCC to accept binary options for clearing and appropriately manage the risk created by binary options).

44 15 U.S.C. 78q-1(b)(3)(F).

45 Id. at 69276 (emphasis added).

46 See Securities Exchange Act Release No. 58043 (June 26, 2008), 73 FR 38260 (July 3, 2008) (SR-ODD-2008-02).

47 See 17 CFR 240.9b-1(b).

48 See 17 CFR 240.9b-1(a)(4).

49 When describing the benefits of binary options, the Commission described them as having "standardized contract specifications." See Binary BBI Option Approval at 31171.

securities exchange, the Exchange believes the proposed rule change will benefit investors, as broker-dealers must provide the ODD to customers, which describes the characteristics and risks associated with trading binary options.

The Exchange believes the proposed position limits for binary MGTN options are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and thus to protect investors.[50] The proposed position limits for binary MGTN options are the same as those for binary options on broad-based indexes under current Rules (subject to the per expiration change further discussed below). As these position limits are already in the Rules (and thus previously approved by the Commission) and applicable to binary index options, the Exchange believes the proposed rule change reasonably balances the promotion of a free and open market for these securities with minimization of incentives for market manipulation.

The susceptibility of an index to manipulation or undue price influence is directly related to the depth and liquidity of the markets for the component securities that comprise it, regardless of the number of component securities.[51] An index representing a larger

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50 The proposed rule change does not amend position limits for binary index options on broad-based indexes other than applying them on a per expiration basis, which is further discussed below.

51 Index listing criteria impose various requirements on the component securities related to market capitalization and liquidity, which further reduces the risk that the markets for these index options or the components of the underlying indexes would be impacted by additional derivatives. For example, with respect to narrow-based indexes, pursuant to Rule 4.10(b): (1) the market capitalization for the lowest-weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index must be at least $50 million, and the market capitalization of all other components must be at least $75 million; (2) the trading volume in each component must be at least 1,000,000 shares for each of the last six months (from October 2024 through March 2025, the lowest monthly trading volume for a component was over 1.5 million shares), except that for each of the lowest-weighted component securities in the index that in the aggregate account for no more than 10% of the weight the index, the trading volume must be at least 500,000 shares for each of the last six months); and (3) no single component security may represent more than 25% of the weight of the index, and the five highest-weighted component securities in the index may not in the aggregate account for more than 50% (60% for an index consisting of fewer than 25 component securities) of the weight of the index.

aggregate market capitalization reflects a deep, liquid pool of underlying securities, the collective pricing of which is substantially more difficult to influence through trading in the options market. By scaling position limits to market capitalization (which directly measures the economic depth of an index), with lower position limits applicable to binary index options for which the market capitalization ratio is smaller, the Exchange believes the current position limits for binary broad-based index options are, and the proposed position limits for binary MGTN options would be, appropriately sized to the actual manipulation risk presented by the specific index and may spread exposure across more participants, which makes manipulation by a single investor more difficult to achieve. Further, current position limits rules for binary broad-based index options are, and proposed position limits for binary MGTN options would be, scaled inversely to the exercise settlement value (which directly measures the maximum intrinsic value of a binary index option), which further reduces the susceptibility of binary index options to manipulation. If a binary index option has a larger exercise settlement value (and thus payout if the exercise criteria is met), there may be more incentive for an investor to attempt to manipulate the value of the underlying index so the investor can receive the larger payout. Therefore, a lower position limit for these binary index options with a larger exercise settlement amount reduces the possibility for this to occur. Additionally, the Exchange believes lower position limits for binary index options with larger exercise settlement amounts help prevent manipulation of the underlying index value because it keeps the cost of manipulating the underlying index relatively high compared to the potential payout.

While in general a non-broad-based index may have a lower market capitalization (and thus should have a lower position limit for options on that index) because it has fewer components, it is certainly possible for such an index to have a similar market capitalization to that of a broad-based index and thus have reduced susceptibility to manipulation in the same manner as a broad-based index with similar market capitalization. That is the case with respect to the Cboe Magnificent 10 Index. As a result, the Exchange believes it is appropriate to apply the same position limits currently applicable to binary options on broad-based indexes to binary MGTN options on all indexes because the position limits are tied to the market capitalization of the underlying index, which is significant for the Cboe Magnificent 10 Index. Traditional MGTN options are subject to a 24,000-contract position limit pursuant to Rule 8.32.[52] Therefore, as proposed, the position limits for binary MGTN options would be based on its Market Capitalization Ratio pursuant to Rule 8.36(b). The Market Capitalization Ratio of the Cboe Magnificent 10 Index to the S&P 500 Index is approximately 34.9%.[53] As a result, the position limit for binary MGTN options would be the ratio of 10,000 to the exercise settlement amount times 5,000. If the Exchange applied a 100 multiplier and an exercise settlement value of $1 for binary MGTN options

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[52] The value of the Cboe Magnificent 10 Index as of July 7, 2026 was 489.12. Considering this value and the index's contract multiplier of 100, the notional value of 24,000 traditional MGTN option contracts is 24,000 x 100 x 489.12, or $1,173,888,000, which represents approximately 0.0048% of the approximately $24.7 trillion market capitalization of the Cboe Magnificent 10 Index. For context, the general maximum position limit for traditional equity options is 250,000 contracts (which represents 25,000,000 shares given the contract multiplier of 100 for traditional equity options).

[53] As of July 7, 2026, the market capitalization of the Cboe Magnificent 10 Index is approximately $24.7 trillion, and the market capitalization of the S&P 500 Index is approximately $70.8 trillion.

(and thus an exercise settlement amount of $100), the position limit would be 10,000/100 x 5,000, or 500,000 (per expiration).[54]

While this position limit would be higher than the position limit currently applicable to traditional MGTN options, the Exchange believes it is appropriate given the significant market capitalization of the underlying index (which is larger than several broad-based indexes on which the Exchange is currently permitted to list binary index options). If a single investor had the maximum number of positions in binary MGTN options, the notional value of these positions would be 500,000 x 100 x 489.12, or $24,456,000,000, which would represent approximately 0.099% of the market capitalization of the index. If that same investor has the maximum number of positions in binary MGTN options and the maximum number of positions in traditional MGTN options, the combined notional value of all of those positions would still represent only approximately 0.1% of the market capitalization of the index. For purposes of comparison, if the Exchange were to list binary index options on the Russell 2000 Index (which current Rules would permit), the position limit for these binary RUT options pursuant to Rule 8.36(a) (traditional RUT options have no position limit as set forth in Rule 8.31), if such binary RUT options had an exercise settlement amount of $100, would be 15,000 x 10,000/100, or 1,500,000 contracts. As of July 7, 2026, the market capitalization of the Russell 2000 Index was approximately $3.77 trillion, and the value of the index was 2,982.49. The contract multiplier for RUT options is 100. The maximum number of positions in binary RUT options would have a notional value of 1,500,000 x 100 x

[54] If the Exchange designated a higher exercise settlement amount for a binary MGTN option, this would effectively reduce the position limit for those binary MGTN options to address the potential additional incentive to manipulate the underlying index given the higher potential payout.

2,982.49, or $447,373,500,000, which would represent approximately 11.87% of the market capitalization of the index. Therefore, the Exchange believes the proposal to apply to binary MGTN options the position limits currently applicable to binary index options on broad-based indexes would still result in a very conservative position limit for binary MGTN options given the market capitalization of the Cboe Magnificent 10 Index.

The number of constituent securities of the Cboe Magnificent 10 Index is smaller compared to broad-based indexes; however, the ten constituent securities are among the largest capitalized and most actively traded stocks and must have a market capitalization of at least $500 million, a free float of at least 25%, a minimum of 1,000,000 shares trading volume in the preceding six months, and one of the 100 largest market capitalizations per the index's methodology.[55] This is in addition to the initial and maintenance listing criteria set forth in Rule 4.13(b) the index must satisfy for the Exchange to be able to list options on the index.[56] The market capitalizations of the ten constituents of the Cboe Magnificent 10 Index as of July 7, 2026 range from approximately $322 billion to $4.7 trillion, and the six-month trading volume ranges from 2,073,574,362 shares to 20,936,495,633 shares. The Exchange believes all of these factors significantly reduce the risk of manipulation of

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55 The methodology for the Cboe Magnificent 10 Index is available here: https://cdn.cboe.com/api/global/us_indices/governance/Cboe_Magnificent_10_Index_Methodology.pdf.

56 Pursuant to Rule 4.10(b): (1) the market capitalization for the lowest-weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index must be at least $50 million, and the market capitalization of all other components must be at least $75 million; (2) the trading volume in each component must be at least 1,000,000 shares for each of the last six months (from October 2024 through March 2025, the lowest monthly trading volume for a component was over 1.5 million shares), except that for each of the lowest-weighted component securities in the index that in the aggregate account for no more than 10% of the weight the index, the trading volume must be at least 500,000 shares for each of the last six months); and (3) no single component security may represent more than 25% of the weight of the index, and the five highest-weighted component securities in the index may not in the aggregate account for more than 50% (60% for an index consisting of fewer than 25 component securities) of the weight of the index.

the index given the proposed position limits for binary MGTN options, as well as reduce the risk that the markets for the components would be impacted by additional derivatives.[57]

The Exchange further notes the proposed position limit for binary MGTN options is conservative when compared to the position limit for traditional options on the component stocks of the Cboe Magnificent 10 Index. All ten of the component stocks are subject to a position limit of 250,000 (or 25,000,000 when factoring in the multiplier of 100) pursuant to Rule 8.30, Interpretation and Policy .02. Palantir (PLTR) has the smallest market capitalization of the ten constituent stocks (approximately $322 billion) as of July 7, 2026, with a stock price of $134.37. If a single customer held the maximum number of positions permitted under the proposed rule change, the notional value of those positions would be $3,359,250,000, which would represent 1.04% of the stock's market capitalization, which is very conservative and still more than 10 times higher than the percentage of the notional value of the maximum positions of binary MGTN options of the index's market capitalization.[58]

The Exchange also believes the proposed rule change to apply position limits to binary options on a per expiration basis will prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and thus protect investors due to the unique risk profile of binary options that distinguish them from traditional (i.e., non-

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[57] Further, as discussed above, the proposed rule change imposes a position limit on these hedged positions and strategies that is higher than the position limit for non-hedged positions and strategies but no longer fully exempts them from position limits, as is the case under current Rules. This same higher position limit would apply to hedged strategies and positions in binary MGTN options as well, further reducing the risk of a single investor being able to use its positions in binary MGTN options to manipulate the value of the underlying index or its component stocks.

[58] The Exchange intends to designate an exercise settlement value of $1 and a multiplier of 100 (and thus an exercise settlement amount of $100) for binary MGTN option upon launch. To the extent the Exchange designates binary MGTN options to have a different multiplier or exercise settlement value, it will announce those changes pursuant to Rule 1.5.

binary). Unlike traditional index options, for which associated risk is distributed across a range of strikes and expirations because investors may offset or hedge positions across expirations, binary options are fixed-payout, all-or-nothing contracts whose value is entirely dependent on the value of the underlying index at a single point in time. Therefore, risk concentrates at the expiration date itself since each expiration series represents an independent and self-contained risk event. This makes the expiration date the most economically meaningful unit for measuring and constraining accumulated exposure of binary options. Limiting positions in binary options across expirations (as is done for traditional options) would not address the actual risk associated with the settlement event specific to a binary option. As a result, the Exchange believes an individual expiration is the most economically meaningful time to limit positions in binary options, as obtaining positions in binary options for one expiration generally have no impact on the value of binary options for another expiration.[59] As discussed above, binary index options are subject to no exercise limits. Exercise limits are intended to prevent a single investor from exercising a number of option contracts that could potentially manipulate the value of the underlying. Because investors have no discretion regarding whether to exercise their binary index options due to their automatic exercise at expiration, there is no need for exercise limits.

For all the reasons discussed above, the Exchange believes the proposed position limit for binary MGTN options is designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest. The Exchange understands that unlike traditional index options, binary index options possess a fixed, all-or-nothing payout

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59 This is consistent with the lack of exercise limits for binary options.

structure that may create further incentive to influence the value of the underlying index, which incentive may be heightened for near-the-money positions approaching expiration when a marginal move in the value of the underlying index can determine whether a position will receive the payout amount (or not). The proposed rule change establishes a position limit for binary MGTN options that is calibrated such that the notional value of the maximum number of permitted positions represents less than 1% of the aggregate market capitalization of the Cboe Magnificent 10 Index (assuming an exercise settlement amount of $100).[60] The Exchange believes this will reduce the ability for a single market participant from accumulating sufficient positions of binary MGTN options whose potential payout would justify the cost of attempting to move the underlying index components, thereby maintaining an economically unfavorable cost-benefit ratio for any such manipulative activity. The Exchange believes this calibration directly addresses the heightened manipulation risk inherent to binary options given their fixed payout structure by limiting the maximum aggregate financial incentive available to any single customer or group of customers, while still permitting sufficient position sizes to support a liquid and efficient market for legitimate hedging and trading purposes. The Exchange, therefore, believes the proposed limit is effectively designed to prevent an individual customer or entity from establishing options positions that could be used to manipulate the market of the underlying index and its constituents.[61]

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60 As noted above, a larger exercise settlement amount would result in a reduced position limit to address the potentially higher incentive to influence the value of the underlying index given the larger payout amount.

61 See Securities Exchange Act Release No. 39489 (December 24, 1997), 63 FR 276 (January 5, 1998) (SR-CBOE-1997-11).

Further, the Exchange believes subjecting hedged binary option positions and strategies to higher position limits is consistent with the Act because such positions and strategies create offsetting exposure. As a result, a customer no longer has a directional interest in the underlying, reducing the manipulation risk associated with those positions that position limits are designed to address. Given the investor benefits gained from hedged positions, the Exchange believes applying higher position limits to these positions sufficiently protects against the reduced potential for manipulation while not artificially restricting bona fide activity intended to manage risk exposure.

Position limits are designed to limit the number of options contracts overlying a security or index traded on the exchange that an investor, acting alone or in concert with others directly or indirectly, may control. These limits are intended to address potential manipulative schemes and adverse market impacts surrounding the use of options, such as disrupting the market in the security or index underlying the options. Position limits must balance concerns regarding mitigating potential manipulation and the cost of inhibiting potential hedging activity that could be used for legitimate economic purposes. Position limits do not limit the total number of options that may be held by all customers across the entire industry, but rather they limit the number of unhedged positions on the same side of the market a single customer may hold or exercise at one time. "Since the inception of standardized options trading, the options exchanges have had rules imposing limits on the aggregate number of options contracts that a member or customer could hold or exercise."[62] Position limit rules are intended "to prevent the establishment of options positions that can

62 See Securities Exchange Act Release No. 39489 (December 24, 1997), 63 FR 276 (January 5, 1998) (SR-CBOE-1997-11).

be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position."[63] The Exchange believes the proposed position limits applied on a per expiration basis reasonably and appropriately balance the liquidity provisioning in the market against the prevention of manipulation without unnecessarily constraining investment activity.[64]

The Exchange also believes the proposed margin requirements for binary index options (which are the current margin requirements for binary options on broad-based indexes) are reasonable and will protect investors, because they limit investors' risk exposure given that the initial and maintenance margin requirements are equal to the maximum risk exposure.[65] As noted above, the Exchange may determine to impose higher margin requirements than those proposed in respect of any binary option position when it deems such higher margin requirements are appropriate.[66] Further, the Rules of OCC also subject binary index options to OCC's margin and risk management methodology.[67]

Ultimately, the Exchange believes the proposed rule change will provide investors with greater trading tools and opportunities and flexibility, resulting in investors having additional means to carry out their investment objectives and manage their risk exposures with the benefits of being listed and traded on a national securities exchange. The Exchange believes the proposed rule change will offer market participants a simplified,

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63 See id.

64 The proposed application of higher position limits to hedged positions and strategies contributes to this balanced design

65 See Rule 10.3(m).

66 See Rule 10.9.

67 See Securities Exchange Act Release No. 105537 (May 21, 2026), 91 FR 31513 (May 27, 2026) (SR-OCC-2026-003) (which amended OCC's STANS methodology description to enable OCC to accept binary options for clearing and appropriately manage the risk created by binary options).

transparent, and limited risk investment choice overlying securities indexes, which may be more aligned with their specific timing needs and investment and hedging strategies and risk tolerances. The Exchange believes it benefits the investing public to continue to enhance its listed product offerings to respond to continuously changing needs of investors and to a continuously changing competitive environment.

A robust and competitive market requires exchanges to respond to investors' evolving needs by regularly improving their offerings. When Congress charged the Commission with supervising the development of a "national market system" for securities, Congress stated its intent that the "national market system evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed."[68] Consistent with this purpose, Congress and the Commission have repeatedly stated their preference for competition, rather than regulatory intervention to determine products and services in the securities markets.[69] This consistent and considered judgment of Congress and the Commission is correct, particularly in light of evidence of robust competition in the options trading industry. The fact that an exchange proposed something new is a reason to be receptive, not skeptical — innovation is the life-blood of a vibrant competitive market

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68 See H.R. Rep. No. 94-229, at 92 (1975) (Conf. Rep.).

69 See S. Rep. No. 94-75, 94th Cong., 1st Sess. 8 (1975) ("The objective [in enacting the 1975 amendments to the Exchange Act] would be to enhance competition and to allow economic forces, interacting within a fair regulatory field, to arrive at appropriate variations in practices and services."); Order Approving Proposed Rule Change Relating to NYSE Arca Data, Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770 (December 9, 2008) ("The Exchange Act and its legislative history strongly support the Commission's reliance on competition, whenever possible, in meeting its regulatory responsibilities for overseeing the [self-regulatory organizations] and the national market system. Indeed, competition among multiple markets and market participants trading the same products is the hallmark of the national market system."); and Regulation NMS, 70 FR at 37499 (observing that NMS regulation "has been remarkably successful in promoting market competition in [the] forms that are most important to investors and listed companies").

— and that is particularly so given the continued internalization of the securities markets, as exchanges continue to implement new products and services to compete not only in the United States but throughout the world. Options exchanges continuously adopt new and different products and trading services in response to industry demands in order to attract order flow and to increase their trading volume. This competition has led to a growth in investment choices, which ultimately benefits the marketplace and the public. The Exchange believes the proposed rule change will help further competition by providing market participants with yet another investment option for options listed on a national securities exchange.

Item 4. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

The Exchange does not believe the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because binary options will be available to all market participants who wish to trade such options on the same terms and in the same manner (including with respect to the payout terms and amount). All market participants will be subject to the same margin and position limits, as well as other rules applicable to binary options, as described in this proposed rule change. To qualify for listing as a binary option, an underlying index must meet the same initial and maintenance listing criteria it must meet to underlie a traditional, non-binary option. Except as set forth in the proposed rule change, binary options will trade in the same manner as other options on the Exchange.

The Exchange does not believe the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the Rules of at least one other options exchange permit the listing of similar products.[70] Additionally, as noted above, substantively similar products to binary index options, as currently available under the Rules and as proposed, are available in the OTC market and various other markets. Such products are based on the values of securities indexes (as the proposed binary options are), including at the opening and closing of trading (i.e., A.M.- and P.M.-settled) and other times throughout the day. The proposed rule change will permit the Exchange to list binary options on the same underlying indexes as these markets, and do so with certain similar terms (two permissible settlements) as the binary options listed on those markets. Ultimately, the proposal is designed to increase competition for order flow in binary options.

The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues who offer similar products. The Exchange believes the proposed rule change will provide investors with a comparable alternative to the OTC market and other venues. The Exchange believes it may be a more attractive alternative to the OTC market and these other venues, as market participants will benefit from being able to trade these options in an exchange environment, which provides, among other things: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to

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[70] See NYSE American Options Rules, Section 17 (permits binary options on underlying securities, which are different than indexes but narrow-based indexes in some ways are akin to securities given a narrow-based index may have as few as 10 component securities and the concentration of those components are within a single or related industries).

the role of OCC as issuer and guarantor of all listed options. As a result, the Exchange believes that the proposed rule change may relieve any burden on, or otherwise promote, competition, as it will allow the Exchange to offer a securities exchange-listed alternative to the products currently available in these other markets.

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received written comments on the proposed rule change.

Item 6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period for Commission action on the proposed rule change specified in Section 19(b)(2) of the Act.[71]

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) This Amendment No. 1 is filed for accelerated effectiveness pursuant to Section 19(b)(2) of the Act.[72] The Exchange requests that the Commission approve this Amendment No. 1 on an accelerated basis pursuant to Section 19(b)(2) of the Act so that it may be operative as soon as practicable. This Amendment No. 1 narrows the scope of the proposed rule change as set forth in the Initial Rule Filing from all indexes to one additional index, which was thus already included in the Initial Rule Filing and subject to public

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[71] 15 U.S.C. 78s(b)(2).

[72] 15 U.S.C. 78s(b)(2).

comment.[73] Amendment No. 1 also adds support for the proposed rule change but makes no other substantive changes to the proposal. As noted above, the Exchange may already list binary index options on all broad-based indexes, and Amendment No. 1 extends the Exchange's ability to list binary index options to the Cboe Magnificent 10 Index, which is a narrow-based index option but has a market capitalization similar to that of several broad-based index options on which the Exchange may already list binary options. Additionally, as noted above, the Exchange may already list A.M.-settled and P.M.-settled traditional MGTN options, and Amendment No. 1 would permit the same settlements for binary MGTN options (the proposed rule change would also permit the Exchange to list P.M.-settled binary VIX options and A.M.-settled binary OEX options; the current Rules already permit the Exchange to list both A.M.-settled and P.M.-settled binary index options on all other broad-based indexes the Exchange currently lists for trading). The Exchange believes accelerated approval will benefit investors by providing investors with expanded hedging tools and greater trading opportunities and flexibility for an additional binary index option. As a result, investors will have additional means for an additional index option to manage their risk exposures and carry out their investment objectives. By offering binary MGTN options, the proposed rule change will allow market participants to trade binary options on an additional index and thus manage their risk exposures and carry out their investment objectives on a securities exchange with more flexibility and broader applicability. Further, binary MGTN options will permit investors with further flexibility to trade in a manner more aligned with specific timing needs and more effectively tailor their investment and hedging strategies related to the Cboe

73 No comments were submitted in response to the Initial Rule Filing.

Magnificent 10 Index and its constituents and manage their portfolios. Accelerated approval of this Amendment No. 1 will provide investors these benefits as soon as possible.

Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on a rule either of another self-regulatory organization or of the Commission.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 4. Marked copy of changes to the rule text proposed in an amendment compared against the version of the rule text that was initially filed.

Exhibit 5. Proposed rule text.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-CBOE-2026-032]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of a Proposed Rule Change to amend its Rules Related to Binary Options

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on [insert date], Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend its Rules related to binary options. The Exchange initially submitted this rule filing SR-CBOE-2026-032 on April 2, 2026 (the "Initial Rule Filing"). This Amendment No. 1 supersedes the Initial Rule Filing and replaces it in its entirety. This Amendment No. 1 narrows the scope of the proposed rule change from permitting binary options to be listed on any non-broad-based index to the Cboe Magnificent 10 Index and to provide additional support for the proposal. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Commission's website (https://www.sec.gov/rules/sro.shtml), the Exchange's website

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

(https://www.cboe.com/us/options/regulation/rule_filings/cone/), and at the principal office of the Exchange.

II. **Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its Rules related to binary options. Binary options are based on the same framework as traditional, standardized options traded on the Exchange, except the payout of a binary option is an amount contingent upon the occurrence of the option being in- or at-the-money rather than the degree to which the option is in-the-money. As a result, payout at expiration of a binary option is an all-or-nothing occurrence. Current Rule 4.16 permits the Exchange to list binary options on broad-based indexes.[3] Current Rule 4.16(b) defines a binary option as a European-style option contract having an exercise settlement amount[4] that is established at the creation of

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[3] Pursuant to current Rule 4.16(a), Rule 4.16 applies to binary options only, and all Rules apply to the trading of binary options, except as otherwise provided or the context otherwise requires.

[4] The exercise settlement amount for a binary option is the amount of cash that a holder will receive upon exercise of the contract. The exercise settlement amount is a set amount equal to the exercise settlement value multiplied by the contract multiplier. The exercise settlement value will be an amount determined by the Exchange on a class-by-class basis and shall be equal to $1 or $1,000 or a value between those values, unless otherwise adjusted per Rule 4.6. See current Rule 4.16(b) (definition of "exercise settlement amount"). Pursuant to current Rule 4.16(f), binary option contracts are subject to adjustment only in accordance with and to the extent specified in the By-

the option. Under current Rules, binary options are paid out if the settlement value[5] of the underlying broad-based index equals, exceeds, or is less than the exercise price, depending on the type of option (i.e., call or put). A call binary option is an option contract that returns an exercise settlement amount if the settlement value of the underlying broad-based index is at or above the exercise price[6] at expiration (i.e., in- or at-the-money), while a put binary option is an option contract that returns an exercise settlement amount if the settlement value of the underlying broad-based index is below the exercise price at expiration (i.e., in-the-money).[7] The Exchange designates binary options as to expiration date, exercise price, exercise settlement amount, contract multiplier, and underlying broad-based index.[8]

Currently, the Exchange may from time to time approve for listing and trading on the Exchange binary option contracts on a broad-based index that has been selected in accordance with Rule 4.10 and the Interpretations and Policies thereunder.[9] The Exchange

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Laws and Rules of The Options Clearing Corporation ("OCC"). The contract multiplier is the multiple applied to the exercise settlement value to arrive at the total exercise settlement amount per contract, which is established on a class-by-class basis and shall be at least one. See current Rule 4.16(b) (definition of "contract multiplier").

5 The settlement value for a binary option is the value of the underlying broad-based index that is used to determine whether a binary option is in, at, or out of the money. For binary options on a broad-based index on which traditional options on the same broad-based index are A.M.-settled, the "settlement value" is the reported opening level of such index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index. For binary options on a broad-based index on which traditional options on the same broad-based index are P.M.-settled, the "settlement value" is the reported closing level of such index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index. See current Rule 4.16(b) (definition of "settlement value"). Binary options that are "at-the-money," "in-the-money," or "out-of-the-money" are a function of the settlement value of the underlying broad-based index in relation to the type of binary option (i.e., put or call) and the exercise price. See current Rule 4.16(e).

6 With respect to a binary option, the exercise price is the value to which the settlement value of the underlying broad-based index is compared to determine whether the holder of a binary option is entitled to have the option be paid out. See current Rule 4.16(b) (definition of "exercise price").

7 See current Rule 4.16(b) (definitions of "call binary option" and "put binary option").

8 See Rule 4.16(c)(2).

9 See current Rule 4.16(c)(1). Binary options are a separate class from other options overlying the same broad-based index. The maintenance listing standards with respect to options on broad-based

may add new series of options of the same class as provided for in Rule 4.13 and the Interpretations and Policies thereunder. Additional series of the same binary option class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market or to meet customer demand (the opening of a new series of binary options on the Exchange will not affect any other series of options of the same class previously opened).[10] After a particular binary option class has been approved for listing and trading on the Exchange, the Exchange from time to time may open for trading series of options on that class. In order to afford investors maximum flexibility, binary option series may expire from one day up to 36 months from the time they are listed.[11] Binary options will be quoted based on the existing strike intervals utilized for traditional, non-binary index options[12] with minimum price variations, established by class, to be no less than $0.01.[13]

The proposed rule change moves the Rule provisions regarding binary options from current Rule 4.16 to new Chapter 4, Section H, which section will relate specifically to binary index options. Specifically, the proposed rule change[14]:

- moves current Rule 4.16(a) to the introductory language for proposed Section H;

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indexes set forth in Rule 4.10 and the Interpretations and Policies thereunder apply to binary options on broad-based indexes as well. See Rule 4.16(d).

10 See current Rule 4.16(c)(4).

11 See current Rule 4.16(c)(3).

12 See Rule 4.13, including Interpretation and Policy .01.

13 See Rule 5.4(c)(1).

14 In addition to substantive changes to current Rule 4.16 described below, the proposed rule change made nonsubstantive changes to simplify the current provisions (including eliminate redundancies) and make the provisions more plain English, as well as to clarify that these provisions apply to binary index options. The proposed rule change also adds an example of how the exercise settlement amount is calculated.

- moves the defined terms in current Rule 4.16(b) to proposed Rule 4.70;
- moves the provisions from current Rule 4.16(c)(1) and (d) regarding the listing and maintenance criteria for binary index options to Rule 4.71(a);
- moves the provision regarding binary index options being a separate class from the traditional options with the same underlying from current Rule 4.16(c)(1) to Rule 4.71(b);
- moves the provision regarding the designated terms of binary index options from current Rule 4.16(c)(2) to the introductory language of proposed Rule 4.72[15];
- moves the provision regarding settlement of binary index options from current Rule 4.16(b) (the provision that binary index options have European-style settlement) and 4.16(c)(2) to proposed Rule 4.72(a);
- moves the provision regarding permissible expirations of binary index options from current Rule 4.16(c)(3) to proposed Rule 4.72(b);
- moves the provision regarding additional series of binary index options from current Rule 4.16(c)(4) to proposed Rule 4.72(c);
- moves the provision regarding the determination of the settlement value from current Rule 4.16(e) to proposed Rule 4.73;
- moves the provision regarding adjustment of binary index options from current Rule 4.16(f) to proposed Rule 4.74;

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15 The Exchange deleted from current Rule 4.16(c)(2) the provision stating only binary option contracts approved by the Exchange and currently open for trading on the Exchange may be purchased or sold on the Exchange, as that is a general, true of all options approved for listing on the Exchange.

- moves the provision regarding the availability of Flexible Exchange ("FLEX") options for binary index options from current Rule 4.16(g) to proposed Rule 4.21(c); and
- moves the provision regarding position limits for binary index options to Rules 8.35(e) and 8.36.

While there is no current definition of the term "market capitalization ratio" in the Rules, that term is effectively defined in current Rule 8.36(b) as the ratio of the market capitalization of a broad-based index underlying a binary index option to the market capitalization of the S&P 500 Index. The proposed rule change creates a defined term of "market capitalization ratio" in proposed Rule 4.70, which means the ratio of the market capitalization of an index to the market capitalization of the S&P 500 Index. This is equivalent to the meaning of that term in the current Rules but expanded to apply to any index rather than just broad-based index, as the proposed Rules regarding all binary index options reference that term.

The proposed rule change also adds a definition of "binary option" to Rule 1.1. Specifically, the proposed rule change defines "binary option" as an option contract having an exercise settlement amount that is established at the creation of an option and only two possible payoff outcomes: either a fixed amount equal to the exercise payout amount or nothing at all. Unless the context otherwise requires, references in the Rules to binary options apply to binary index options. This is consistent with the current definition of binary option in current Rule 4.16(b) and provides additional detail regarding how binary options work. The proposed definition is also consistent with the definition of binary option in the Options Disclosure Document.[16]

In addition to the relocation of and nonsubstantive changes to the provisions of current Rule 4.16 regarding binary index options as described above, the proposed rule change amends the current Rules regarding the availability of binary index options to (1) permit the listing of binary options on the Cboe Magnificent 10 Index; and (2) permit A.M.-settlement and P.M.-settlement for all binary index options.

First, the proposed rule change would make binary index options available on the Cboe Magnificent 10 Index (in addition to broad-based indexes). Currently, the Exchange may list binary index options only on broad-based index options. Proposed Rule 4.71(a) provides that the Exchange may from time to time approve for listing and trading on the Exchange binary option contracts on a broad-based index that satisfies the initial listing criteria in Rule 4.10 and the Interpretations and Policies thereunder and on the Cboe Magnificent 10 Index. The Exchange may currently list traditional (i.e., non-binary) options on the Cboe Magnificent 10 Index ("MGTN options") pursuant to Rule 4.10(b).[17] The Exchange believes being able to list binary MGTN options will provide more investors with access to a securities exchange-listed product with the simplified, limited risk structure of binary index options.

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16 See Options Disclosure Document at 8, available at riskstoc.pdf.

17 Pursuant to proposed Rule 4.21(c) (as is the case today for binary index options on broad-based indexes pursuant to current Rule 4.16(g)), binary options on indexes that are eligible for trading on the Exchange will be eligible for trading as FLEX options (as provided for in Chapter 4, Section C), even if the Exchange does not list and trade non-FLEX binary options or non-FLEX traditional options on such index. For purposes of Rule 4.21, the applicable exercise settlement value is designed by the parties to the contract, the parties may not designate an exercise style other than European-style, and the term "index multiplier" refers to the contract multiplier.

Second, the Exchange proposes to amend the Rules regarding permissible settlements of binary index options. Pursuant to proposed Rule 4.72(a), the Exchange may designate binary index options as A.M.-settled or P.M.-settled. Current Rule 4.16(c)(2) provides that binary index options on broad-based index options for which traditional (i.e., non-binary) options on the same broad-based index are A.M.-settled will be A.M.-settled, and binary index options on broad-based indexes for which traditional options on the same broad-based index are P.M.-settled will be P.M.-settled. Currently, nearly all of the traditional broad-based index options the Exchange lists for trading and MGTN options can be both A.M.-settled and P.M.-settled.[18] Therefore, current Rule 4.16 would permit the Exchange to list A.M.-settled and P.M.-settled binary index options overlying most broad-based indexes on which the Exchange lists non-binary options. Permitting both A.M.- and P.M.-settlement for binary index options for all broad-based indexes and the Cboe Magnificent 10 Index will afford investors further flexibility (coupled with the flexibility of permissible expirations, as noted above) with respect to their investment strategies, regardless of the index option market in which investors participate. Additionally, the Exchange believes it is appropriate to be able to list A.M.- and P.M.-settled binary index options to provide investors with the same flexibility currently

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[18] See Rule 4.13(a)(4), (e), and Interpretation and Policy .13. Currently, the Exchange lists the following index options: S&P 500 Index options ("SPX options"), Mini-S&P 500 Index options ("XSP options"), S&P 500 Scored and Screened Index ("SPESG options"), Mini-S&P 500 Equal Weight Index Options ("SPEQX options"), Cboe Volatility Index Options ("VIX options"), Dow Jones Industrial Average options ("DJX options"), S&P 100 Index options ("OEX options"), Russell 2000 Index options ("RUT options"), Mini-Russell 2000 Index options ("MRUT options"), Cboe Bitcoin U.S. ETF Index options ("CBTX options"), Cboe Mini Bitcoin U.S. ETF Index options ("MBTX options"), and the Cboe Magnificent 10 Index options ("MGTN options"). All of these index options may have A.M.-settled series and P.M.-settled series except OEX options (P.M.-settled only) and VIX options (A.M.-settled only).

available for similar products currently available on other trading platforms (as further discussed below).

In connection with the proposed rule change described above to permit P.M.-settlement for all binary index options, the Exchange proposes to amend Rule 5.1(b)(2)(C) to provide that on their last trading day, Regular Trading Hours ("RTH") for P.M.-settled binary index options may be effected on the Exchange between 9:30 a.m. and 4:00 p.m.[19] (as opposed to the 9:30 a.m. to 4:15 p.m. RTH for non-expiring binary index options).[20] The primary listing markets for the component securities comprising the indexes underlying options listed on the Exchange close trading in those securities at 4:00 p.m. The primary listing exchanges for the component securities disseminate closing prices for the component securities, which are used to calculate the exercise settlement value of these indexes. The Exchange believes that, under normal trading circumstances, the primary listing markets have sufficient bandwidth to prevent any data queuing that may cause any trades that are executed prior to the closing time from being reported after 4:00 p.m. If trading in expiring P.M.-settled binary index options continued an additional fifteen minutes until 4:15 p.m. on their last trading day, these expiring options would be trading after the exercise settlement value for those expiring options was calculated. Therefore, in order to mitigate potential investor confusion and the potential for increased costs to investors as a result of potential pricing divergence at the end of the trading day, the Exchange believes it is appropriate to cease trading in the expiring P.M.-settled binary

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19 All times set forth in this rule filing are Eastern Time.

20 The Exchange notes that pursuant to Rule 5.1(b)(2)(G), RTH for binary index options are the same as the RTH for options with the same underlying index. Additionally, pursuant to Rule 5.1(c) and (d), if the Exchange designates a class of index options as eligible for trading during Global Trading Hours and Curb Trading Hours, respectively, binary index options with the same underlying index are also deemed eligible for trading during Global Trading Hours and Curb Trading Hours.

index options at 4:00 p.m., which is currently the case for P.M.-settled non-binary index options. The Exchange does not believe the proposed rule change will impact volatility on the underlying cash market comprising the indexes at the close on expiration days, as it already closes trading on the last trading day for expiring P.M.-settled non-binary index options overlying the same indexes at 4:00 p.m. The Exchange does not believe this has had an adverse impact on fair and orderly markets on expiration days for the underlying securities comprising the corresponding indexes.

The Exchange currently only lists P.M.-settled OEX options. As is the case for other index options (except VIX options), the settlement value for P.M.-settled OEX options is the closing value of the index value on the expiration date. The Exchange began listing OEX options for trading prior to the Exchange's adoption of listing rules for index options (as set forth in Rule 4.10), and when the Exchange began listing OEX options, the Exchange designated them as P.M.-settled, which was the standard settlement type of index options at the time. Like all other traditional P.M.-settled index options the Exchange lists for trading, the settlement value of OEX options is the closing value of the underyling index on the expiration date. The settlement value for binary OEX options (if the Exchange were to determine to list them) would be determined in the same manner as all other binary index options (both A.M.-settled and P.M.-settled) — specifically, the opening or closing value, respectively, of the index on the expiration date would be the settlement value. Permitting the Exchange to list both A.M.-settled and P.M.-settled binary OEX options would provide investors with the same flexibility for binary options on this index that would be available to all other binary broad-based index options on which the Exchange may currently list binary index options (other than VIX options).

As noted above, VIX options are currently A.M.-settled only. The settlement value for these options is calculated as a special opening quotation using a modified opening auction process on exercise settlement value determination days pursuant to Rules 4.13(a)(5)(B) and 5.31(j). This is different than other index options, for which the settlement value is the current index value at the expiration of the option (either the opening value (if A.M.-settled) or the closing value (if P.M.-settled) of the index on the expiration date). It is for this reason VIX options are currently only A.M.-settled. However, binary VIX options, as proposed, may be A.M.-settled or P.M.-settled because the settlement value for binary VIX options will be, like all other binary index options, the reported opening or closing level of the underlying index (and therefore not calculated pursuant to a special quotation). This is consistent with the current binary index option rules today that state the settlement value for all binary index options that are A.M.-settled will be the reported opening level of the underlying index, which applies to binary VIX options. Therefore, the Exchange believes it is appropriate to permit the listing of binary VIX options that are P.M.-settled.

The Exchange also proposes to amend the position limits for binary options in Rule 8.36. Current Rule 8.36 provides that the position limit for binary options on a broad-based index will be 15,000 contracts if the exercise settlement is $10,000 (or 15,000 times the ratio of 10,000 to the exercise settlement amount if the exercise settlement amount is not $10,000) if traditional (i.e., non-binary) options on the same broad-based index have no position limit pursuant to Rule 8.31. For binary options on a broad-based index for which traditional options on the same broad-based index do have a position limit pursuant to Rule 8.31, the position limit for the binary index option (if the exercise settlement amount is $10,000) is:

- 10,000 contracts if the market capitalization ratio for the index is greater than or equal to 0.50;
- 5,000 contracts if the market capitalization ratio is less than 0.50 but greater than or equal to 0.25; or
- 2,500 contracts if the market capitalization ratio is less than 0.25 but greater than or equal to 0.10.[21]

For binary options that have an exercise settlement amount that is not equal to $10,000, the position limit is the ratio of 10,000 to the exercise settlement amount multiplied by the applicable amount set forth above.

The proposed rule change expands the fixed and formulaic limits to all indexes that may underlie binary options as proposed (i.e., all broad-based indexes (as currently permitted) and the Cboe Magnificent 10 Index) and applies the proposed position limits on an expiration basis.[22] Specifically, the proposed rule change amends Rule 8.36(a) to provide that the position limit for binary options for which the traditional options on the same index have no position limit pursuant to Rules 8.30 through 8.32, as applicable,[23] is the number of contracts equal to 15,000 times the ratio of 10,000 to the exercise settlement amount per expiration.[24] The proposed rule change amends Rule 8.36(b) to provide that

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21 The rule provides that the Exchange would need to seek approval from the Securities and Exchange Commission (the "Commission") prior to establishing position limits for binary options on broad-based indexes that have a market capitalization ratio that is less than 0.10.

22 The proposed rule change also makes nonsubstantive changes to simplify the rule language.

23 Rules 8.31 and 8.32 provide position limits for broad-based and narrow-based index options, respectively, the Exchange may list for trading.

24 For example, if the binary option exercise settlement amount is $10,000, then the position limit is

for binary options for which traditional options on the same index have a position limit pursuant to Rules 8.30 through 8.32, as applicable, the position limit is the number of contracts equal to the ratio of 10,000 to the exercise settlement amount multiplied by the number of contracts set forth in the table below (based on the market capitalization ratio of the underlying index) per expiration[25]:

Market Capitalization Ratio of Underlying	**Number of Contracts**
Greater than or equal to 0.50	10,000
Less than 0.50 but greater than or equal to 0.25	5,000
Less than 0.25 but greater than or equal to 0.10	2,500

For reference, the table below sets forth the approximate market capitalizations that would equate to the above ratios based on a market capitalization of the S&P 500 Index of $62.5 trillion as of February 20, 2026:

Market Capitalization Ratio of Underlying	**Range of Underlying Market Capitalizations**	**Number of Contracts**
Greater than or equal to 0.50	Greater than or equal to $31.3 trillion	10,000
Less than 0.50 but greater than or equal to 0.25	Less than $31.3 trillion but greater than or equal to $15.6 trillion	5,000
Less than 0.25 but greater than or equal to 0.10	Less than $15.6 trillion but greater than or equal to $6.3 trillion	2,500

15,000 contracts per expiration; if the binary option exercise settlement amount is $1,000, then the position limit is 150,000 contracts per expiration; and if the binary option exercise settlement amount is $12,000, then the position limit is 12,500 contracts per expiration.

25 Pursuant to current and proposed Rule 8.36(b), to the Exchange will seek Commission approval prior to establishing position limits for binary options on broad-based indexes that have a Market Capitalization Ratio less than 0.10,.

Pursuant to current Rule 8.36(c), positions in binary options on the same broad-based index with different exercise settlement amounts will be aggregated with each other and, pursuant to current Rule 8.36(d), will not be aggregated with non-binary option contracts on the same broad-based index. The proposed rule change amends these provisions to apply to all binary index options. Therefore, pursuant to proposed Rule 8.36(d), binary index options, which include binary options on any broad-based index and the Cboe Magnificent 10 Index as proposed, will not be aggregated with non-binary options on the same index.[26]

Current Rule 8.36(f) provides that binary options are not subject to the hedge exemption to the standard position limits in Rule 8.30 and instead exempts certain qualified hedge exemption strategies and positions from the position limits established in Rule 8.36(a) and (b). The proposed rule change amends Rule 8.36(f) to provide that notwithstanding Rules 8.36(a) and (b), position limits for the hedged positions and strategies defined below are equal to five times the position limit established under proposed Rule 8.36(a) and (b). In other words, the proposed rule change imposes a position limit on these hedged positions and strategies higher than the position limit for non-hedged positions and strategies but no longer fully exempts them from position limits, as is the case under current Rules. As proposed, this same higher position limit would apply to hedged strategies and positions in binary MGTN options as well. The following strategies

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26 Additionally, pursuant to current Rule 8.36(d), binary options on broad-based indexes will not be aggregated with non-binary option contracts on an underlying stock or stocks (the Exchanges makes a nonsubstantive change to make this security or securities to be consistent with the first sentence of the subparagraph) included within such broad-based index, and binary options on one broad-based index will not be aggregated with binary index options on any other broad-based index. The proposed rule change amends these provisions in Rule 8.36(d) to apply to binary MGTN options. See proposed Rule 8.36(d).

and positions would qualify for these increased position limits (which are the strategies and positions exempt from position limits for binary options established in current Rule 8.36):

- a binary option position "hedged" or "covered" by an appropriate amount of cash to meet the settlement obligation (e.g., $1,000 for a binary option with an exercise settlement amount of $1,000);
- a binary option position "hedged" or "covered" by a sufficient amount of a related or similar security to meet the settlement obligation; and
- 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[27] to the binary option strike) sufficient to meet the settlement obligation.

Pursuant to Rule 8.42(h), binary options are not subject to exercise limits. This is currently the case for binary index options on broad-based indexes and will be the case for binary index options on Cboe Magnificent 10 Index. Binary index options, as discussed above, are European-style and are automatically exercised at expiration if the settlement value of the underlying index is equal to or greater than the exercise price of a call binary option or less than the exercise price in the case of a put binary option.[28] Exercise limits are intended to prevent a single investor from exercising a number of option contracts that could potentially manipulate the value of the underlying. Because investors have no

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27 The Exchange will determine strikes that are "reasonably close" in the same manner it currently does pursuant to Rule 4.13.

28 See Rule 6.20(g). The proposed rule change amends Rule 6.20(g) to (a) delete "broad-based" so that the provision will apply to all binary index options (including binary MGTN options as proposed) and (2) to clarify the provision applies to binary index options. Because binary options are automatically exercised, Rule 6.21 regarding exercise notices does not apply to binary options.

discretion regarding whether to exercise their binary index options due to their automatic exercise at expiration, there is no need for exercise limits.

As set forth in Rule 8.35(d), positions in FLEX binary index options (including binary options on broad-based indexes, as are permitted today, and binary options on the Cboe Magnificent 10 Index, as proposed) will not be aggregated with positions in non-FLEX binary index options. While this is true today, the proposed rule change proposes to add this language to proposed Rule 8.35(e) for additional transparency. The proposed rule change also adds the following provisions to proposed Rule 8.35(e) to clarify how certain provisions regarding aggregation and nonaggregation of positions for purposes of calculating position limits will apply to FLEX binary index options:

- positions in FLEX binary index options on the same index that have different exercise settlement amounts are aggregated (this is consistent with current Rule 8.36(c) with respect to non-FLEX binary index options, and the proposed language merely adds clarification regarding how this will apply to FLEX binary index options[29]; and
- in determining compliance with the position limits set forth in Rule 8.36, FLEX binary options are not aggregated with non-binary index option contracts (FLEX or non-FLEX) on the same or similar underlying security or index. In addition, FLEX binary options on an index are not aggregated with non-binary option contracts (FLEX or non-FLEX) on an underlying stock or stocks included within such index, and FLEX binary options on

[29] As set forth in current proposed Rule 8.35(e)(1), FLEX binary index options will not be aggregated with positions in non-FLEX binary index options on the same index, regardless of the exercise settlement amount.

one index are not aggregated with binary options (FLEX or non-FLEX) on any other index (this is consistent with current Rule 8.36(d) with respect to non-FLEX binary index options, and the proposed language merely adds clarification regarding how this will apply to FLEX binary index options).

With respect to reports related to position limits, proposed Rule 8.43(f) provides that in computing reportable binary options under Rule 8.43, as is the case today for binary index options on broad-based indexes and will be the case for binary index options on the Cboe Magnificent 10 Index as proposed:

(1) positions in binary index 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.

All binary index options as proposed will not be subject to Rule 8.46(b) and Interpretation and Policy .01 regarding certain restrictions on options transactions and exercises. Rule 8.46(b) applies only to American-style options (as noted above, binary options are European-style), and Rule 8.46, Interpretation and Policy .01 applies only to options that are settled by delivery of an underlying security (as noted above, binary options are settled by delivery of a settlement value in cash).

The margin requirements in Rule 10.3(m) (currently applicable to binary index options on broad-based indexes) will apply to all binary index options. Specifically, for a margin account, except as provided below, no binary option carried for a customer may be considered of any value for purposes of computing the margin required in the account of such customer. The initial and maintenance margin required on any binary option carried long in a customer's account is 100% of the purchase price of such binary option (i.e., the premium). The Exchange notes margin required for binary index options is more robust than that required for traditional index options, the margin rules for which permit various offsets. The initial and maintenance margin required on any binary option carried short in a customer's account is the exercise settlement amount. With respect to spreads, no margin is required on a binary call option (put option) carried short in a customer's account that is offset by a long binary call option (put option) for the same underlying security or instrument that expires at the same time and has an exercise price that is less than (greater than) the exercise price of the short call (put). The long call (put) must be paid for in full. With respect to straddles and combinations, when a binary call option is carried short in a customer's account and there is also carried a short binary put option for the same underlying security or instrument that expires at the same time and has an exercise price that is less than or equal to the exercise price of the short call, the initial and maintenance margin required is the exercise settlement amount applicable to one contract. The Rules of OCC also subject binary index options to OCC's margin and risk management methodology.[30]

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[30] See Securities Exchange Act Release No. 105537 (May 21, 2026), 91 FR 31513 (May 27, 2026) (SR-OCC-2026-003) (which amended OCC's STANS methodology description to enable OCC to accept binary options for clearing and appropriately manage the risk created by binary options).

For a cash account, a binary option carried short in a customer's account is deemed a covered position, and eligible for the cash account, provided any one of the following either is held in the account at the time the option is written or is received into the account promptly thereafter:

(1) cash or cash equivalents equal to 100% of the exercise settlement amount; or

(2) a long binary option of the same type (put or call) for the same underlying security or instrument that is paid for in full and expires at the same time, and has an exercise price that is less than the exercise price of the short in the case of a call or greater than the exercise price of the short in the case of a put; or

(3) an escrow agreement. The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement (i) cash, (ii) cash equivalents, (iii) one or more qualified equity securities, or (iv) a combination thereof having an aggregate market value of not less than 100% of the exercise settlement amount and that the bank will promptly pay the TPH organization the exercise settlement amount in the event the account is assigned an exercise notice.

The Exchange believes these proposed levels are appropriate because risk exposure is limited with binary options and the proposed customer initial and maintenance margin is equal to the maximum risk exposure.[31]

Except as otherwise described above, all binary index options will be listed and traded on the Exchange in a substantially similar manner as non-binary index options are permitted to be listed and traded under current Rules. The Rules that apply to the listing

31 Pursuant to Rule 10.9, the Exchange has the ability to impose higher margin requirements than those described above in respect to any binary option position when it deems such higher margin requirements to be advisable. Because binary options must be fully funded pursuant to Rule 10.3(m), Rule 6.22 regarding delivery and payment does not apply to binary options.

and trading of non-binary index options on the Exchange, including those related to priority and execution, Market-Makers (including Market-Maker obligations), obvious error,[32] trading halt procedures, and clearing, will apply to the listing and trading of binary options. The Exchange has analyzed its capacity and represents that it believes the Exchange has the necessary systems capacity to handle any potential additional message traffic associated with the listing of binary options on indexes (including non-broad-based indexes). The Options Price Reporting Authority ("OPRA") also informed the Exchange it believes it has the necessary systems capacity to handle the additional traffic associated with the listing of new options that would result from this proposed rule change. The Exchange does not believe Trading Permit Holders ("TPHs") will experience any capacity issues as a result of this proposal and represents that it will monitor the trading volume associated with binary options and the effect (if any) of binary options on market fragmentation and the capacity of the Exchange's automated system.

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply the same program procedures to binary options the Exchange applies to its other options products (which overly the same indexes on which the proposed rule change would permit the Exchange to list binary options). Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate

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32 The Exchange notes Rule 6.5, Interpretation and Policy .04 states that for purposes of the obvious error provisions in Rule 6.5(c), the adjusted price (including any applicable adjustment under subparagraph (c)(4)(A) for non-customer transactions) may not exceed the applicable exercise settlement amount for the binary option. The proposed rule change amends the term "exercise settlement amount" to "exercise settlement value," as that is the appropriate price comparison for the transaction price (which is generally considered prior to application of the contract multiplier). The exercise settlement value is similar the value of settlement prior to application of the contract multiplier. This is a technical change to reflect the intended purpose of this provision.

surveillance and investigative information sharing in the stock, options, and futures markets. In addition, the Exchange has a Regulatory Services Agreement with the Financial Industry Regulatory Authority ("FINRA") for certain market surveillance, investigation and examinations functions. Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate amongst themselves and FINRA responsibilities to conduct certain options-related market surveillance that are common to rules of all options exchanges.[33] The Exchange believes its existing surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed binary options. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of binary MGTN options (as well as A.M.-settled binary OEX options and P.M.-settled binary VIX options, to the extent the Exchange lists those or any other binary index options for trading), including to address the potential increased susceptibility to manipulation of binary options, particularly when they are near-the-money and near expiration given the fixed payout structure of binary options.[34] The Exchange notes, however, it believes the large market capitalization of the Cboe Magnificent 10 Index and each of its constituent stocks

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33 Section 19(g)(1) of the Securities Exchange Act of 1934 (the "Act"), among other things, requires every self-regulatory organization ("SRO") registered as a national securities exchange or national securities association to comply with the Act, the rules and regulations thereunder, and the SRO's own rules, and, absent reasonable justification or excuse, enforce compliance by its members and persons associated with its members. See 15 U.S.C. 78q(d)(1) and 17 CFR 240.17d-2. Section 17(d)(1) of the Act allows the Commission to relieve an SRO of certain responsibilities with respect to members of the SRO who are also members of another SRO ("common members"). Specifically, Section 17(d)(1) allows the Commission to relieve an SRO of its responsibilities to: (i) receive regulatory reports from such members; (ii) examine such members for compliance with the Act and the rules and regulations thereunder, and the rules of the SRO; or (iii) carry out other specified regulatory responsibilities with respect to such members.

34 The Exchange notes it currently lists binary XSP options for trading, and its surveillances have been updated to monitor those options.

reduces any susceptibility to manipulation of binary options on that index, similar to the reduced risk associated with binary index options on broad-based indexes.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[35] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[36] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[37] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change will facilitate transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it will provide investors with a securities exchange-listed investment choice for an additional class, and with additional settlements for two binary index options. The proposed binary index options are listed options with a simpler, all-or-none payout

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35 15 U.S.C. 78f(b).

36 15 U.S.C. 78f(b)(5).

37 Id.

structure and limited risk profile compared to traditional listed options.[38] Thus, the Exchange believes the proposed rule change will permit investors to manage their risk exposures and carry out their investment objectives on a securities exchange with more flexibility and broader applicability. The Exchange also believes the proposed rule change will promote competition, as it will meet demands of investors that currently may trade products structured in substantively the same manner as the proposed binary options in other markets (as further discussed below).

The Exchange believes expanding the universe of binary options to include binary MGTN options will benefit investors, particularly retail investors and other investors who prefer simplicity, as a complementary offering to current exchange-traded options. Buyers and sellers of traditional, non-binary options listed on the Exchange do not know the return on those options at the time of the transaction, as the return cannot be determined until near the option's expiration given movements in the underlying. For example, suppose an investor buys a traditional index call option with an exercise price of 100. If the index value at expiration is 105, the investor gets a payout of $5 (times the multiplier for that option). If the index value at expiration is 110, the investor gets a payout of $10 (times the multiplier for that option). Therefore, the payout of a traditional index option is dependent on how in-the-money the option is at expiration, which is unknown until the time of expiration.

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38 The Commission has previously recognized the benefits of listing and trading binary options on a securities exchange. See Securities Exchange Act Release No. 57850 (May 22, 2008), 73 FR 31169, 31172 (May 30, 2008) (SR-CBOE-2006-105) ("Binary BBI Option Approval") ("The Commission believes that binary options on broad-based indexes will provide investors with a potentially useful investment choice. The proposal will extend to these options the benefits of a listed exchange market, which include a centralized forum for price discovery, pre- and post-trade transparency, standardized contract specifications, and the guarantee of the OCC.").

On the contrary, binary options offer a set payout if the underlying closes at, below, or above the exercise price (depending on the type of binary option). Buyers and sellers of binary options know the expected return at the time of purchase if the underlying performs as expected, as the return is a fixed, "all-or-none" amount. Using the example above, suppose an investor buys a binary index call option with an exercise price of 100 and an exercise settlement value of $10. If the index value at expiration is 105, the investor receives a payout of $10 (times the multiplier for that option). In fact, if the index value at expiration is any value of 100 or greater, the investor receives that same payout. In addition, because the return on the binary option is a set amount, a buyer of a binary option need not determine the absolute magnitude of the underlying's value movement relative to the exercise price, as is the case with traditional, non-binary options. Instead, the buyer of a binary option needs only to determine whether the underlying value is expected to be above, at, or below the exercise price (as applicable).

The Exchange believes expanding the availability of binary options will further protect investors because of the reduced risk of the seller compared to the seller of a traditional option. While sellers of traditional options have unlimited risk (as the payout amount increases the further in-the-money the option is at expiration), the maximum obligation for the seller of a binary option is known when the contract is written, which is the fixed payout amount. The structure of binary options offers investors pre- and post-trade transparency with respect to the risk associated with their binary options trades. Binary options on non-broad-based indexes will ultimately provide the same benefits to investors as binary options on broad-based indexes.

The Exchange also believes the proposed rule change to expand available underlying indexes for binary options and permit listing of both A.M.- and P.M.-settled binary index options will facilitate transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.[39] Current rules regarding binary index would permit A.M.-settlement and P.M.-settlement for binary index options on all broad-based indexes on which the Exchange lists traditional options except OEX (which are only P.M.-settled) and VIX options (which are only A.M.-settled). Therefore, the proposed rule change would permit the Exchange to list A.M.-settled and P.M.-settled binary MGTN options, as well as A.M.-settled binary OEX options and P.M.-settled binary VIX options.

With respect to OEX, the Exchange believes allowing A.M.-settled in addition to currently permissible P.M.-settled binary OEX options will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. This additional settlement would allow investors to further tailor their investment strategies for OEX and related options (for example, the underlying index of OEX options is the S&P 100 Index, the constituents of which are all constituents of the S&P 500 Index), as the different timing of settlements would allow market participants to trade binary OEX options (if the Exchange chose to list these options) in a manner more aligned with specific timing needs and more effectively tailor their investment and hedging strategies, including to incorporate daily changes in the

[39] Index options listed pursuant to generic listing criteria in Rule 4.10 are eligible for A.M.-settlement, and thus pursuant to the current Rule, all binary options overlying broad-based indexes and the Cboe Magnificent 10 Index that satisfy that criteria would be eligible for A.M.-settlement. As noted above, nearly all broad-based index options are currently eligible for both A.M.-settlement and P.M.-settlement, so the proposed rule change provides for P.M.-settled binary options for only one additional index options that the Exchange currently lists for trading.

market, which may reduce the premium cost of buying binary OEX options. This precision is particularly beneficial for binary index options, which provide investors with the ability to take discrete and precise positions on the value of the underlying index.

Similar reasoning applies to binary VIX options. As described above, traditional VIX options are currently A.M.-settled only (and thus current binary index rules permit A.M.-settlement only). The settlement value for these options is calculated as a special opening quotation using a modified opening auction process on exercise settlement value determination days pursuant to Rules 4.13(a)(5)(B) and 5.31(j). This is different than other index options, for which the settlement value is the current index value at the expiration of the option (either the opening value or the closing value of the index on the expiration date). It is for this reason VIX options are currently only A.M.-settled. However, binary VIX options, as proposed, may be A.M.-settled or P.M.-settled because the settlement value for binary VIX options will be, like all other binary index options, the reported opening or closing level of the underlying index (and therefore not calculated pursuant to a special quotation). This is consistent with the current binary index option rules today that state the settlement value for all binary index options that are A.M.-settled will be the reported opening level of the underlying index, which applies to binary VIX options. Therefore, the Exchange believes it would benefit investors to be authorized to list binary VIX options that are P.M.-settled, as it would allow investors to further tailor their investment strategies for VIX and related options (including, for example, options related to the S&P 500 Index), as the different timing of settlements would allow market participants to trade binary VIX options (if the Exchange chose to list these options) in a manner more aligned with specific timing needs and more effectively tailor their investment and hedging strategies, including to incorporate daily changes in the market, which may reduce the premium cost of buying binary VIX options. This precision is particularly beneficial for binary index options, which provide investors with the ability to take discrete and precise positions on the value of the underlying index.

This same reasoning also applies to the proposed rule change to permit both A.M.-settled and P.M.-settled binary MGTN options. The Exchange is currently authorized to list both A.M.-settled and P.M.-settled traditional MGTN options.[40] The Exchange believes permitting these same settlements for binary MGTN options would remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it would provide investors with additional investment options they can use to tailor their investment strategies with more precision with respect to specific timing needs and strategies related to traditional MGTN options and related options. This precision is particularly beneficial for binary index options, which provide investors with the ability to take discrete and precise positions on the value of the underlying index.

Further, the proposed rule change will permit the Exchange to list binary options overlying securities indexes with similar terms (such as A.M.- and P.M.-settlement) on a national securities exchange as alternatives to products that are structured in substantially the same manner as binary options currently available in the OTC market and on other platforms. The Exchange understands investors have traded binary options similar to the proposed binary index options in OTC markets for many years but may prefer to trade such options in a listed environment to receive the benefits of trading listing options. These

[40] See Rule 4.13(e).

benefits include: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of all listed options. The Exchange believes the proposed rule change may encourage liquidity to shift from the OTC market onto the Exchange, which the Exchange believes would increase market transparency as well as enhance the process of price discovery conducted on the Exchange through increased order flow. The proposed rule change is intended to provide a market for binary options as a standardized product without the credit risk of an individual issuer. By providing a listed and standardized market for more classes of binary options, the Exchange seeks to attract investors who desire the simplicity of a binary option with the certainty and safeguards of a regulated and standardized marketplace. Additionally, unlike an OTC binary option, counter-party credit risk for Exchange-listed binary options is significantly reduced through the issuance and guarantee of the contracts by OCC. Further, as an exchange-traded option, binary options will have the advantage of liquidity provided by Market-Makers, which the Exchange believes may lead to tighter spreads than those in the OTC market. The Exchange also believes that standardization will enable more interested parties to become market participants.

In addition to the OTC market, various market platforms that are not registered as national securities exchanges currently offer products structured in substantively the same manner as binary options the Exchange may list pursuant to current Rules and as proposed. These platforms offer binary option products overlying securities indexes, which may be settled at varying points of the day (not just at the open and close of the trading day). However, as these venues are not national securities exchanges, they do not offer investors the benefits of centralized liquidity, market transparency, or securities regulations intended to protect investors. The Exchange believes listing competitive products on a securities exchange may create a centralized and standardized marketplace for these products, which promotes price discovery and transparency, within a regulatory framework designed to protect investors in securities. In other words, the Exchange believes its proposal offers a more transparent platform than the OTC market and other market platforms offer and would contribute to leveling the playing field with these alternative markets.

Additionally, the proposed rule change is consistent with the requirements of the Act because binary options on securities indexes are securities under the Act. The Act defines "security" as, among other things, a "put, call, straddle, option, or privilege on any security . . . or group or index of securities (including any interest therein or based on the value thereof)."[41] Binary options on securities indexes, like non-binary options on securities indexes, are puts and calls. The value of a binary option is based on the value of the underlying index. As securities, pursuant to Section 9(b)(1) of the Act, a person may effect any transaction in connection with a binary option only in accordance with Commission rules and regulations.[42] Therefore, the Exchange believes transactions in

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[41] See 15 U.S.C. 78c(a)(10). The Exchange notes options on securities indexes (and thus binary options on securities indexes) are not swaps. See Statement on Tokenized Securities, Commission Divisions of Corporation Finance, Investment Management, and Trading and Markets (January 28, 2026), available at https://www.sec.gov/newsroom/speeches-statements/corp-fin-statement-tokenized-securities-012826?utm_medium=email&utm_source=govdelivery (". . . any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities, including any interest therein or based on the value thereof, that is subject to the Securities Act [of 1933] and the Exchange Act, is excluded from the definition of swap. When assessing whether a financial instrument formatted as a crypto asset satisfies one of these exclusions, the economic reality of the instrument rather than the name given to the instrument determines whether it is excluded.") (cites excluded).

[42] See 15 U.S.C.78i(b).

binary options on and securities indexes must occur on a national securities exchange, subject to Commission jurisdiction and oversight.

As discussed above, the Exchange has current Rules that permit the listing of binary options on broad-based index options, which Rules were approved previously by the Commission as being consistent with the Act. This further indicates that binary options are securities under the Act, subject to Commission jurisdiction and oversight.[43] When approving the Exchange's prior proposed rule change regarding the listing and trading of binary options on broad-based security indexes, the Commission described the terms of these options, including listings standards, position limits, and margin, and found them to be consistent with the Act.[44] In connection with the Commission's approval of trading binary options on the Exchange, OCC adopted rules pursuant to which it could clear binary options.[45] When approving OCC's proposed rule change related to the clearing of binary options, the Commission noted it met the requirements of Section 17A(b)(3)(F) of the Act[46] because it would permit OCC to clear and settle binary options that had been approved to be listed and traded on Cboe, which would promote the "prompt and accurate clearance and settlement of such *securities transactions*."[47] The Commission also approved updates to the Options Disclosure Document ("ODD") in advance of the listing of binary options

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43 See Binary BBI Option Approval.

44 See id. at 31171 – 31172.

45 See Securities Exchange Act Release Nos. 56875 (November 30, 2007), 72 FR 69274 (December 7, 2007) (SR-OCC-2007-08) (which OCC rules explicitly related to clearing binary options within the definition of a "security" as determined by the Commission); and 105537 (May 21, 2026), 91 FR 31513 (May 27, 2026) (SR-OCC-2026-003) (which amended OCC's STANS methodology description to enable OCC to accept binary options for clearing and appropriately manage the risk created by binary options).

46 15 U.S.C. 78q-1(b)(3)(F).

47 Id. at 69276 (emphasis added).

on Cboe, as required by the Act.[48] Rule 9b-1 under the Act requires a broker-dealer to furnish a customer a copy of the ODD prior to accepting an order from that customer for an option that is subject to the ODD.[49] Rule 9b-1 defines standardized options as options contracts traded on national securities exchanges that relate to options classes the terms of which are limited to specific expiration dates and exercise prices, as well as other securities as the Commission may, by order designate.[50] The Commission's order approving the ability of the Exchange to list binary options overlying certain securities signified that binary options are standardized options under the Act.[51] As binary index options, as currently available and as proposed, are standardized options to be traded on a national securities exchange, the Exchange believes the proposed rule change will benefit investors, as broker-dealers must provide the ODD to customers, which describes the characteristics and risks associated with trading binary options.

The Exchange believes the proposed position limits for binary MGTN options are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and thus to protect investors.[52] The proposed position limits for binary MGTN options are the same as those for binary options on broad-based indexes under current Rules (subject to the per expiration change further discussed below). As these position limits are already in the Rules (and thus previously approved by the

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[48] See Securities Exchange Act Release No. 58043 (June 26, 2008), 73 FR 38260 (July 3, 2008) (SR-ODD-2008-02).

[49] See 17 CFR 240.9b-1(b).

[50] See 17 CFR 240.9b-1(a)(4).

[51] When describing the benefits of binary options, the Commission described them as having "standardized contract specifications." See Binary BBI Option Approval at 31171.

[52] The proposed rule change does not amend position limits for binary index options on broad-based indexes other than applying them on a per expiration basis, which is further discussed below.

Commission) and applicable to binary index options, the Exchange believes the proposed rule change reasonably balances the promotion of a free and open market for these securities with minimization of incentives for market manipulation.

The susceptibility of an index to manipulation or undue price influence is directly related to the depth and liquidity of the markets for the component securities that comprise it, regardless of the number of component securities.[53] An index representing a larger aggregate market capitalization reflects a deep, liquid pool of underlying securities, the collective pricing of which is substantially more difficult to influence through trading in the options market. By scaling position limits to market capitalization (which directly measures the economic depth of an index), with lower position limits applicable to binary index options for which the market capitalization ratio is smaller, the Exchange believes the current position limits for binary broad-based index options are, and the proposed position limits for binary MGTN options would be, appropriately sized to the actual manipulation risk presented by the specific index and may spread exposure across more participants, which makes manipulation by a single investor more difficult to achieve. Further, current position limits rules for binary broad-based index options are, and

[53] Index listing criteria impose various requirements on the component securities related to market capitalization and liquidity, which further reduces the risk that the markets for these index options or the components of the underlying indexes would be impacted by additional derivatives. For example, with respect to narrow-based indexes, pursuant to Rule 4.10(b): (1) the market capitalization for the lowest-weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index must be at least $50 million, and the market capitalization of all other components must be at least $75 million; (2) the trading volume in each component must be at least 1,000,000 shares for each of the last six months (from October 2024 through March 2025, the lowest monthly trading volume for a component was over 1.5 million shares), except that for each of the lowest-weighted component securities in the index that in the aggregate account for no more than 10% of the weight the index, the trading volume must be at least 500,000 shares for each of the last six months); and (3) no single component security may represent more than 25% of the weight of the index, and the five highest-weighted component securities in the index may not in the aggregate account for more than 50% (60% for an index consisting of fewer than 25 component securities) of the weight of the index.

proposed position limits for binary MGTN options would be, scaled inversely to the exercise settlement value (which directly measures the maximum intrinsic value of a binary index option), which further reduces the susceptibility of binary index options to manipulation. If a binary index option has a larger exercise settlement value (and thus payout if the exercise criteria is met), there may be more incentive for an investor to attempt to manipulate the value of the underlying index so the investor can receive the larger payout. Therefore, a lower position limit for these binary index options with a larger exercise settlement amount reduces the possibility for this to occur. Additionally, the Exchange believes lower position limits for binary index options with larger exercise settlement amounts help prevent manipulation of the underlying index value because it keeps the cost of manipulating the underlying index relatively high compared to the potential payout.

While in general a non-broad-based index may have a lower market capitalization (and thus should have a lower position limit for options on that index) because it has fewer components, it is certainly possible for such an index to have a similar market capitalization to that of a broad-based index and thus have reduced susceptibility to manipulation in the same manner as a broad-based index with similar market capitalization. That is the case with respect to the Cboe Magnificent 10 Index. As a result, the Exchange believes it is appropriate to apply the same position limits currently applicable to binary options on broad-based indexes to binary MGTN options on all indexes because the position limits are tied to the market capitalization of the underlying index, which is significant for the Cboe Magnificent 10 Index. Traditional MGTN options are subject to a 24,000-contract position limit pursuant to Rule 8.32.[54] Therefore, as proposed, the position limits for binary MGTN options would be based on its Market Capitalization Ratio pursuant to Rule 8.36(b). The Market Capitalization Ratio of the Cboe Magnificent 10 Index to the S&P 500 Index is approximately 34.9%.[55] As a result, the position limit for binary MGTN options would be the ratio of 10,000 to the exercise settlement amount times 5,000. If the Exchange applied a 100 multiplier and an exercise settlement value of $1 for binary MGTN options (and thus an exercise settlement amount of $100), the position limit would be 10,000/100 x 5,000, or 500,000 (per expiration).[56]

While this position limit would be higher than the position limit currently applicable to traditional MGTN options, the Exchange believes it is appropriate given the significant market capitalization of the underlying index (which is larger than several broad-based indexes on which the Exchange is currently permitted to list binary index options). If a single investor had the maximum number of positions in binary MGTN options, the notional value of these positions would be 500,000 x 100 x 489.12, or $24,456,000,000, which would represent approximately 0.099% of the market capitalization of the index. If that same investor has the maximum number of positions in binary MGTN options and the maximum number of positions in traditional MGTN options,

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54 The value of the Cboe Magnificent 10 Index as of July 7, 2026 was 489.12. Considering this value and the index's contract multiplier of 100, the notional value of 24,000 traditional MGTN option contracts is 24,000 x 100 x 489.12, or $1,173,888,000, which represents approximately 0.0048% of the approximately $24.7 trillion market capitalization of the Cboe Magnificent 10 Index. For context, the general maximum position limit for traditional equity options is 250,000 contracts (which represents 25,000,000 shares given the contract multiplier of 100 for traditional equity options).

55 As of July 7, 2026, the market capitalization of the Cboe Magnificent 10 Index is approximately $24.7 trillion, and the market capitalization of the S&P 500 Index is approximately $70.8 trillion.

56 If the Exchange designated a higher exercise settlement amount for a binary MGTN option, this would effectively reduce the position limit for those binary MGTN options to address the potential additional incentive to manipulate the underlying index given the higher potential payout.

the combined notional value of all of those positions would still represent only approximately 0.1% of the market capitalization of the index. For purposes of comparison, if the Exchange were to list binary index options on the Russell 2000 Index (which current Rules would permit), the position limit for these binary RUT options pursuant to Rule 8.36(a) (traditional RUT options have no position limit as set forth in Rule 8.31), if such binary RUT options had an exercise settlement amount of $100, would be 15,000 x 10,000/100, or 1,500,000 contracts. As of July 7, 2026, the market capitalization of the Russell 2000 Index was approximately $3.77 trillion, and the value of the index was 2,982.49. The contract multiplier for RUT options is 100. The maximum number of positions in binary RUT options would have a notional value of 1,500,000 x 100 x 2,982.49, or $447,373,500,000, which would represent approximately 11.87% of the market capitalization of the index. Therefore, the Exchange believes the proposal to apply to binary MGTN options the position limits currently applicable to binary index options on broad-based indexes would still result in a very conservative position limit for binary MGTN options given the market capitalization of the Cboe Magnificent 10 Index.

The number of constituent securities of the Cboe Magnificent 10 Index is smaller compared to broad-based indexes; however, the ten constituent securities are among the largest capitalized and most actively traded stocks and must have a market capitalization of at least $500 million, a free float of at least 25%, a minimum of 1,000,000 shares trading volume in the preceding six months, and one of the 100 largest market capitalizations per the index's methodology.[57] This is in addition to the initial and maintenance listing criteria

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[57] The methodology for the Cboe Magnificent 10 Index is available here: https://cdn.cboe.com/api/global/us_indices/governance/Cboe_Magnificent_10_Index_Methodology.pdf.

set forth in Rule 4.13(b) the index must satisfy for the Exchange to be able to list options on the index.[58] The market capitalizations of the ten constituents of the Cboe Magnificent 10 Index as of July 7, 2026 range from approximately $322 billion to $4.7 trillion, and the six-month trading volume ranges from 2,073,574,362 shares to 20,936,495,633 shares. The Exchange believes all of these factors significantly reduce the risk of manipulation of the index given the proposed position limits for binary MGTN options, as well as reduce the risk that the markets for the components would be impacted by additional derivatives.[59]

The Exchange further notes the proposed position limit for binary MGTN options is conservative when compared to the position limit for traditional options on the component stocks of the Cboe Magnificent 10 Index. All ten of the component stocks are subject to a position limit of 250,000 (or 25,000,000 when factoring in the multiplier of 100) pursuant to Rule 8.30, Interpretation and Policy .02. Palantir (PLTR) has the smallest market capitalization of the ten constituent stocks (approximately $322 billion) as of July 7, 2026, with a stock price of $134.37. If a single customer held the maximum number of positions permitted under the proposed rule change, the notional value of those positions

58 Pursuant to Rule 4.10(b): (1) the market capitalization for the lowest-weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index must be at least $50 million, and the market capitalization of all other components must be at least $75 million; (2) the trading volume in each component must be at least 1,000,000 shares for each of the last six months (from October 2024 through March 2025, the lowest monthly trading volume for a component was over 1.5 million shares), except that for each of the lowest-weighted component securities in the index that in the aggregate account for no more than 10% of the weight the index, the trading volume must be at least 500,000 shares for each of the last six months); and (3) no single component security may represent more than 25% of the weight of the index, and the five highest-weighted component securities in the index may not in the aggregate account for more than 50% (60% for an index consisting of fewer than 25 component securities) of the weight of the index.

59 Further, as discussed above, the proposed rule change imposes a position limit on these hedged positions and strategies that is higher than the position limit for non-hedged positions and strategies but no longer fully exempts them from position limits, as is the case under current Rules. This same higher position limit would apply to hedged strategies and positions in binary MGTN options as well, further reducing the risk of a single investor being able to use its positions in binary MGTN options to manipulate the value of the underlying index or its component stocks.

would be $3,359,250,000, which would represent 1.04% of the stock's market capitalization, which is very conservative and still more than 10 times higher than the percentage of the notional value of the maximum positions of binary MGTN options of the index's market capitalization.[60]

The Exchange also believes the proposed rule change to apply position limits to binary options on a per expiration basis will prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and thus protect investors due to the unique risk profile of binary options that distinguish them from traditional (i.e., non-binary). Unlike traditional index options, for which associated risk is distributed across a range of strikes and expirations because investors may offset or hedge positions across expirations, binary options are fixed-payout, all-or-nothing contracts whose value is entirely dependent on the value of the underlying index at a single point in time. Therefore, risk concentrates at the expiration date itself since each expiration series represents an independent and self-contained risk event. This makes the expiration date the most economically meaningful unit for measuring and constraining accumulated exposure of binary options. Limiting positions in binary options across expirations (as is done for traditional options) would not address the actual risk associated with the settlement event specific to a binary option. As a result, the Exchange believes an individual expiration is the most economically meaningful time to limit positions in binary options, as obtaining positions in binary options for one expiration generally have no impact on the value of

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60 The Exchange intends to designate an exercise settlement value of $1 and a multiplier of 100 (and thus an exercise settlement amount of $100) for binary MGTN option upon launch. To the extent the Exchange designates binary MGTN options to have a different multiplier or exercise settlement value, it will announce those changes pursuant to Rule 1.5.

binary options for another expiration.[61] As discussed above, binary index options are subject to no exercise limits. Exercise limits are intended to prevent a single investor from exercising a number of option contracts that could potentially manipulate the value of the underlying. Because investors have no discretion regarding whether to exercise their binary index options due to their automatic exercise at expiration, there is no need for exercise limits.

For all the reasons discussed above, the Exchange believes the proposed position limit for binary MGTN options is designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest. The Exchange understands that unlike traditional index options, binary index options possess a fixed, all-or-nothing payout structure that may create further incentive to influence the value of the underlying index, which incentive may be heightened for near-the-money positions approaching expiration when a marginal move in the value of the underlying index can determine whether a position will receive the payout amount (or not). The proposed rule change establishes a position limit for binary MGTN options that is calibrated such that the notional value of the maximum number of permitted positions represents less than 1% of the aggregate market capitalization of the Cboe Magnificent 10 Index (assuming an exercise settlement amount of $100).[62] The Exchange believes this will reduce the ability for a single market participant from accumulating sufficient positions of binary MGTN options whose potential payout would justify the cost of attempting to move the underlying index

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[61] This is consistent with the lack of exercise limits for binary options.

[62] As noted above, a larger exercise settlement amount would result in a reduced position limit to address the potentially higher incentive to influence the value of the underlying index given the larger payout amount.

components, thereby maintaining an economically unfavorable cost-benefit ratio for any such manipulative activity. The Exchange believes this calibration directly addresses the heightened manipulation risk inherent to binary options given their fixed payout structure by limiting the maximum aggregate financial incentive available to any single customer or group of customers, while still permitting sufficient position sizes to support a liquid and efficient market for legitimate hedging and trading purposes. The Exchange, therefore, believes the proposed limit is effectively designed to prevent an individual customer or entity from establishing options positions that could be used to manipulate the market of the underlying index and its constituents.[63]

Further, the Exchange believes subjecting hedged binary option positions and strategies to higher position limits is consistent with the Act because such positions and strategies create offsetting exposure. As a result, a customer no longer has a directional interest in the underlying, reducing the manipulation risk associated with those positions that position limits are designed to address. Given the investor benefits gained from hedged positions, the Exchange believes applying higher position limits to these positions sufficiently protects against the reduced potential for manipulation while not artificially restricting bona fide activity intended to manage risk exposure.

Position limits are designed to limit the number of options contracts overlying a security or index traded on the exchange that an investor, acting alone or in concert with others directly or indirectly, may control. These limits are intended to address potential manipulative schemes and adverse market impacts surrounding the use of options, such as

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63 See Securities Exchange Act Release No. 39489 (December 24, 1997), 63 FR 276 (January 5, 1998) (SR-CBOE-1997-11).

disrupting the market in the security or index underlying the options. Position limits must balance concerns regarding mitigating potential manipulation and the cost of inhibiting potential hedging activity that could be used for legitimate economic purposes. Position limits do not limit the total number of options that may be held by all customers across the entire industry, but rather they limit the number of unhedged positions on the same side of the market a single customer may hold or exercise at one time. "Since the inception of standardized options trading, the options exchanges have had rules imposing limits on the aggregate number of options contracts that a member or customer could hold or exercise."[64] Position limit rules are intended "to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position."[65] The Exchange believes the proposed position limits applied on a per expiration basis reasonably and appropriately balance the liquidity provisioning in the market against the prevention of manipulation without unnecessarily constraining investment activity.[66]

The Exchange also believes the proposed margin requirements for binary index options (which are the current margin requirements for binary options on broad-based indexes) are reasonable and will protect investors, because they limit investors' risk exposure given that the initial and maintenance margin requirements are equal to the maximum risk exposure.[67] As noted above, the Exchange may determine to impose higher

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[64] See Securities Exchange Act Release No. 39489 (December 24, 1997), 63 FR 276 (January 5, 1998) (SR-CBOE-1997-11).

[65] See id.

[66] The proposed application of higher position limits to hedged positions and strategies contributes to this balanced design

[67] See Rule 10.3(m).

margin requirements than those proposed in respect of any binary option position when it deems such higher margin requirements are appropriate.[68] Further, the Rules of OCC also subject binary index options to OCC's margin and risk management methodology.[69]

Ultimately, the Exchange believes the proposed rule change will provide investors with greater trading tools and opportunities and flexibility, resulting in investors having additional means to carry out their investment objectives and manage their risk exposures with the benefits of being listed and traded on a national securities exchange. The Exchange believes the proposed rule change will offer market participants a simplified, transparent, and limited risk investment choice overlying securities indexes, which may be more aligned with their specific timing needs and investment and hedging strategies and risk tolerances. The Exchange believes it benefits the investing public to continue to enhance its listed product offerings to respond to continuously changing needs of investors and to a continuously changing competitive environment.

A robust and competitive market requires exchanges to respond to investors' evolving needs by regularly improving their offerings. When Congress charged the Commission with supervising the development of a "national market system" for securities, Congress stated its intent that the "national market system evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed."[70] Consistent with this purpose, Congress and the Commission have repeatedly stated their preference for competition, rather than regulatory intervention to determine products and

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68 See Rule 10.9.

69 See Securities Exchange Act Release No. 105537 (May 21, 2026), 91 FR 31513 (May 27, 2026) (SR-OCC-2026-003) (which amended OCC's STANS methodology description to enable OCC to accept binary options for clearing and appropriately manage the risk created by binary options).

70 See H.R. Rep. No. 94-229, at 92 (1975) (Conf. Rep.).

services in the securities markets.[71] This consistent and considered judgment of Congress and the Commission is correct, particularly in light of evidence of robust competition in the options trading industry. The fact that an exchange proposed something new is a reason to be receptive, not skeptical — innovation is the life-blood of a vibrant competitive market — and that is particularly so given the continued internalization of the securities markets, as exchanges continue to implement new products and services to compete not only in the United States but throughout the world. Options exchanges continuously adopt new and different products and trading services in response to industry demands in order to attract order flow and to increase their trading volume. This competition has led to a growth in investment choices, which ultimately benefits the marketplace and the public. The Exchange believes the proposed rule change will help further competition by providing market participants with yet another investment option for options listed on a national securities exchange.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change will impose any burden on

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71 See S. Rep. No. 94-75, 94th Cong., 1st Sess. 8 (1975) ("The objective [in enacting the 1975 amendments to the Exchange Act] would be to enhance competition and to allow economic forces, interacting within a fair regulatory field, to arrive at appropriate variations in practices and services."); Order Approving Proposed Rule Change Relating to NYSE Arca Data, Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770 (December 9, 2008) ("The Exchange Act and its legislative history strongly support the Commission's reliance on competition, whenever possible, in meeting its regulatory responsibilities for overseeing the [self-regulatory organizations] and the national market system. Indeed, competition among multiple markets and market participants trading the same products is the hallmark of the national market system."); and Regulation NMS, 70 FR at 37499 (observing that NMS regulation "has been remarkably successful in promoting market competition in [the] forms that are most important to investors and listed companies").

intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because binary options will be available to all market participants who wish to trade such options on the same terms and in the same manner (including with respect to the payout terms and amount). All market participants will be subject to the same margin and position limits, as well as other rules applicable to binary options, as described in this proposed rule change. To qualify for listing as a binary option, an underlying index must meet the same initial and maintenance listing criteria it must meet to underlie a traditional, non-binary option. Except as set forth in the proposed rule change, binary options will trade in the same manner as other options on the Exchange.

The Exchange does not believe the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the Rules of at least one other options exchange permit the listing of similar products.[72] Additionally, as noted above, substantively similar products to binary index options, as currently available under the Rules and as proposed, are available in the OTC market and various other markets. Such products are based on the values of securities indexes (as the proposed binary options are), including at the opening and closing of trading (i.e., A.M.- and P.M.-settled) and other times throughout the day. The proposed rule change will permit the Exchange to list binary options on the same underlying indexes as these markets, and do so with certain similar terms (two permissible settlements) as the binary options listed on those markets. Ultimately, the proposal is designed to increase competition for order flow in binary options.

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72 See NYSE American Options Rules, Section 17 (permits binary options on underlying securities, which are different than indexes but narrow-based indexes in some ways are akin to securities given a narrow-based index may have as few as 10 component securities and the concentration of those components are within a single or related industries).

The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues who offer similar products. The Exchange believes the proposed rule change will provide investors with a comparable alternative to the OTC market and other venues. The Exchange believes it may be a more attractive alternative to the OTC market and these other venues, as market participants will benefit from being able to trade these options in an exchange environment, which provides, among other things: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of all listed options. As a result, the Exchange believes that the proposed rule change may relieve any burden on, or otherwise promote, competition, as it will allow the Exchange to offer a securities exchange-listed alternative to the products currently available in these other markets.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

A. by order approve or disapprove such proposed rule change, or

B. institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include file number SR-CBOE-2026-032 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-CBOE-2026-032. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (https://www.sec.gov/rules/sro.shtml). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-CBOE-2026-032 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[73]

Sherry R. Haywood,

Assistant Secretary.

[73] 17 CFR 200.30-3(a)(12).

EXHIBIT 4

Additions set forth in the proposed rule text of Amendment No. 1 to SR-CBOE-2026-032 are underlined and deletions set forth in the proposed rule text of original SR-CBOE-2026-032 are bracketed. Additions being made pursuant to Amendment No. 1 to SR-CBOE-2026-032 are double-underlined and deletions being made pursuant to Amendment No. 1 to SR-CBOE-2026-032 are struck.

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Rules of Cboe Exchange, Inc.

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Rule 1.1. Definitions

When used in the Rules, unless the context otherwise requires:

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Bid

The term "bid" means the price of a limit order or quote to buy one or more options contracts.

Binary Option

The term "binary option" means an option contract having an exercise settlement amount that is established at the creation of an option and only two possible payoff outcomes: either a fixed amount equal to the exercise payout amount or nothing at all. Unless the context otherwise requires, references in the Rules to binary options apply to binary index options.

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Rule 4.16. [Binary Options] Reserved

[(a) *General*. This Rule 4.16 applies only to Binary Options. All Rules apply to the trading of Binary Options, except as otherwise provided or the context otherwise requires.

(b) *Definitions*.

Binary Option

The term "binary option" means a European-style option contract having an exercise settlement amount that is established at the creation of the option. Binary options are paid out if settlement value of the underlying broad-based index equals, exceeds or is less than the exercise price, depending on the type of option (i.e., call or put).

Call Binary Option

The term "call binary option" means an option contract which returns an exercise settlement amount if the settlement value of the underlying broad-based index is at or above the exercise price at expiration (i.e., in- or at-the-money).

Contract Multiplier

The term "contract multiplier" as used in reference to a binary option means the multiple applied to the exercise settlement value to arrive at the total exercise settlement amount per contract. The contract multiplier is established on a class-by-class basis and shall be at least one.

Exercise Price

The term "exercise price" as used in reference to a binary option means the value to which the settlement value of the underlying broad-based index is compared to determine whether the holder of a binary option is entitled to have the option be paid out.

Exercise Settlement Amount

The term "exercise settlement amount" as used in reference to a binary option means the amount of cash that a holder will receive upon exercise of the contract. The exercise settlement amount is a set amount equal to the exercise settlement value multiplied by the contract multiplier. The exercise settlement value will be an amount determined by the Exchange on a class-by-class basis and shall be equal to $1 or $1,000 or a value between those values, unless otherwise adjusted per Rule 4.6.

Put Binary Option

The term "put binary option" means an option contract which returns an exercise settlement amount if the settlement value of the underlying broad-based index is below the exercise price at expiration (i.e., in-the-money).

Settlement Value

The term "settlement value" is the value of the underlying broad-based index that is used to determine whether a binary option is in, at or out of the money. For binary options on a broad-based index on which traditional options on the same broad-based index are A.M.-settled, the "settlement value" is the reported opening level of such index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index. For binary options on a broad-based index on which traditional options on the same broad-based index are P.M.-settled, the "settlement value" is the reported closing level of such index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index.

(c) *Designation of Binary Option Contracts.*

(1) The Exchange may from time to time approve for listing and trading on the Exchange binary option contracts on a broad-based index which has been selected in accordance with

Rule 4.10 and the Interpretations and Policies thereunder. Binary options are a separate class from other options overlying the same broad-based index.

(2) Only binary option contracts approved by the Exchange and currently open for trading on the Exchange may be purchased or sold on the Exchange. Binary options dealt in on the Exchange are designated as to expiration date, exercise price, exercise settlement amount, contract multiplier and underlying broad-based index. Binary options on broad-based indexes for which traditional options on the same broad-based index are A.M.-settled will be A.M.-settled, and binary options on broad-based indexes for which traditional options on the same broad-based index are P.M.-settled (i.e., S&P 100 Index ("OEX")) will be P.M.-settled.

(3) After a particular binary option class has been approved for listing and trading on the Exchange, the Exchange from time to time may open for trading series of options on that class. Binary option series may be designated to expire from one day up to 36 months from the time that they are listed.

(4) The Exchange may add new series of options of the same class as provided for in Rule 4.13 and the Interpretations and Policies thereunder. Additional series of the same binary option class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market or to meet customer demand. The opening of a new series of binary options on the Exchange will not affect any other series of options of the same class previously opened.

(d) *Maintenance Listing Standards.* The maintenance listing standards with respect to options on broad-based indexes set forth in Rule 4.10 and the Interpretations and Policies thereunder shall be applicable to binary options on broad-based indexes.

(e) *Determination of Settlement Value.* Binary options that are "at-the-money," "in-the-money," or "out-of-the-money" are a function of the settlement value of the underlying broad-based index in relation to the type of binary option (i.e., put or call) and the exercise price.

(f) *Adjustment.* Binary option contracts are subject to adjustment only in accordance with and to the extent specified in the By-Laws and Rules of the Clearing Corporation. When any such adjustment has been determined, announcement thereof shall be made by the Exchange and shall become effective as of the time specified in such announcement.

(g) *FLEX Trading.* Binary options on indexes that are eligible for options trading on the Exchange shall be eligible for trading as Flexible Exchange Options as provided for in Chapter 4, Section C, even if the Exchange does not list and trade Non-FLEX binary options or Non-FLEX traditional options on such indexes. For purposes of Rule 4.21, the applicable exercise settlement value shall be designated by the parties to the contract, the parties may not designate an exercise style other than European-style, and the term "index multiplier" shall refer to the contract multiplier. Rule 8.35 shall not apply to binary options and the position limit methodology set forth in Rule 8.36 shall apply.]

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Rule 4.21. Series of FLEX Options

(a) – (b) No change.

(c) *FLEX Binary Options.* Binary options on an index that are eligible for trading on the Exchange are eligible for trading as FLEX options, even if the Exchange does not list and trade Non-FLEX binary options or Non-FLEX traditional options on the same index. For purposes of this Rule, the applicable exercise settlement value is designated by the parties to the contract, the parties may not designate an exercise style other than European-style, and the term "index multiplier" refers to the contract multiplier.

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SECTION H. BINARY INDEX OPTIONS

The Rules in this Chapter 4, Section H apply only to binary index options. All Rules apply to the trading of binary index options, except as otherwise provided or the context otherwise requires.

Rule 4.70. Definitions

The following terms used in reference to binary index options have, unless the context otherwise indicates, the meanings specified below.

Binary Index Option

The term "binary index option" means an ~~European-style~~ option contract having an exercise settlement amount that is established at the creation of the option. Binary index options are paid out if the settlement value of the underlying index (1) equals or is greater than the exercise price for a call binary index option or (2) is less than the exercise price for a put binary index option.

Call Binary Index Option

The term "call binary index option" means an option contract that returns an exercise settlement amount if the settlement value of the underlying index is at or above the exercise price at expiration (i.e., in- or at-the-money).

Contract Multiplier

The term "contract multiplier" means the multiple applied to the exercise settlement value to arrive at the total exercise settlement amount per contract. The Exchange establishes the contract multiplier on a class-by-class basis, which multiplier must be at least one.

Exercise Price

The term "exercise price" means the value to which the settlement value of the underlying index is compared to determine whether the holder of a binary index option is entitled to have the option be paid out.

Exercise Settlement Amount

The term “exercise settlement amount” means the amount of cash that a holder will receive upon exercise of the contract. The exercise settlement amount is a set amount equal to the exercise settlement value multiplied by the contract multiplier. The Exchange determines the exercise settlement value on a class-by-class basis, which may be an amount between $1 and $1,000 (unless otherwise adjusted per Rule 4.6). For example, if the exercise settlement value is $1 and the multiplier is 100 for a binary index option, the exercise settlement amount is $100; if the exercise settlement value is $10 and the multiplier is 100 for a binary option, the exercise settlement amount is $1,000.

Market Capitalization Ratio

The term “market capitalization ratio” means the ratio of the market capitalization of an index to the market capitalization of the S&P 500 Index.

Put Binary Index Option

The term “put binary index option” means an option contract that returns an exercise settlement amount if the settlement value of the underlying index is below the exercise price at expiration (i.e., in-the-money).

Settlement Value

The term “settlement value” means the value of the underlying index that is used to determine whether a binary index option is in-, at-, or out-of-the-money.

(a) For A.M.-settled binary index options, the “settlement value” is the reported opening level of the underlying index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index.

(b) For P.M.-settled binary index options, the “settlement value” is the reported closing level of the underlying index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index.

Rule 4.71. Designation of Binary Index Option Contracts

(a) *Listing Standards.* The Exchange may from time to time approve for listing and trading on the Exchange binary index option contracts on a~~n~~ broad-based index that satisfies the initial listing criteria in Rule 4.10 and the Interpretations and Policies thereunder and the Cboe Magnificent 10 Index. The maintenance listing criteria in Rule 4.10 and the Interpretations and Policies thereunder apply to binary index options.

(b) *Separate Class.* Binary index options are a separate class from other options overlying the same index.

Rule 4.72. Terms of Binary Index Option Contracts

Binary index options listed and traded on the Exchange are designated as to expiration date, exercise price, exercise settlement amount, contract multiplier, and underlying index.

(a) *Settlement.* The Exchange may designate binary index options as A.M.-settled or P.M.-settled. Binary index options have European-style settlement.

(b) *Expirations.* After approving a particular binary index option class for listing and trading on the Exchange, the Exchange from time to time may open for trading series of options in that class. The Exchange may designate binary index option series to expire from one day up to 36 months from the time they are listed.

(c) *Additional Series.* The Exchange may add new series of options of the same class as provided for in Rule 4.13 and the Interpretations and Policies thereunder. Additional series of the same binary index option class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market or to meet customer demand. The opening of a new series of binary index options on the Exchange will not affect any other series of options of the same class previously opened.

Rule 4.73. Determination of Settlement Value

Binary index options that are "at-the-money," "in-the-money," or "out-of-the-money" are a function of the settlement value of the underlying index in relation to the type of binary index option (i.e., put or call) and the exercise price.

Rule 4.74. Adjustment

Binary index option contracts are subject to adjustment only in accordance with and to the extent specified in the By-Laws and Rules of the Clearing Corporation. When any such adjustment has been determined, the Exchange will announce this adjustment, which will become effective as of the time specified in that announcement.

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Rule 5.1. Trading Days and Hours

(a) No change.

(b) *Regular Trading Hours.*

(1) No change.

(2) *Index Options.* Except as otherwise set forth in the Rules or under unusual conditions as may be determined by the Exchange, Regular Trading Hours for transactions in index options are from 9:30 a.m. to 4:15 p.m., except as follows:

(A) – (B) No change.

(C) On their last trading day, Regular Trading Hours for the following options are from 9:30 a.m. to 4:00 p.m.:

Cboe S&P 500 AM/PM Basis options

Binary index options (p.m.-settled)

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(G) Regular Trading Hours for [B]binary index [O]options are the same as the Regular Trading Hours for options with the same underlying index.

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Rule 6.5. Nullification and Adjustment of Option Transactions Including Obvious Errors

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Interpretations and Policies

.01 – .03 No change.

.04 *Binary Index Options.* For purposes of the obvious error provisions in paragraph (c) of this Rule, the adjusted price (including any applicable adjustment under subparagraph (c)(4)(A) for non- customer transactions) shall not exceed the applicable exercise settlement [amount]value for the binary index option.

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Rule 6.20. Exercise of Options Contracts

(a) – (f) No change.

(g) *Binary Index Options.* Binary index options will be automatically exercised at expiration if the settlement value of the underlying ~~broad-based~~ index is equal to or greater than the exercise price of a call binary index option or less than the exercise price in the case of a put binary index option.

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Rule 8.35. Position Limits for FLEX Options

(a) – (d) No change.

(e) This Rule does not apply to FLEX binary options. Position limits for FLEX binary options will be the same as the position limits for non-FLEX binary options as set forth in Rule 8.36.

(1) Positions in FLEX binary index options will not be aggregated with positions in non-FLEX binary index options overlying the same index or any other non-FLEX binary options.

(2) Positions in FLEX binary index options on the same index that have different exercise settlement amounts are aggregated.

(3) In determining compliance with the position limits set forth in Rule 8.36, FLEX binary options are not aggregated with non-binary option contracts (FLEX or non-FLEX) on the same or similar underlying security or index. In addition, FLEX binary options on an index are not aggregated with non-binary option contracts (FLEX or non-FLEX) on an underlying stock or stocks included within such index, and FLEX binary options on one index are not aggregated with binary options (FLEX or non-FLEX) on any other index.

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Rule 8.36. Position Limits for Binary Options

(a) *Fixed Limit.* In determining compliance with Rule 8.30, the position limit for binary index options [on a broad-based index] for which traditional options on the same [broad-based] index have no position limit[, as set forth in Rule 8.31,] pursuant to Rules 8.30 through 8.32~~3~~, as applicable, [shall be]is the number of contracts equal to 15,000 [contracts, provided that the exercise settlement amount is $10,000. For binary options that have an exercise settlement amount that is not equal to $10,000, the position limit shall be 15,000] times the ratio of 10,000 to the exercise settlement amount per expiration (e.g., if the binary index option exercise settlement amount is $10,000, then the position limit is 15,000 contracts per expiration; if the binary index option exercise settlement amount is $1,000, then the position limit is 150,000 contracts[.] per expiration; and [I]if the binary index option exercise settlement amount is $12,000, then the position limit is 12,500 contracts per expiration).

(b) *Formulaic Limit.* For binary index options on an [broad-based] index for which traditional options on the same [broad-based] index have a position limit[, as set forth in Rule 8.31,] pursuant to Rules 8.30 through 8.32~~3~~, as applicable, the position limit [shall be calculated in accordance with the following methodology:

(1) Determine the Market Capitalization of the S&P 500 Index.

(2) Determine the Market Capitalization of the broad-based index underlying the binary option.

(3) Calculate the Market Capitalization Ratio of the broad-based index underlying the binary option to the Market Capitalization of the S&P 500 Index.

(4) The position limit for binary options subject to a formulaic limit with an exercise settlement amount of $10,000 shall be] is the number of contracts equal to the ratio of 10,000 to the exercise settlement amount multiplied by the number of contracts set forth in the table below (based on the market capitalization ratio of the underlying index) per expiration:

[(A) 10,000 contracts if the Market Capitalization Ratio is greater than or equal to 0.50;

(B) 5,000 contracts if the Market Capitalization Ratio is less than 0.50 but greater than or equal to 0.25;

(C) 2,500 contracts if the Market Capitalization Ratio is less than 0.25 but greater than or equal to 0.10.

(D) The Exchange will seek Commission approval prior to establishing position limits for binary options on broad-based indexes that have a Market Capitalization Ratio that is less than 0.10.

(5) For binary options that have an exercise settlement amount that is not equal to $10,000, the position limit shall be the ratio of 10,000 to the exercise settlement amount multiplied by the applicable formulaic limit.]

Market Capitalization Ratio of Underlying	**Number of Contracts**
Greater than or equal to 0.50	10,000
Less than 0.50 but greater than or equal to 0.25	5,000
Less than 0.25 but greater than or equal to 0.10	2,500
~~Less than 0.10 but greater than or equal to 0.005~~	~~1,500~~
~~Less than 0.005 but greater than or equal to 0.0025~~	~~1,000~~
~~Less than 0.0025~~	~~500~~

The Exchange will seek Commission approval prior to establishing position limits for binary options on broad-based indexes that have a market capitalization ratio that is less than 0.10.

(c) *Aggregated Positions.* Positions in binary options on the same [broad-based] index that have different exercise settlement amounts [shall be]are aggregated.

(d) *Non-binary.* In determining compliance with the position limits set forth in this Rule 8.36, binary options [shall]are not [be] aggregated with non-binary option contracts on the same or similar underlying security or [broad-based] index. In addition, binary options on an [broad-based] index[es shall] are not [be] aggregated with non-binary option contracts on an underlying stock or stocks included within such [broad-based] index, and binary options on one [broad-based] index [shall]are not [be] aggregated with binary options on any other [broad-based] index.

(e) *Market Side.* For purposes of the position limits established under this Rule 8.36, long positions in put binary options and short positions in call binary options [shall be]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 [shall be]are considered to be on the same side of the market.

(f) *Hedge Exemption.* Binary options [shall]are not [be] subject to the hedge exemption to the standard position limits found in Rule 8.30. Notwithstanding paragraphs (a) and (b) above, position limits for the hedged positions and strategies defined below are equal to five times the position limit established under paragraphs (a) and (b)~~(5) (if the market capitalization ratio of the underlying index is greater than or equal to 0.005) or three times the position limit established under paragraph (b)(5) (if the market capitalization ratio of the underlying index is less than 0.005):~~ [The following qualified hedge exemption strategies and positions shall be exempt from the established position limits as prescribed in the Rule above. For purposes of this Rule, qualified hedge strategies or positions are defined as follows:]

(1) [A]a binary option position "hedged" or "covered" by an appropriate amount of cash to meet the settlement obligation (e.g., $1,000 for a binary option with an exercise settlement amount of $1,000)[.];

(2) [A]a binary option position "hedged" or "covered" by a sufficient amount of a related or similar security to meet the settlement obligation[.]; and

(3) [A]a binary option position "hedged" or "covered" by a traditional option covering the same underlying [broad-based] index (which includes, among other strategies, a vertical spread with strikes reasonably close to the binary option strike) sufficient to meet the settlement obligation.

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Rule 8.43. Reports Related to Position Limits

(a) – (e) No change.

(f) *Binary Index Options.* In computing reportable binary options under this Rule 8.43: (1) positions in binary index options on the same [broad-based] index that have different exercise settlement amounts [shall be]are aggregated[,]; (2) positions in binary index options [shall]are not [be] aggregated with non-binary option contracts on the same or similar underlying security or [broad-based] index[,]; (3) positions in binary index options [on broad-based indexes shall]are not [be] aggregated with non-binary option contracts on an underlying [stock or stocks]security or securities included within [such broad-based]the underlying index[,]; and (4) positions in binary index options on one [broad-based] index [shall]are not [be] aggregated with binary index options on any other [broad-based] index.

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EXHIBIT 5

(additions are underlined; deletions are [bracketed])

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Rules of Cboe Exchange, Inc.

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Rule 1.1. Definitions

When used in the Rules, unless the context otherwise requires:

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Bid

The term “bid” means the price of a limit order or quote to buy one or more options contracts.

Binary Option

The term “binary option” means an option contract having an exercise settlement amount that is established at the creation of an option and only two possible payoff outcomes: either a fixed amount equal to the exercise payout amount or nothing at all. Unless the context otherwise requires, references in the Rules to binary options apply to binary index options.

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Rule 4.16. [Binary Options] Reserved

[(a) *General*. This Rule 4.16 applies only to Binary Options. All Rules apply to the trading of Binary Options, except as otherwise provided or the context otherwise requires.

(b) *Definitions*.

Binary Option

The term “binary option” means a European-style option contract having an exercise settlement amount that is established at the creation of the option. Binary options are paid out if settlement value of the underlying broad-based index equals, exceeds or is less than the exercise price, depending on the type of option (i.e., call or put).

Call Binary Option

The term “call binary option” means an option contract which returns an exercise settlement amount if the settlement value of the underlying broad-based index is at or above the exercise price at expiration (i.e., in- or at-the-money).

Contract Multiplier

The term “contract multiplier” as used in reference to a binary option means the multiple applied to the exercise settlement value to arrive at the total exercise settlement amount per contract. The contract multiplier is established on a class-by-class basis and shall be at least one.

Exercise Price

The term “exercise price” as used in reference to a binary option means the value to which the settlement value of the underlying broad-based index is compared to determine whether the holder of a binary option is entitled to have the option be paid out.

Exercise Settlement Amount

The term “exercise settlement amount” as used in reference to a binary option means the amount of cash that a holder will receive upon exercise of the contract. The exercise settlement amount is a set amount equal to the exercise settlement value multiplied by the contract multiplier. The exercise settlement value will be an amount determined by the Exchange on a class-by-class basis and shall be equal to $1 or $1,000 or a value between those values, unless otherwise adjusted per Rule 4.6.

Put Binary Option

The term “put binary option” means an option contract which returns an exercise settlement amount if the settlement value of the underlying broad-based index is below the exercise price at expiration (i.e., in-the-money).

Settlement Value

The term “settlement value” is the value of the underlying broad-based index that is used to determine whether a binary option is in, at or out of the money. For binary options on a broad-based index on which traditional options on the same broad-based index are A.M.-settled, the “settlement value” is the reported opening level of such index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index. For binary options on a broad-based index on which traditional options on the same broad-based index are P.M.-settled, the “settlement value” is the reported closing level of such index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index.

(c) *Designation of Binary Option Contracts.*

> (1) The Exchange may from time to time approve for listing and trading on the Exchange binary option contracts on a broad-based index which has been selected in accordance with Rule 4.10 and the Interpretations and Policies thereunder. Binary options are a separate class from other options overlying the same broad-based index.

(2) Only binary option contracts approved by the Exchange and currently open for trading on the Exchange may be purchased or sold on the Exchange. Binary options dealt in on the Exchange are designated as to expiration date, exercise price, exercise settlement amount, contract multiplier and underlying broad-based index. Binary options on broad-based indexes for which traditional options on the same broad-based index are A.M.-settled will be A.M.-settled, and binary options on broad-based indexes for which traditional options on the same broad-based index are P.M.-settled (i.e., S&P 100 Index ("OEX")) will be P.M.-settled.

(3) After a particular binary option class has been approved for listing and trading on the Exchange, the Exchange from time to time may open for trading series of options on that class. Binary option series may be designated to expire from one day up to 36 months from the time that they are listed.

(4) The Exchange may add new series of options of the same class as provided for in Rule 4.13 and the Interpretations and Policies thereunder. Additional series of the same binary option class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market or to meet customer demand. The opening of a new series of binary options on the Exchange will not affect any other series of options of the same class previously opened.

(d) *Maintenance Listing Standards.* The maintenance listing standards with respect to options on broad-based indexes set forth in Rule 4.10 and the Interpretations and Policies thereunder shall be applicable to binary options on broad-based indexes.

(e) *Determination of Settlement Value.* Binary options that are "at-the-money," "in-the-money," or "out-of-the-money" are a function of the settlement value of the underlying broad-based index in relation to the type of binary option (i.e., put or call) and the exercise price.

(f) *Adjustment.* Binary option contracts are subject to adjustment only in accordance with and to the extent specified in the By-Laws and Rules of the Clearing Corporation. When any such adjustment has been determined, announcement thereof shall be made by the Exchange and shall become effective as of the time specified in such announcement.

(g) *FLEX Trading.* Binary options on indexes that are eligible for options trading on the Exchange shall be eligible for trading as Flexible Exchange Options as provided for in Chapter 4, Section C, even if the Exchange does not list and trade Non-FLEX binary options or Non-FLEX traditional options on such indexes. For purposes of Rule 4.21, the applicable exercise settlement value shall be designated by the parties to the contract, the parties may not designate an exercise style other than European-style, and the term "index multiplier" shall refer to the contract multiplier. Rule 8.35 shall not apply to binary options and the position limit methodology set forth in Rule 8.36 shall apply.]

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Rule 4.21. Series of FLEX Options

(a) – (b) No change.

(c) *FLEX Binary Options.* Binary options on an index that are eligible for trading on the Exchange are eligible for trading as FLEX options, even if the Exchange does not list and trade Non-FLEX binary options or Non-FLEX traditional options on the same index. For purposes of this Rule, the applicable exercise settlement value is designated by the parties to the contract, the parties may not designate an exercise style other than European-style, and the term "index multiplier" refers to the contract multiplier.

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SECTION H. BINARY INDEX OPTIONS

The Rules in this Chapter 4, Section H apply only to binary index options. All Rules apply to the trading of binary index options, except as otherwise provided or the context otherwise requires.

Rule 4.70. Definitions

The following terms used in reference to binary index options have, unless the context otherwise indicates, the meanings specified below.

Binary Index Option

The term "binary index option" means an option contract having an exercise settlement amount that is established at the creation of the option. Binary index options are paid out if the settlement value of the underlying index (1) equals or is greater than the exercise price for a call binary index option or (2) is less than the exercise price for a put binary index option.

Call Binary Index Option

The term "call binary index option" means an option contract that returns an exercise settlement amount if the settlement value of the underlying index is at or above the exercise price at expiration (i.e., in- or at-the-money).

Contract Multiplier

The term "contract multiplier" means the multiple applied to the exercise settlement value to arrive at the total exercise settlement amount per contract. The Exchange establishes the contract multiplier on a class-by-class basis, which multiplier must be at least one.

Exercise Price

The term "exercise price" means the value to which the settlement value of the underlying index is compared to determine whether the holder of a binary index option is entitled to have the option be paid out.

Exercise Settlement Amount

The term "exercise settlement amount" means the amount of cash that a holder will receive upon exercise of the contract. The exercise settlement amount is a set amount equal to the exercise settlement value multiplied by the contract multiplier. The Exchange determines the exercise settlement value on a class-by-class basis, which may be an amount between $1 and $1,000 (unless otherwise adjusted per Rule 4.6). For example, if the exercise settlement value is $1 and the multiplier is 100 for a binary index option, the exercise settlement amount is $100; if the exercise settlement value is $10 and the multiplier is 100 for a binary index option, the exercise settlement amount is $1,000.

Market Capitalization Ratio

The term "market capitalization ratio" means the ratio of the market capitalization of an index to the market capitalization of the S&P 500 Index.

Put Binary Index Option

The term "put binary index option" means an option contract that returns an exercise settlement amount if the settlement value of the underlying index is below the exercise price at expiration (i.e., in-the-money).

Settlement Value

The term "settlement value" means the value of the underlying index that is used to determine whether a binary index option is in-, at-, or out-of-the-money.

(a) For A.M.-settled binary index options, the "settlement value" is the reported opening level of the underlying index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index.

(b) For P.M.-settled binary index options, the "settlement value" is the reported closing level of the underlying index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index.

Rule 4.71. Designation of Binary Index Option Contracts

(a) *Listing Standards.* The Exchange may from time to time approve for listing and trading on the Exchange binary index option contracts on a broad-based index that satisfies the initial listing criteria in Rule 4.10 and the Interpretations and Policies thereunder and on the Cboe Magnificent 10 Index. The maintenance listing criteria in Rule 4.10 and the Interpretations and Policies thereunder apply to binary index options.

(b) *Separate Class.* Binary index options are a separate class from other options overlying the same index.

Rule 4.72. Terms of Binary Index Option Contracts

Binary index options listed and traded on the Exchange are designated as to expiration date, exercise price, exercise settlement amount, contract multiplier, and underlying index.

(a) *Settlement.* The Exchange may designate binary index options as A.M.-settled or P.M.-settled. Binary index options have European-style settlement.

(b) *Expirations.* After approving a particular binary index option class for listing and trading on the Exchange, the Exchange from time to time may open for trading series of options in that class. The Exchange may designate binary index option series to expire from one day up to 36 months from the time they are listed.

(c) *Additional Series.* The Exchange may add new series of options of the same class as provided for in Rule 4.13 and the Interpretations and Policies thereunder. Additional series of the same binary index option class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market or to meet customer demand. The opening of a new series of binary index options on the Exchange will not affect any other series of options of the same class previously opened.

Rule 4.73. Determination of Settlement Value

Binary index options that are “at-the-money,” “in-the-money,” or “out-of-the-money” are a function of the settlement value of the underlying index in relation to the type of binary index option (i.e., put or call) and the exercise price.

Rule 4.74. Adjustment

Binary index option contracts are subject to adjustment only in accordance with and to the extent specified in the By-Laws and Rules of the Clearing Corporation. When any such adjustment has been determined, the Exchange will announce this adjustment, which will become effective as of the time specified in that announcement.

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Rule 5.1. Trading Days and Hours

(a) No change.

(b) *Regular Trading Hours.*

(1) No change.

(2) *Index Options.* Except as otherwise set forth in the Rules or under unusual conditions as may be determined by the Exchange, Regular Trading Hours for transactions in index options are from 9:30 a.m. to 4:15 p.m., except as follows:

(A) – (B) No change.

(C) On their last trading day, Regular Trading Hours for the following options are from 9:30 a.m. to 4:00 p.m.:

Cboe S&P 500 AM/PM Basis options

Binary index options (p.m.-settled)

* * * * *

(G) Regular Trading Hours for [B]binary index [O]options are the same as the Regular Trading Hours for options with the same underlying index.

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Rule 6.5. Nullification and Adjustment of Option Transactions Including Obvious Errors

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Interpretations and Policies

.01 – .03 No change.

.04 *Binary Index Options.* For purposes of the obvious error provisions in paragraph (c) of this Rule, the adjusted price (including any applicable adjustment under subparagraph (c)(4)(A) for non- customer transactions) shall not exceed the applicable exercise settlement [amount]value for the binary index option.

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Rule 6.20. Exercise of Options Contracts

(a) – (f) No change.

(g) *Binary Index Options.* Binary index options will be automatically exercised at expiration if the settlement value of the underlying [broad-based] index is equal to or greater than the exercise price of a call binary index option or less than the exercise price in the case of a put binary index option.

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Rule 8.35. Position Limits for FLEX Options

(a) – (d) No change.

(e) This Rule does not apply to FLEX binary options. Position limits for FLEX binary options will be the same as the position limits for non-FLEX binary options as set forth in Rule 8.36.

(1) Positions in FLEX binary index options will not be aggregated with positions in non-FLEX binary index options overlying the same index or any other non-FLEX binary options.

(2) Positions in FLEX binary index options on the same index that have different exercise settlement amounts are aggregated.

(3) In determining compliance with the position limits set forth in Rule 8.36, FLEX binary options are not aggregated with non-binary option contracts (FLEX or non-FLEX) on the same or similar underlying security or index. In addition, FLEX binary options on an index are not aggregated with non-binary option contracts (FLEX or non-FLEX) on an underlying stock or stocks included within such index, and FLEX binary options on one index are not aggregated with binary options (FLEX or non-FLEX) on any other index.

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Rule 8.36. Position Limits for Binary Options

(a) *Fixed Limit.* In determining compliance with Rule 8.30, the position limit for binary index options [on a broad-based index] for which traditional options on the same [broad-based] index have no position limit[, as set forth in Rule 8.31,] pursuant to Rules 8.30 through 8.32, as applicable, [shall be] is the number of contracts equal to 15,000 [contracts, provided that the exercise settlement amount is $10,000. For binary options that have an exercise settlement amount that is not equal to $10,000, the position limit shall be 15,000] times the ratio of 10,000 to the exercise settlement amount per expiration (e.g., if the binary index option exercise settlement amount is $10,000, then the position limit is 15,000 contracts per expiration; if the binary index option exercise settlement amount is $1,000, then the position limit is 150,000 contracts[.] per expiration; and [I]if the binary index option exercise settlement amount is $12,000, then the position limit is 12,500 contracts per expiration).

(b) *Formulaic Limit.* For binary index options on an [broad-based] index for which traditional options on the same [broad-based] index have a position limit[, as set forth in Rule 8.31,] pursuant to Rules 8.30 through 8.32, as applicable, the position limit [shall be calculated in accordance with the following methodology:

(1) Determine the Market Capitalization of the S&P 500 Index.

(2) Determine the Market Capitalization of the broad-based index underlying the binary option.

(3) Calculate the Market Capitalization Ratio of the broad-based index underlying the binary option to the Market Capitalization of the S&P 500 Index.

(4) The position limit for binary options subject to a formulaic limit with an exercise settlement amount of $10,000 shall be] is the number of contracts equal to the ratio of 10,000 to the exercise settlement amount multiplied by the number of contracts set forth in the table below (based on the market capitalization ratio of the underlying index) per expiration:

[(A) 10,000 contracts if the Market Capitalization Ratio is greater than or equal to 0.50;

(B) 5,000 contracts if the Market Capitalization Ratio is less than 0.50 but greater than or equal to 0.25;

(C) 2,500 contracts if the Market Capitalization Ratio is less than 0.25 but greater than or equal to 0.10.

(D) The Exchange will seek Commission approval prior to establishing position limits for binary options on broad-based indexes that have a Market Capitalization Ratio that is less than 0.10.

(5) For binary options that have an exercise settlement amount that is not equal to $10,000, the position limit shall be the ratio of 10,000 to the exercise settlement amount multiplied by the applicable formulaic limit.]

Market Capitalization Ratio of Underlying	**Number of Contracts**
Greater than or equal to 0.50	10,000
Less than 0.50 but greater than or equal to 0.25	5,000
Less than 0.25 but greater than or equal to 0.10	2,500

The Exchange will seek Commission approval prior to establishing position limits for binary options on broad-based indexes that have a market capitalization ratio that is less than 0.10.

(c) *Aggregated Positions.* Positions in binary index options on the same [broad-based] index that have different exercise settlement amounts [shall be]are aggregated.

(d) *Non-binary.* In determining compliance with the position limits set forth in this Rule 8.36, binary options [shall]are not [be] aggregated with non-binary option contracts on the same or similar underlying security or [broad-based] index. In addition, binary options on an [broad-based] index[es shall] are not [be] aggregated with non-binary option contracts on an underlying stock or stocks included within such [broad-based] index, and binary options on one [broad-based] index [shall]are not [be] aggregated with binary options on any other [broad-based] index.

(e) *Market Side.* For purposes of the position limits established under this Rule 8.36, long positions in put binary options and short positions in call binary options [shall be]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 [shall be]are considered to be on the same side of the market.

(f) *Hedge Exemption.* Binary options [shall]are not [be] subject to the hedge exemption to the standard position limits found in Rule 8.30. Notwithstanding paragraphs (a) and (b) above, position limits for the hedged positions and strategies defined below are equal to five times the position limit established under paragraphs (a) and (b): [The following qualified hedge exemption strategies and positions shall be exempt from the established position limits as prescribed in the Rule above. For purposes of this Rule, qualified hedge strategies or positions are defined as follows:]

(1) [A]a binary option position "hedged" or "covered" by an appropriate amount of cash to meet the settlement obligation (e.g., $1,000 for a binary option with an exercise settlement amount of $1,000)[.];

(2) [A]a binary option position "hedged" or "covered" by a sufficient amount of a related or similar security to meet the settlement obligation[.]; and

(3) [A]a binary option position "hedged" or "covered" by a traditional option covering the same underlying [broad-based] index (which includes, among other strategies, a vertical spread with strikes reasonably close to the binary option strike) sufficient to meet the settlement obligation.

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Rule 8.43. Reports Related to Position Limits

(a) – (e) No change.

(f) *Binary Index Options.* In computing reportable binary options under this Rule 8.43: (1) positions in binary index options on the same [broad-based] index that have different exercise settlement amounts [shall be]are aggregated[,]; (2) positions in binary index options [shall]are not [be] aggregated with non-binary option contracts on the same or similar underlying security or [broad-based] index[,]; (3) positions in binary index options [on broad-based indexes shall]are not [be] aggregated with non-binary option contracts on an underlying [stock or stocks]security or securities included within [such broad-based]the underlying index[,]; and (4) positions in binary index options on one [broad-based] index [shall]are not [be] aggregated with binary index options on any other [broad-based] index.

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