Required fields are shown with yellow backgrounds and asterisks.

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

File No. * SR 2026 - * 061
Amendment No. (req. for Amendments *)

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 *).

The Exchange proposes to amend its Rules to permit the listing of binary options overlying key performance indicators.

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 06/30/2026

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: 2026.06.30 16:25:39 -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 26-061 (KPI Binary Options) 19b4 - Fi	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 26-061 (KPI Binary Options) Exhibit 1.	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	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 26-061 (KPI Binary Options) Ex 5 - Fin	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 to permit the listing of binary options overlying key performance indicators ("KPIs") reported by certain issuers of stock ("binary KPI options"). 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 June 30, 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, Laura Dickman, (312) 786-7572, Sarah Williams, (224) 461-6793, or Karen Bilek (312) [786-7128], 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 to permit the listing of binary options overlying key performance indicators ("KPIs") reported by certain issuers of stock ("binary KPI options").

By way of background, 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.

Under current Exchange Rules, the Exchange may list binary options on broad-based indexes.[1] The Exchange proposes to amend its Rules to permit the listing of binary KPI options. Binary KPI options are European-style, cash-settled options contracts listed on an underlying KPI of an issuer whose exercise settlement value is determined not by the market price of the issuer's stock, but by whether a specific financial or operating metric reported by the issuer in an earnings-related filing submitted to the U.S. Securities and Exchange Commission (the "Commission") meets or exceeds a pre-specified strike level.

First, the Exchange proposes to adopt Chater 4, Section I (Binary KPI Options) to describe binary KPI options. The Rules in proposed Chapter 4, Section I apply only to binary KPI options. All other Rules apply to the trading of binary KPI options, except as otherwise provided or the context otherwise requires.

The Exchange proposes to adopt Rule 4.80 (Definitions). Like other standardized options, binary KPI options have standardized terms that are established by the Exchange. Standardized terms for binary KPI options include the exercise criteria that is the condition or criteria of a binary KPI option, the exercise settlement amount (i.e., payout amount), strike prices, expiration dates, settlement type as A.M.-settlement or P.M.-settlement, the settlement style (as European), and the requirements used to determine if the KPI condition or criteria of

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[1] The Exchange has a separate rule filing pending to permit the Exchange to list binary index options on the Cboe Magnificent 10 Index. See Securities Exchange Act Release No. 105247 (April 15, 2026), 91 FR 21045 (April 20, 2026) (SR-CBOE-2026-032) (the current version of the filing permits listing binary index options on any index; however, the Exchange intends to amend the filing to limit the scope to the Cboe Magnificent 10 Index). For purposes of this rule filing, the Exchange has deemed rule changes proposed in SR-CBOE-2026-032 (including proposed amendments) as approved. To extent that the rule changes within that filing are not timely approved, the Exchange will update this filing accordingly.

a binary KPI option has been met (the "payout determination requirement"[2]). The Exchange proposes to establish these terms in new Rule 4.80 and additional provisions in proposed Chapter 4, Section I, as described below.

The Exchange proposes to define a "binary KPI option" in new Rule 4.80 as a cash-settled option contract listed on an underlying KPI of an issuer with an exercise settlement amount that is established at the creation of the option and with a settlement value that is determined by whether a specific KPI disclosed by the issuer in an earnings-related filing submitted to the Commission meets or exceeds its exercise price. Binary KPI options are paid out if the reported value of the applicable KPI (1) equals or is greater than (as the payout determination requirement) the exercise price for a call binary KPI option or (2) is less than (as the payout determination requirement) the exercise price for a put binary KPI option.[3] The Exchange also proposes to provide that unless the context dictates otherwise, the terms underlying security, equity, or index, or any variations of these terms, in the Rules mean KPI for purposes of binary KPI options.

The Exchange proposes to define a "call binary KPI option" as an option contract that returns an exercise settlement amount if the settlement value of the underlying KPI is at or above the exercise price at expiration (i.e., in- or at-the-money).[4]

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2 This is the term used in the options disclosure document related to binary KPI options (currently pending Commission review) as required by Rule 9b-1 under the Securities Exchange Act of 1934 (the "Act").

3 This is substantially similar to the definition of binary index option in current Rule 4.16(b) (and proposed Rule 4.70 in SR-CBOE-2026-032).

4 This is substantially similar to the definition of call binary index option in current Rule 4.16(b) (and proposed Rule 4.70 in SR-CBOE-2026-032).

The Exchange proposes to define "exercise price" (also referred to as "strike price") as the value[5] to which the settlement value of the underlying KPI is compared to the exercise settlement amount.[6] For binary KPI options, the exercise price is the exercise threshold of an option contract that establishes a number, value, or measure that is compared against the price of the settlement value of the underlying index or the KPI to determine if the cash payout amount (i.e., the exercise settlement amount) will be paid out. In other words, binary options will have a threshold number as the exercise price that will be used to determine if the exercise criteria of the binary option has been met and the option will be exercised (and if holders will receive the cash payout amount). For binary KPI options, the exercise threshold will be a number that reflects or is compared to the underlying KPI of the binary option.

The Exchange proposes to define the term KPI (or "key performance indicator") as a key financial or operating metric disclosed by an issuer in its earnings-related filings submitted to the Commission (i.e., Form 8-K, Form 10-Q, or Form 10-K, as applicable).

The Exchange proposes to define "put binary KPI option" as an option contract that returns an exercise settlement amount if the settlement value of the underlying KPI is below the exercise price at expiration (i.e., in-the-money).[7]

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5 The value of an exercise price is measured in the applicable units of the KPI. For example, some KPIs are measured in U.S. dollars while others may be measured in percentages or numbers.

6 This is substantially similar to the definition of exercise price with respect to binary index options in current Rule 4.16(b) (and proposed Rule 4.70 in SR-CBOE-2026-032).

7 This is substantially similar to the definition of put binary index option in current Rule 4.16(b) (and proposed Rule 4.70 in SR-CBOE-2026-032).

The Exchange proposes to define "settlement value" as the value of the underlying KPI that is used to determine whether a binary KPI option is in-, at-, or out-of-the-money.[8] The proposed definition specifies that the "settlement value" is the value of the applicable KPI as disclosed in the applicable issuer's earnings-related filing submitted to, the Commission on applicable expiration date (for both A.M.-settled and P.M.-settled binary KPI options).[9] The Exchange designates the applicable KPI and the relevant reporting period (for example, a calendar quarter) at the time of listing a binary KPI option. Proposed paragraph (b) of the settlement value definition provides if the applicable KPI is not reported or otherwise unavailable on the expiration date (and will not be reported), settlement (including any payout of the exercise settlement amount) will occur in accordance with the Rules of the Clearing Corporation.[10] The alternative settlement procedures of the Clearing Corporation provide that if the KPI value needed to determine whether a binary KPI option is in-the-money is not available, expiring contracts will be exercised but may result in delivery of an alternative exercise settlement amount. The alternative exercise settlement amount will be the last closing price of the binary KPI

8 This is substantially similar to the definition of settlement value with respect to binary index options in current Rule 4.16(b) (and proposed Rule 4.70 in SR-CBOE-2026-032).

9 While the timing of an issuer's official announcement informs whether the Exchange will establish a binary KPI option as A.M.-settled or P.M.-settled (as further discussed below), the Exchange will use the KPI value included in an issuer's report submitted to the Commission (and not the press release announcing earnings results, for example) as the settlement value. The Exchange understands, however, these values are generally the same.

10 The Exchange notes this proposed provision is similar to Rules 4.13(a)(4) and 5.20(e) (which provide that for index options, in various circumstances that may cause values of securities that are components of the index to not be available for calculation of the index at expiration, the values of those securities (and thus the value of the index) will be calculated in accordance with the Rules and By-Laws of the Clearing Corporation). As further discussed below, the Exchange intends to clear binary KPI options through Cboe Clear US, LLC ("CCUS") and will submit a separate rule filing to update Exchange Rules to reflect this. Therefore, references in the proposed Rules and this rule filing to Clearing Corporation mean CCUS.

option, meaning that the alternative exercise settlement amount may be less than the standard payout amount of $1. For example, if a KPI will not be reported by the KPI issuer, there is expiring open interest on binary KPI options on that KPI, and the last closing price of the binary KPI option was $0.76, the expiring binary KPI options will be exercised and settle at $0.76 rather than $1.00.

Additionally, proposed paragraph (c) of the settlement value definition states if an applicable KPI is restated after the expiration date and settlement of a binary KPI option, the settlement value (and the exercise settlement amount) of the binary KPI option does not change (as set forth in the Rules of the Clearing Corporation). In other words, the value of the applicable KPI as reported by the issuer on the applicable expiration date is final, and the amount paid (or not paid) at settlement will not change, regardless of whether it is later restated by the issuer.

The Exchange proposes to add Rule 4.81 (Designation of Binary KPI Option Contracts) to identify the binary KPI options that may be listed for trading on the Exchange. Pursuant to proposed Rule 4.81(a), the Exchange may from time to time approve for listing and trading on the Exchange any of the following binary KPI options contracts for the following issuers:

Company	**KPI (each financial metric is measured in $ unless otherwise specified)**
Apple, Inc.	Earnings per share: diluted Total net sales Net sales by category: iPhone Net sales by category: Services Net sales by reportable segment: Americas

	Net sales by reportable segment: Greater China
Advanced Micro Devices, Inc.	GAAP Diluted earnings per share GAAP Revenue Net Revenue: Data Center Segment Net Revenue: Client and Gaming Segment GAAP Operating Margin (%)
Alphabet Inc.	Diluted net income per share Revenues YouTube ads Revenues Google Cloud Revenues
Amazon.com, Inc.	Diluted earnings per share Total Net sales AWS: Net sales North America: Net sales International: Net sales Net Sales: Advertising services
Bank of America Corporation	Diluted earnings per share Total Revenue, net of interest expense Net Interest Income Provision for credit losses Net Income
Citigroup Inc.	Diluted earnings per share Total Revenue, net of interest expense Net Interest Income

	Total Provision for credit losses Net Income
Coinbase Global, Inc.	Net income per share - Diluted Total Revenue Transaction Revenue Total Trading Volume Subscription and Services Revenue
Ford Motor Company	GAAP Earnings per share - Diluted Total Revenues Ford Pro Segment: Revenue Ford Model e Segment: Revenue Ford Blue Segment: Revenue
Intel Corporation	GAAP Earnings per share attributable to Intel - diluted Net revenue Revenue: Client Computing Group (CCG) Revenue: Data Center and AI (DCAI) Revenue: Intel Foundry GAAP operating margin (%)
JPMorgan Chase & Co.	Earnings per share - diluted Net revenue - reported Net Interest Income Provision for credit losses Net Income Net income

Marathon Digital Holdings, Inc.	Earnings (Net loss) per share of common stock - diluted Revenues Number of Blocks Won (# Bitcoin (BTC)) Energized Hashrate (EH) (# EH/s) Total Bitcoin Holdings (# BTC) BTC Produced (# BTC) BTC Purchased (# BTC)
Meta Platforms, Inc.	Earnings per share: Diluted Revenue Family Daily Active People (DAP) (#) Revenue: Advertising Operating Margin (%) Operating margin (%)
Microsoft Corporation	Diluted Earnings per Share Revenue Intelligent Cloud: Revenue Microsoft Cloud revenue More Personal Computing: Revenue
Netflix, Inc.	Earnings per share: Diluted Revenues United States and Canada (UCAN): Revenue Europe, Middle East, and Africa (EMEA): Revenue Operating Margin (%)

NVIDIA Corporation	GAAP Diluted earnings per share Revenue Data Center Revenue Edge Computing Revenue Automotive Revenue
Palantir Technologies Inc.	Earnings per share attributable to common stockholders, diluted Revenue Net Income Closed Deals of at Least $1 Million (#)
Robinhood Markets, Inc.	Net income attributable to Robinhood common stockholders: Diluted Total net revenues Funded Customers (#) Average Revenue Per User (“ARPU”) Robinhood Gold Subscribers (#)
SoFi Technologies, Inc.	Earnings per share attributable to common stockholders – diluted Total net revenue Total net revenue – Technology Platform Total net revenue – Financial Services Total net revenue – Lending
Space Exploration Technologies Corp	Earnings per share: Diluted Total Revenues
Super Micro Computer, Inc.	Net income per common share: Diluted Net sales

	Gross Margin (%) Cash flow used in operations Net Income
Target Corporation	Diluted earnings per share Net sales Food & Beverage Net sales Apparel & Accessories Net sales Operating income: Rate (%)
Tesla, Inc.	Net Income per share of common stocks attributable to common stockholders: diluted Total Revenues Total Automotive Revenue Model 3/Y Production (#) Supercharger Connectors (#) Free Cash Flow
The Walt Disney Company	Diluted earnings per share Revenues Entertainment Subscription Video On Demand (SVOD) Operating Income Revenues: Experiences Segment operating income: Sports

The Exchange proposes to add Rule 4.81(b) to clarify that binary KPI options are a separate class from other options overlying the stock of the issuer[11] and are a separate class from other binary KPI options with differently underlying KPIs for the same issuer. The Exchange believes this is reasonable given that an individual KPI is the specific underlying of binary KPI options, and generally options with different underlyings (e.g., different underlying security or index) are different option classes.

Next, the Exchange proposes to adopt Rule 4.82 (Terms of Binary KPI Option Contracts) to describe the permissible terms of binary KPI option series. Proposed Rule 4.82 provides that binary KPI options listed and traded on the Exchange are designated as to expiration date, exercise price, settlement type, settlement style, exercise settlement amount, contract multiplier, and underlying KPI.[12] After approving a particular binary KPI option class for listing and trading on the Exchange, the Exchange from time to time may open for trading series of options in that binary KPI option class. Proposed Rule 4.82(a) states binary KPI options have European-style settlement, which is consistent with the rules regarding binary index options, as noted above. Proposed Rule 4.82(a) further provides that the Exchange may designate the settlement type for binary KPI options as A.M.-settled or P.M.-settled.[13] Binary KPI options for issuers[14] that disclose their earnings results before the open of Regular

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11 This is substantially similar to current Rule 4.16(c)(1) (and proposed Rule 4.71(b) in SR-CBOE-2026-032), which provides that binary index options are a separate class from other options overlying the same index.

12 This is substantially similar to current Rule 4.16(c)(2) (and proposed Rule 4.72 in SR-CBOE-2026-032) regarding binary index options.

13 Most binary index options (as well as many traditional index options) that may be listed on the Exchange may be designated A.M.-settled or P.M.-settled.

14 The Exchange determines whether an issuer discloses its earnings results before or after the close of RTH on a given trading day based on publicly available information regarding the issuer's disclosure practices.

Trading Hours ("RTH") on a given trading day are designated as A.M.-settled binary KPI options, and binary KPI options for issuers that disclose their earnings results after the close of RTH on a given trading day are designated as P.M.-settled binary KPI options. The Exchange notes that the proposed concepts of A.M.-settlement and P.M.-settlement for binary KPI options differ compared to traditional options (as well as binary index options), for which "P.M.-settled" generally means that the expiration of an option so designated will settle to the closing price of the underlying security or index value and "A.M.-settled" generally means that the expiration of an option so designated will settle to the opening price of the underlying. While different than how these terms apply to standard and binary index options, the Exchange believes the proposed description of A.M.-settlement and P.M.-settlement appropriately reflect the earnings disclosure practices of issuers. Additionally, while the timing of the event that will determine whether the Exchange designates a binary KPI option as A.M.-settled or P.M.-settled is different than that for traditional options and binary index options, the trading hours on expiration dates for each of A.M.-settled and P.M.-settled binary KPI options are consistent with those of A.M.-settled and P.M.-settled index options (traditional and binary) today.

Proposed Rule 4.82(b) describes permissible expirations for binary KPI options. Specifically, the proposed rule change will permit the Exchange to list series that expire on the date the issuer announces its earnings results for the applicable reporting period (such as calendar quarter). The expiration date for a binary KPI option will be the date on which an issuer discloses the applicable KPI in its earnings results (for example, the date on which it issues an earnings results press release) for the specified reporting period (with the specific expiration date to be finalized when an issuer announces the date on which it will disclose its earnings results for that reporting period).[15] If that date is a Tuesday, Wednesday, Thursday, or Friday and the Exchange is not open for business on that date, the expiration date will be the first business day immediately prior to that day. If that date is a Monday and the Exchange is not open for business on that date, the expiration date will be the first business day immediately following that Monday. The disclosed KPIs relate to a specific reporting period (such as a calendar quarter), which KPIs an issuer publicly announces on a date following the end of that reporting period.

While an expiration date for a binary KPI option will be a specific date, as is the case for traditional options and binary index options, the Exchange's proposed designation of expiration dates for binary KPI options will differ to reflect standard issuer disclosure practices. In some instances, an issuer might not establish the specific date on which it will announce its earnings results for a reporting period until weeks prior to the release date. Consequently, unlike standard equity and index options that have an exact expiration date when strikes are first listed, a binary KPI option will be listed for trading with a placeholder expiration date if the date the KPI information will be released by the issuer is not publicly known. If a placeholder expiration date is required, it will be set as the first trading day that is three months following the date of the prior quarterly release date for a KPI (for KPIs announced quarterly) and six months following the date of the prior semiannual release date for a KPI (for KPIs announced semiannually, if the Commission approves

[15] For example, for a binary KPI option series, the Exchange may designate the reporting period for a series to be the fourth quarter of 2026. The expiration date for that series would be the date on which the applicable issuer establishes as the date it will announce earnings results for that quarter. In accordance with Rule 1.5(a), the Exchange will issue a Notice when the specific expiration date for a binary KPI option is finalized. Additionally, the Exchange will maintain a reference data file for each issuer KPI on which the Exchange lists binary KPI options (as will be described in the Exchange's technical specifications available on its public website), and that reference data file will be updated with the specific expiration date for a binary KPI option once known.

proposed rules that would permit such reporting). Once the KPI issuer announces the release date of the KPI information, the expiration date will be updated as the finalized expiration date of the option contract. Ultimately, however, the expiration date for a binary KPI option is an issuer's earnings release date at the time the series is listed (even if the exact date is unknown) until expiration.

The Exchange may designate binary KPI option series to expire up to 12 months from the time they are listed and may list up to two expirations at one time for a binary KPI option (per KPI per issuer). The Exchange may open for trading a series of binary KPI options at least one business week prior to the expiration date of a binary KPI option. The proposed permissible expirations for binary KPI options are similar to current Rules. First, the proposed rule change permits the Exchange to list binary KPI options to expire up to 12 months from the time they are listed. Current rules regarding binary index options permit these expirations, in addition to expirations out more than 12 months up to 36 months from the time they are listed.[16] The proposed rule change also limits the Exchange to list up to two expirations at one time for binary KPI options. Therefore, the proposed scope of permissible expirations for binary KPI options is narrower than that permitted for binary index options under current Rules (as previously approved by the Commission).

The proposal to list expirations at least one business week prior to the expiration date of binary KPI option (as well as the proposed language regarding shifting an expiration date to the immediately business day before or after an expiration date that falls on a day the Exchange is not open for business) is substantially similar to current Exchange rules

16 See current Rule 4.16(c)(3) (and proposed Rule 4.72 in SR-CBOE-2026-032).

applicable to short term equity options series,[17] as well as the rules of another options exchange applicable to binary equity options.[18] The Exchange believes it is appropriate to permit listing of binary KPI options that expire up to 12 months from the time they are listed to accommodate different issuer reporting periods (including semiannual reporting if the Commission approves recently proposed rules to permit such reporting), as well as to permit the Exchange to list expirations for consecutive calendar quarter periods or for a calendar quarter and annual reporting period at the same time. As discussed above, issuers disclose KPIs in their periodic reports submitted to the Commission.

Proposed Rule 4.82(c) describes the permissible exercise prices (or strike prices) the Exchange may designate for series of binary KPI options. Proposed Rule 4.82(c)(1) describes how the value of exercise prices of binary KPI options are measured. Specifically, the exercise price of each binary KPI option series will be fixed at an amount equal to a value of the underlying KPI. Because the value of certain KPIs may be very large (e.g., billions of dollars), the Exchange proposes that the exercise price value of the underlying KPI will be divided by a scaling factor based on the value of the KPI in the issuer's most recent earnings-related disclosure as of the time a binary KPI option class is listed) as follows:

- if the most recently disclosed KPI value is greater than or equal to one trillion, the exercise price equals that value divided by one trillion (e.g., for such KPIs, an exercise price of 27.00 is equivalent to a KPI value of 27,000,000,000,000.00);

1717 See Rule 4.5(d).

18 See NYSE American, LLC Section 17, Rule 903(b).

- if the most recently disclosed KPI value is greater than or equal to one billion but less than one trillion, the exercise price equals that value divided by one billion (e.g., for such KPIs, an exercise price of 112.00 is equivalent to a KPI value of 112,000,000,000.00);
- if the most recently disclosed KPI value is greater than or equal to one million but less than one billion, the exercise price equals that value divided by one million (e.g., for such KPIs, an exercise price of 900.00 is equivalent to a KPI value of 900,000,000.00);
- if the most recently disclosed KPI value is greater than or equal to one thousand but less than one million, the exercise price equals that value divided by one thousand (e.g., for such KPIs, an exercise price of 42.00 is equivalent to a KPI value of 42,000.00); and
- if the most recently disclosed KPI value is less than one thousand, the exercise price equals that value and is not divided by a scaling factor (e.g., for such KPIs, an exercise price of 774.00 is equivalent to a KPI value of 774.00).[19]

The Exchange will apply a different scaling factor to newly listed binary KPI option series for a new expiration only after the value of the KPI in the issuer's earnings-related disclosures has a value in a different scaling tier for four consecutive reporting periods or if the Exchange deems it necessary in the interests of a fair and orderly market. Application of a different scaling factor will not affect the exercise prices of any series of the binary KPI options previously opened. For example, if the Exchange begins listing a new class of

19 When applying the scaling factor, the Exchange will not round the scaled KPI value and instead will truncate the value so the scaled strike price value fits within standard strike listing format.

binary KPI options and the most recently disclosed KPI value for the issuer at the time of that listing was for the third quarter of 2026 and was $892,000, the exercise prices for that class of binary KPI options will be scaled by 1,000, and thus exercise prices of 895, 995, and 1005, would represent $895,000, $995,000, and $1,005,000, respectively. If the issuer discloses a KPI value of $1,020,000 in its fourth quarter 2026 earnings disclosure, the Exchange will continue to list exercise prices scaled by 1,000. If the issuer then discloses KPI values of $1,112,000, $1,237,000, and $1,064,000 for the first, second, and third quarters, respectively, of 2027, the Exchange will begin scaling the exercise prices by 1,000,000 for the fourth quarter 2027 expirations (or for the first quarter 2028 expirations if the Exchange had already listed fourth quarter 2027 expirations prior to the disclosure of the third quarter 2027 KPI value). The Exchange believes this will permit consistency for listing scaled KPI values while allowing the Exchange to update strike prices to reflect long-term changes to an issuer's KPI values.

The Exchange will announce via Exchange notice if the scaling factor applied to a binary KPI options changes (for example, the KPIs will be scaled in billions rather than in millions). Additionally, the Exchange will update this information in the Exchange's technical specifications regarding binary KPI options and reference data file that describes the terms of binary KPI options, both of which will be available on the Exchange's website (customers receive notifications of such updates). This is consistent with how the Exchange provides information regarding product information (including updates) for all options the Exchange lists for trading.

It is possible for a KPI to have a negative value, such as earnings per share (which is equivalent to a loss per share). Proposed Rule 4.82(c)(1)(B) provides the Exchange may list binary KPI options series with exercise prices representing negative KPI values. For these series, the exercise price will equal the absolute value of the KPI and will be scaled as described above. For example, if an issuer's earnings per share in the last reporting period was -$3.52 (and thus was a loss per share), a binary KPI option for such issuer with a strike of 3.58 will reflect an expected loss of $3.58 per share. The Exchange will incorporate into symbology for binary KPI options whether the value of the strike price is positive or negative, including if the Exchange lists binary KPI option series with both positive and negative strike prices. This is similar to current Exchange practice for index options for which the Exchange lists both A.M.-settled and P.M.-settled series – whether a series is A.M.- or P.M.-settled is built into the symbol, each of which could have the same strike prices listed at the same time. Whether a symbol reflects a positive or negative value will be available on contract specifications as well as the reference data file for the specific binary KPI option on the Exchange's public website.

Proposed Rule 4.82(c)(1) provides the minimum interval between strike prices for binary KPI options series is:

- 0.01 where the strike price is less than 10;
- 0.10 where the strike price is 10 or greater but less than 100;
- 1.00 where the strike price is 100 or greater but less than 1,000;
- 10.00 where the strike price is 1,000 or greater but less than 10,000; and
- 100.00 where the strike price is 10,000 or greater.

As discussed above, while KPI values above 1,000 are generally scaled, there may be circumstances in which the Exchange lists strikes above 1,000 or even 10,000 given the Exchange's proposal to maintain a lower scale level until a KPI value is consistently above a certain level (e.g., above one billion for four consecutive quarters). This may occur when a KPI value is near the top of a scaling range; for continuity, the Exchange will continue listing strike prices using the lower scaling factor and not change to a higher scaling factor until the KPI value is regularly within that higher range. Suppose a KPI value is 995,000,000; in this case, strike prices will be scaled by 1,000,000. Thus, the Exchange may list binary KPI options above and below 995 (995,000,000 divided by 1,000,000). However, it is realistic that the KPI may increase to above 1,000,000,000. As proposed, the Exchange may list strike prices, for example, of 1,000 (representing 1,000,000,000) and above, for expirations until the KPI value is above 1,000,000,000 for four consecutive reporting periods. To reduce confusion, the Exchange would not scale strike prices using different scaling factors within a single expiration (and would not change the scale until the KPI value is consistently at the higher level). Therefore, it is possible the Exchange may list strikes greater than 1,000. Similarly, while strikes above 10,000 may be rare, given the Exchange proposes to maintain a lower scale level until a KPI value is consistently above a certain level (e.g., above one billion for four consecutive quarters, as proposed), depending on market factors and demand, it is possible (although unlikely) the Exchange may determine it is appropriate to list strikes above 10,000 if market factors or expectations signify a significant increase of the KPI value. The proposed strike intervals accommodate the listing of binary KPI options in these circumstances before the Exchange shifts the strike prices for an issuer's KPI to a different scaling level.

The proposed strike intervals are generally consistent with current Exchange Rules for other options, which provide for larger strike intervals as the values of strike prices increase. Given the scaling factor for larger KPI values, it may appear the proposed rule change will permit smaller strike intervals for larger KPI values if those intervals are considered solely on a nominal basis. However, that is not the case if the actual values of the strike intervals are considered. The corresponding actual value of the strike interval for a strike price that was subject to a larger scale value is higher than the actual value of the strike interval for a strike price that was subject to a smaller scale value. For example, suppose a strike price of 950 represents $950 million. The proposed rule change would permit strike intervals of $1.00. However, that $1.00 corresponds to $1,000,000. In other words, if the Exchange listed strikes of 950, 951, and 952, the difference in values of those strikes are $1 million, not $1 (i.e., the strikes represent values of $950,000,000, $951,000,000, and $952,000,000). Similarly, suppose a strike price of 3 represents $3,000,000,000. The proposed rule change would permit strike intervals of $0.01. However, that corresponds to $10,000,000. If the Exchange listed strikes of 3.00, 3.01, and 3.02, the difference in values of those strikes are $10,000,000, not $0.01 (i.e., the strikes represent values of $3,000,000,000, $3,010,000,000, and $3,020,000,000, respectively). As a result, the permissible strike intervals for strike prices representing values in the billions are actually larger than the permissible strike intervals for strike prices representing values in the millions. This is consistent with the general premise underlying current strike intervals that larger strike intervals apply to larger strike values.

Proposed Rule 4.82(d) describes the initial series of a binary KPI option the Exchange may open for trading. Specifically, the Exchange may open for trading one or more binary KPI option series with a fixed KPI value as the strike price, with approximately the same number of strike prices being opened above and below the at-the-money KPI value (i.e., the value of the KPI in the issuer's most recent earnings-related disclosure) at the time the binary KPI options are opened. The Exchange will list strike prices for binary KPI option series that are reasonably close to the at-the-money KPI value at the time of listing. A strike is "reasonably close" to the at-the-money KPI value if (1) for KPIs less than or equal to 10, it is no more than 100% above or below the at-the-money KPI value; and (2) for KPIs greater than 10, it is no more than 30% above or below the at-the-money KPI value. The Exchange may also open binary KPI option series that are more than 30% above or below the at-the-money KPI value (if the KPI is greater than 10) provided demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers.[20]

The Exchange may add new series of binary KPI options series when the Exchange deems it necessary to maintain a fair and orderly market or to meet customer demand.[21] To the extent the Exchange lists binary KPI options series for an expiration before then-currently listed binary KPI options expire (and thus before the applicable issuer has disclosed the KPI value for the reporting period immediately preceding the reporting period for these newly listed options), the Exchange may list additional series after the KPI value for the immediately preceding reporting period is disclosed using that disclosed KPI value as the at-the-money KPI. For example, before expiration of a binary KPI options series set to expire on the date of an issuer's disclosure of its third quarter earnings results, the Exchange lists series of that binary KPI option to expire on the date of an issuer's disclosure of its fourth quarter earnings results (using the KPI from the second quarter earnings results as the at-the-money KPI value).

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20 See, e.g., Rule 4.5(d)(3) and (4) (permissible series for short term equity option series). It is currently uncommon for the Exchange to list series more than 50% away from the at-the-money value of an underlying security for strikes above 20, as permitted by Rule 4.5(d)(3).

21 Current Rule 4.16(c)(4) (and proposed Rule 4.72(c) in SR-CBOE-2026-032) also provides that additional series of a binary index option may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market or to meet customer demand, and that the opening of a new series of binary index option on the Exchange will not affect any other series of options of the same class previously opened.

After the issuer discloses its third quarter earnings results, including the applicable KPI, the Exchange may list additional series for the fourth quarter binary KPI options using the third quarter KPI result as the at-the-money KPI value. Any additional strike prices the Exchange lists will be reasonably close (as defined above) to the at-the-money KPI value at the time of listing.

Continuing the above example, suppose the Exchange lists binary KPI options for the fourth quarter before the binary KPI options for the third quarter have expired. As proposed, the Exchange would list strikes above and below the at-the-money strike, which at the time of listing would be the settlement value KPI from the issuer's second quarter earnings results disclosure, as that is the most recently available KPI. If the KPI for the option was net sales, and the second quarter value was $45.093 billion, the at-the-money strike would be 45.10, and the Exchange could list strikes within 50% of that value, and additional series based on customer demand or market changes. After the Exchange lists those series, the issuer announces its third quarter earnings results, including net sales of $57.241 billion. As proposed, after that announcement, the Exchange may list additional strikes within 50% of $57.24 to reflect the change in value of the underlying (as well as additional series based on customer demand or market changes).

This proposed framework for listing and adding series is similar to the framework in current Rules for listing and adding series of equity options. While the proposed strike intervals are narrower than these rules, the permissible ranges are also narrower. The Exchange acknowledges the proposed framework would still permit the Exchange to list a large number of strikes per KPI per expiration.[22] However, the Exchange intends to apply

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[22] See, e.g., Rule 4.5(d)(3) and (4).

its standard strike listing practices to binary KPI options. Specifically, the Exchange generally lists strikes at wider intervals as they move farther away from the at-the-money value, while listing more granular intervals for strikes closer to the at-the-money value. The Exchange also generally delists granular strikes that are deep out-of-the-money if the Exchange determines they are sufficiently covered by wider strike intervals that are close in value.

These proposed provisions regarding the listing of binary KPI option series are similar to provisions regarding permissible series of other options. The Exchange believes it is reasonable to list binary KPI options for a new reporting period prior to the expiration of then-listed binary KPI options for the immediately preceding reporting period (e.g., listing binary KPI options for the fourth quarter before expiration of binary KPI options for the third quarter), and thus before the settlement value of the applicable KPI is known for the immediately preceding reporting period for these options, to permit investors to roll positions from one expiration to the next. As proposed, once the settlement value for the immediately preceding reporting period is known (the third quarter in this example), the Exchange may list additional series of the binary KPI options that reflect that KPI value. This is consistent with current practice if there is a change (including a substantial change) in the price of underlying security or value of an underlying index. For example, Rule 4.5(d)(3) provides that the Exchange may open additional series of a short-term option series overlying a security when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened, subject to the "reasonably close" parameters set forth in that rule. Disclosure of, as an example, the third quarter KPI value after the fourth quarter binary KPI options series were listed based on the second quarter KPI value (if the third quarter KPI value differs from the second quarter KPI value) is similar to the move in the price of an underlying security, which may result in the Exchange listing additional series based on the updated price of the underlying security. Similarly consistent with current practice for other options (as set forth in Rule 4.5(d)(4), for example), opening of binary KPI options based on this later-disclosed KPI value will not affect any other series of options of the same binary KPI options class previously opened.

Proposed Rule 4.82(g) provides that the contract multiplier for each class of binary KPI options is one.[23]

The Exchange proposes to add new Rule 4.83 (Determination of Settlement Value) to establish that binary KPI options that are "at-the-money," "in-the-money," or "out-of-the-money" are a function of the settlement value of the underlying KPI in relation to the type of binary KPI option (i.e., put or call) and the exercise price.[24] As described above, the settlement value for a binary KPI option is the value of the KPI as disclosed in the applicable issuer's earnings related filing. While the timing of an announcement of a KPI value factors into the determination of whether the Exchange lists a binary KPI option as A.M-settled or P.M.-settled, the Exchange will source the settlement value from the filing the issuers submits to the Commission. Generally, companies issue press releases that contain earnings results and near contemporaneously submit a Form 8-K to the Commission with the press release as an exhibit. Therefore, it is unlikely the value of the KPI in the Commission filing will differ from

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23 This is consistent with the definition of contract multiplier for binary index options in current Rule 4.16 (and proposed Rule 4.70 in SR-CBOE-2026-032), which permits the Exchange to designate a multiplier of at least one for binary index options.

24 This is substantially similar to current Rule 4.16(e) (and proposed Rule 4.73 in SR-CBOE-2026-032) regarding binary index options.

the value in the initial announcement; however, the value in the Commission filing will be the ultimate settlement value.

Proposed Rule 4.84 (Adjustment) provides that binary KPI option contracts are subject to adjustment only in accordance with and to the extent specified in the 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.[25]

Next, the Exchange proposes to amend Rule 5.1(b)(2)(G), which currently provides that RTH for binary options are the same as RTH for options with the same underlying index, to clarify that this provision applies only to binary index options. The Exchange proposes to add new Rule 5.1(b)(3)(F), which provides that for binary KPI options, RTH are from 9:30 A.M. to 4:00 P.M.[26] Further, the last day of trading for P.M.-settled binary KPI options is the day of expiration, and the last day of trading for A.M.-settled binary KPI options is the trading day prior to expiration.

The Exchange recognizes it is possible, although unusual and unlikely, that KPI information may become available at unexpected times. The proposed rules address the impact on trading and expiration that such disclosure may have. First, the proposed rule change provides if the Exchange confirms an issuer discloses the KPI prior to the expiration date, trading in the applicable binary KPI options series will cease, and the expiration date for the option accelerates to a date on or shortly after the date of that disclosure in accordance

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[25] This is substantially similar to current Rule 4.16(f) (and proposed Rule 4.74 in SR-CBOE-2026-032) regarding binary index options. This is also consistent with how adjustments are handled for traditional equity and index options.

[26] As set forth in Rule 1.6, unless otherwise specified, all times in the Rules (including the proposed Rules) are Eastern Time.

with the Rules of the Clearing Corporation.[27] This may occur if, for example, the applicable issuer releases the KPI information in advance of the expiration date of the option. If the issuer releases KPI information after the expiration date, which may be the case if, for example, the issuer's earnings are delayed, trading in the option will not be impacted and will cease as of the expiration date. While the expiration date will not change, expiration processing of such options will be delayed until the KPI information becomes available, in accordance with the rules of the Clearing Corporation. Additionally, the proposed rule change provides if there is an unofficial disclosure of the KPI prior to the expiration date, the Exchange may determine to halt (and resume) trading in the applicable binary KPI options series in accordance with Rule 5.20. In certain circumstances, the expiration date for the option may accelerate in accordance with the Rules of the Clearing Corporation; if this occurs, trading in the binary KPI will cease.[28] This proposed provision addresses the unlikely event that KPI information becomes available through sources other than the issuer in advance of the expiration date. If the Exchange determines the KPI information reported from the unofficial source is unreliable, trading in the binary KPI option may resume until it expires.

The Exchange proposes to amend Rule 5.3 (Bids and Offers) to add new Rule 5.3(c), which states that, notwithstanding Rule 5.3(a), bids and offers for a binary option with a multiplier other than 100 must be expressed in terms of dollars per 1/multiplier of the total

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27 The proposed acceleration of binary KPI options is similar to the existing acceleration process for equity options when the underlying security of such options has been converted entirely to cash. See OCC Rule 807.

28 Rule 5.20(a) provides that any two Floor Officials, in consultation with a designated senior executive officer of the Exchange, may halt trading in any security in the interests of a fair and orderly market and to protect investors considering relevant factors.

value of the contract.[29] For example, if a binary option has a multiplier of 1, an offer of "0.50" represents an offer of $0.50.

Pursuant to Rule 5.4(c)(1), the Exchange establishes the minimum increment for bids and offers on orders for binary options on a class-by-class basis, which may not be less than $0.01. The Exchange proposes clarifying in this rule that it applies to binary index options (which the Exchange may list pursuant to current Rules) and would apply to binary KPI options as proposed in this rule filing.

The Exchange proposes to amend Rule 5.31 (Opening Auction Process) to add Rule 5.31(d)(1)(D), which provides that for binary KPI options, the System initiates the opening rotation at 9:30 A.M. This is analogous to the opening process currently in place for VIX options, for which the opening rotation is similarly triggered at a specified time.[30]

The Exchange proposes to adopt a maximum execution price protection mechanism for binary options.[31] Specifically, proposed Rule 5.34(d) permits the Exchange to apply a maximum execution price protection for binary options on a class basis, pursuant to which the System adjusts any execution price for a binary option above the Exchange-designated maximum execution price for that class down to that maximum execution price. For example, suppose for a binary KPI option class the Exchange designates $1.03 as the maximum execution price. If the System observes a binary KPI option execution in that class at $1.10, the System adjusts the execution price to $1.03. Binary options have a maximum value

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29 The Exchange notes this would apply to all binary options, not just binary KPI options, as current Rule 4.16(b) (and proposed Rule 4.70 in SR-CBOE-2026-032) permits binary options to have multipliers of at least one.

30 See Rule 5.31(d)(1)(C).

31 The Exchange notes this would apply to all binary options, including both binary index options and binary KPI options.

equivalent to the exercise settlement amount (i.e., the payout amount). Therefore, the Exchange believes it is reasonable to prevent executions from occurring at prices significantly above that maximum value, as it protects investors from execution prices that are potentially erroneous.

While binary options have a maximum intrinsic value (e.g., binary KPI options have a maximum intrinsic value of $1, which is the exercise settlement amount), there are costs involved with options trading that may cause investors to execute these options at prices higher than that value. Suppose a customer wants to buy a binary option that is close to expiration and is deep in-the-money. While the intrinsic value of this binary option is $1, and likely to payout $1, a Market-Maker would need to receive more than $1 to accommodate the sale of this binary option to cover additional trading expenses, such as transaction and clearing fees. Therefore, the Exchange believes allowing execution prices above the intrinsic value is appropriate.

The Exchange proposes to amend Rule 6.5 (Nullification and Adjustment of Option Transactions Including Obvious Errors), Interpretation and Policy .04, which is specific to binary options and which currently provides that, for purposes of the obvious error provisions in Rule 6.5(c), the adjusted price (including any applicable adjustment under Rule 6.5(c)(4)(A) for non-customer transactions) will not exceed the applicable exercise settlement value for the binary option. The Exchange proposes to amend this rule to clarify that this provision applies to binary index options. Further, the Exchange proposes to add Rule 6.5, Interpretation and Policy .10, which provides that Rule 6.5 does not apply to binary KPI options. While the obvious error provisions set forth in Rule 6.5 will not be applicable to binary KPI options, the Exchange believes the proposed maximum execution price protection in Rule 5.34(d) may prevent executions at potentially erroneous prices and thus obviate the need for an obvious error process.

The Exchange proposes to amend Rule 6.20(g) (Exercise of Options Contracts) to describe the automatic exercise feature of binary KPI options. Current Rule 6.20(g) describes the automatic exercise of binary index options. The proposed rule change moves the current provision to proposed subparagraph (g)(1) (and clarifies it applies to binary index options). The proposed rule change then adds Rules 6.20(g)(2) to add a similar provision for binary KPI options, which states that binary KPI options will be automatically exercised at expiration if the settlement value of the underlying KPI is equal to or greater than the exercise price of a call binary KPI option or less than the exercise price in the case of a put binary KPI option.

The Exchange proposes to amend Rule 8.36 (Position Limits for Binary Options) to set forth position limit requirements for binary KPI options.[32] The Exchange proposes to adopt Rule 8.36(a)(iii) to provide that in determining compliance with Rule 8.30 (Position Limits), the position limit for binary KPI options is the same as the applicable position limit for the stock of the issuer per expiration and 100 binary KPI option contracts equal one standard option contract.[33]

The Exchange also proposes to amend current Rule 8.36(c) (proposed Rule 8.36(b)), which currently states that positions in binary index options on the same index

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32 As part of the proposed change, the Exchange proposes to clarify that current fixed position limit provisions in proposed Rule 8.36(a)(1) (current Rule 8.36(a)), and the formulaic position limit provisions in proposed Rule 8.36(a)(2) (current Rule 8.36(b)), apply to binary index options. The proposed rule change also updates the paragraph lettering for current Rules 8.36(c) through (f) to reflect revised paragraph numbering.

33 This is similar to other Rules regarding how positions in contracts with multipliers other than 100 are counted for purposes of determining compliance with Rule 8.30. See, e.g., Rule 8.30, Interpretation and Policy .08 (regarding mini-option contracts, which have a multiplier of 1).

that have different exercise settlement amounts are aggregated. The Exchange proposes to amend the rule to clarify that this provision applies to binary index options (as proposed Rule 8.36(b)(1)). Further, the Exchange proposes to adopt Rule 8.36(b)(2) to provide that positions in binary KPI options on the same KPI that have different expiration dates are not aggregated (as proposed position limits are calculated per expiration), and positions in binary KPI options for the same issuer with different underlying KPIs are not aggregated (as binary KPI options overlying different KPIs, even for the same issuer, are different classes, as discussed above). The Exchange proposes to amend current Rule 8.36(d) (proposed Rule 8.36(c)) relating to the aggregation of binary options positions with non-binary option contracts for purposes of position limits. The Exchange proposes to clarify that the current provision (as proposed Rule 8.36(c)(1)) applies to binary index options. The Exchange proposes to adopt Rule 8.36(c)(2) to provide that binary KPI options are not aggregated with non-binary options contracts overlying the stock of the issuer or with binary KPI options for the same issuer with different underlying KPIs. Finally, the Exchange proposes to amend the hedge exemption provision in current Rule 8.36(f) (proposed Rule 8.36(e)).[34] As proposed, with respect to binary KPI options, a binary KPI option short put position coupled with a binary KPI option short call position, regardless of the binary KPI option strike, shall be exempt from the established position limits as prescribed in Rule 8.36.

34 As per current Rule 8.36(f), binary options are not subject to the hedge exemption to the standard position limits found in Rule 8.30. As part of the proposed rule change, the Exchange proposes to clarify current hedge exemption provisions specific to binary index options and to move provisions specific to binary index options to Rule 8.36(e)(1). The Exchange proposes to renumber current Rule 8.36(f)(1), (2), and (3) as Rule 8.36(f)(1)(A), (B), and (C), respectively.

The Exchange also proposes to amend Rule 8.43 (Reports Related to Position Limits). Current Rule 8.43(a) states that in a manner and form prescribed by the Exchange, each Trading Permit Holder ("TPH") shall report to the Exchange, the name, address, and social security or tax identification number of any customer who, acting alone, or in concert with others, on the previous business day maintained aggregate long or short positions on the same side of the market of 200 or more contracts of any single class of option contracts dealt in on the Exchange. The Exchange proposes to amend Rule 8.43(f) to provide that for purposes of this report, 100 binary KPI option contracts equal one standard option contract. The Exchange believes this is reasonable given that binary KPI options have a multiplier of 1 while standard equity option contracts have a multiplier of 100.[35]

Except as otherwise described above, all binary KPI options will be listed and traded on the Exchange in a substantially similar manner as standard equity and index options and 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 options on the Exchange, including those related to customer accounts, margin requirements (pursuant to current margin rules, binary KPI options will be fully funded),[36] and trading halt procedures,[37] which are designed to prevent fraudulent and manipulative acts and practices, will apply to the listing and trading of binary KPI options. The Exchange has analyzed its capacity

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35 This is consistent with the proposed rule change discussed above that 100 binary KPI option contracts equal one standard option contract for purposes of determining compliance with Rule 8.30.

36 See Rule 10.3(m).

37 Binary KPI options will not be tied to the trading state of the underlying issuer stock and thus, trading in binary KPI options will not be affected by halts in the underlying issuer stock. The binary KPI options will halt in accordance with current Exchange Rules, including Rules 5.20 and 5.22.

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 KPI options.

At launch, binary KPI options will be supported for electronic trading only and for complex orders[38]; FLEX and floor trading will not be available. The Exchange will support Automated Improvement Mechanism ("AIM") and Complex-AIM ("C-AIM") auctions as well as Complex Order Auctions ("COA") for binary KPI options at launch.[39] The Exchange will not apply Preferred Market-Maker ("PMM"), Designated Primary Market-Maker ("DPM"), or small-size order entitlement overlays at launch.[40]

With respect to order types and times-in-force, at launch, the Exchange will support limit orders[41] with Time-in-Force of Day or Immediate-or-Cancel ("IOC"). With respect to order instructions,[42] the Exchange will support the following at launch: Attributable and Non-Attributable; Book Only; Cancel Back; orders marked with Match Trade Prevention identifiers ("MTPs") Cancel Newest ("MCN"), MTP Cancel Oldest ("MCO"), MTP Decrement and Cancel ("MDC"), MTP Cancel Both ("MCB"), MTP Cancel Smallest ("MCS"); Minimum Quantity; Post Only[43]; Price Adjust; Reserve; and Stop-Limit. All

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38 Complex order functionality will apply to binary KPI options in the same manner as all other options that trade on the Exchange, as described in Rule 5.33 (this will include the ability to leg into the simple Book).

39 As per current rules, the Exchange may designate binary KPI options eligible for additional auction types in the future. See, e.g., Rule 5.39 (Solicitation Auction Mechanism ("SAM" or "SAM Auction")), Rule 5.40 (Complex Solicitation Auction Mechanism ("C-SAM" or "C-SAM Auction")), Rule 5.35 (Step Up Mechanism ("SUM")).

40 See Rule 5.32(a)(2).

41 See Rule 5.6(b) for definition of "limit order".

42 See Rule 5.6(c) for definitions of order instructions.

43 The Exchange intends to make the Post Only instruction available as it understands Market-Makers use this instruction on their quotes so those quotes do not trade against resting interest (Rule 5.5(c)(3)(A) requires quotes (i.e. bulk messages) to be designated as Post Only or Book Only). Market-Makers generally send quote updates regularly and frequently, as their quoting systems update quotes to reflect market factors. The Post Only instruction eliminates the risk that one Market-Maker's quote update would execute against, for example, another Market-Maker's quote

other order types, order instructions, or times-in-force will not be supported at launch; however, per current Rule 5.6, the Exchange may determine to support additional order types, order instructions, or times-in-force on a class-by-class basis. Consistent with current practice, if the Exchange modifies the applicability of any functionality or order instructions for binary KPI options, it will notify TPHs in accordance with Rule 1.5(a) (such as by Exchange notice).

The Exchange will send quotation and transaction price information for binary KPI options to The Options Price Reporting Authority ("OPRA") in the same manner it sends this information to OPRA for all other options the Exchange lists. Additionally, the Exchange understands from OPRA that it will disseminate information regarding binary KPI options in the same manner it does for all other options the Exchange lists. The Exchange intends to follow OPRA's standard capacity monitoring process for binary KPI options (in accordance with OPRA instructions), which includes submission of quarterly capacity projections (the Exchange will include its projected binary KPI option volume in the applicable submission). Further, the Exchange understands from OPRA that no technical changes are required to accommodate the reporting to OPRA of quotation and transaction information regarding binary KPI options (the Exchange represents, if later required by OPRA, it will adhere to any new technical requirements OPRA deems necessary to accommodate binary KPI options).[44] The Exchange does not believe TPHs

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update that another Market-Maker may have sent but has not yet reached the Book. The Post Only instruction ultimately supports Market-Maker's primary function, which is to add liquidity to the Book.

44 The Exchange understands OPRA may need to update how it disseminates open interest information for binary KPI options, as its current process incorporate information from OCC. The Exchange and CCUS are working with OPRA to implement a process to provide OPRA with binary KPI option open interest so OPRA may incorporate it into its dissemination process.

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. Certain provisions of the OPRA Plan regarding voting if there is a tie in a Management Committee vote, as well as the allocation of costs and resources, relate specifically to volume cleared at OCC. The Exchange will take steps necessary and within its authority to amend these provisions of the OPRA Plan to reflect all listed options volume cleared by any registered clearing agency, including volume that will be cleared by Cboe Clear U.S. LLC ("CCUS") (as discussed below).

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply the same program procedures to binary KPI options the Exchange applies to its other options products. 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, Inc. ("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.[45] All options exchanges

[45] Section 19(g)(1) of 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

are also parties to the Options Regulatory Surveillance Authority plan under Regulation NMS Rule 608, pursuant to which FINRA conducts options-related insider trading surveillance, investigations, and enforcement for the U.S. options markets. 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 KPI options, including cooperation with FINRA to implement insider trading surveillances to incorporate the unique characteristics of binary KPI options. The Exchange will report any information regarding binary KPI options required to be reported to the Consolidated Audit Trail ("CAT") in the same manner it reports this information to CAT for all other options the Exchange lists.[46] The Exchange understands from FINRA CAT — the administrator of the CAT — that no technical changes are required to accommodate the reporting to CAT of information regarding binary KPI options (the Exchange represents, if later required by FINRA CAT, it will adhere to any new technical requirements FINRA CAT deems necessary to accommodate binary KPI options).

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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.

[46] CAT reporting requirements will apply to broker-dealers with respect to binary KPI options in the same manner as they apply to any other options the Exchange lists. The Exchange understands from FINRA CAT there will be no changes to the reporting specifications for broker-dealers to accommodate the reporting of information regarding binary KPI options to CAT.

Pursuant to the Options Order Protection and Locked/Crossed Market Plan ("Linkage Plan"),[47] participant exchanges to the Linkage Plan established a framework to provide order protection. The Linkage Plan (and Exchange Rules 5.65 through 5.67 regarding intermarket linkage) applies during all trading sessions during which multiply listed options trade. Rule 5.36 addresses order routing away from the Exchange to promote compliance with the Linkage Plan. If the proposed binary KPI options become multiply listed options, Users may designate an order for routing (or not available for routing), and the Exchange System is designed to, at all times, prevent trade-throughs and avoid displaying locked/crossed markets in accordance with the Linkage Plan (and Exchange Rules 5.65 through 5.67 regarding intermarket linkage).

Upon launch, binary KPI options will clear through CCUS. CCUS is seeking temporary registration as a registered clearing agency under Section 17A of the Securities Exchange Act of 1934 (the "Act") and to update its rules to accommodate the clearing of binary KPI options. Additionally, the Exchange is drafting an options disclosure document to describe the characteristics and risks associated with the trading of binary options, including binary KPI options, in accordance with Rule 9b-1 under the Act.[48] In connection with the clearing of binary KPI options through CCUS, the Exchange will submit a separate rule filing to reflect that these options will be cleared initially by CCUS (as the Rules currently contemplate clearing through The Options Clearing Corporation (the "OCC")).

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47 The Linkage Plan requires U.S. options exchanges to establish a framework for providing order protection and addressing locked and crossed markets in eligible options classes. The Linkage Plan is a national market system plan approved by the Commission pursuant to Section 11A of the Act and Rule 608 thereunder. The full text of the Linkage Plan is available at https://www.theocc.com/getcontentasset/7fc629d9-4e54-4b99-9f11-c0e4db1a2266/dfc3d011-8f63-43f6-9ed8-4b444333a1d0/options_order_protection_plan.pdf.

48 17 CFR 240.9b-1.

Further, the Exchange understands FINRA will need to submit a separate rule filing to similarly reflect the clearance of options through CCUS (and potentially make other changes to contemplate the trading of binary KPI options). The Exchange represents it will not list for trading binary KPI options until all applicable filings and documents of CCUS and FINRA related to binary KPI options being cleared through CCUS are approved by the Commission or effective after review by the Commission, as applicable.

The Options Listings Procedure Plan (the "OLPP") sets forth procedures to facilitate the listing and trading of standardized options. This plan currently describes procedures with respect to options issued by and cleared at OCC. The Exchange will take steps necessary and within its authority to amend the OLPP to reflect listing procedures applicable to options that will cleared by CCUS, including binary KPI options.

(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.[49] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[50] 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

49 15 U.S.C. 78f(b).

50 15 U.S.C. 78f(b)(5).

and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[51] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

Binary KPI Options Are Securities

As an initial matter, the Exchange believes that the binary KPI options proposed herein are "securities" under the Act.[52] The Act defines the term "security" to include "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)."[53] As discussed above, the Commission has already approved Exchange Rules addressing binary options that are based on securities indexes, and the binary KPI options will operate in substantially the same manner as these binary options but with a different underlying. Moreover, the reasons previously articulated by the Commission when determining that credit default options ("CD options") are securities and approving CD options to be listed on the Exchange apply to the binary KPI options as well.[54]

Like the previously approved binary options and CD options, the binary KPI options contracts proposed herein satisfy the definition of "security" in the Act because they are options that are "based on the value [of a security or securities] or "any interest

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51 Id.

52 For the same reasons discussed herein, the Exchange believes the binary KPI options contracts are also "securities" under the Securities Act of 1933, as amended. See 15 U.S.C. 77b(a)(1).

53 15 U.S.C. 78c(a)(10). See also Caiola v. Citibank, N.A., New York, 295 F.3d 312, 325 (2d Cir. 2002), quoting United Housing Foundation v. Foreman, 421 U.S. 837, 848 (1975) ("In searching for the meaning and scope of the word 'security' . . . the emphasis should be on economic reality").

54 See Securities Exchange Act Release No. 55871 (June 6, 2007), 72 FR 32372 (June 12, 2007) (SR-CBOE-2006-84) (order approving the Exchange's proposal to adopt CD options) ("CD Options Approval").

therein."[55] The proposed KPIs, including net income, net sales, net interest income, provision for credit losses, and specified expense metrics, are recognized by investment professionals and analysts as among the most significant inputs into the valuation of an issuer's stock; therefore, a binary option with such an underlying KPI is based on the value of the security to which the KPI relates. As the CFA Institute has observed, fundamental financial metrics (including revenue, earnings, and net income) serve as the primary inputs to equity valuation models used by investment professionals to determine the intrinsic value of a company's shares.[56]

The proposed rule change would apply to certain KPIs — primarily financial metrics such as revenue, earnings and income — of specified issuers that are disclosed in required Commission reports (i.e., those reports that provide investors with information about the issuer that the issuer considers to be material to making an investment decision with respect to that issuer's securities). These KPIs are disclosed in earnings-related filings submitted to the Commission because they are material to investors in evaluating the value of the underlying stock. Indeed, the Commission noted in its recent proposal to permit

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[55] The Commission has confirmed on numerous occasions that the term "security" includes options that are based on the value of securities or that are interests in securities. See, e.g., CD Options Approval, at 32376-77 (concluding that CD options "are options 'based on the value [of a security or securities]' and, therefore, securities" and that credit default options "are options on an 'interest in," or based on the value of an interest in, a security or securities within the meaning of Section 3(a)(10) of the Act") (brackets in original); In the Matter of EZTD, Securities Exchange Act Rel. No. 79292 (Nov. 10, 2016) (finding that "[a]ll of the binary options that EZTD offered and sold to U.S. customers, however, are options based on the value of a security or index of securities, and thus are securities under the [definitions in the Securities Act and the Exchange Act]").

[56] See, e.g., discussion in CFA Institute Member Survey Report, 2018, available at https://www.cfainstitute.org/sites/default/files/-/media/documents/survey/key-performance-indicators-survey.pdf and May 1, 2025 Comment letter on FASB Invitation to Comment - Financial Key Performance Indicators for Business Entities (file reference no: 2024-ITC100): https://rpc.cfainstitute.org/sites/default/files/docs/comment-letters/fasb-financial-kpis-itc-response.pdf ("Alternative performance measures (APMs), which include Financial KPIs and non-financial KPIs (e.g., same-store sales, average revenue per user) are of such importance that investor organizations have proposed a dedicated standard setting board for them." p. 2.)

issuers to submit semiannual reports rather than quarterly reports that "[i]n addition to protecting investors, greater availability of material information allows securities prices to better reflect their issuers' fundamental value and ultimately promotes capital formation as issuers have access to lower cost of capital and investors in those issuers' securities have access to higher liquidity."[57] Therefore, the Commission recognized that the value of securities is based, in part, on material information — such as KPIs disclosed in earnings-related filings. A binary option whose payoff is contingent on whether an issuer achieves one of the KPI thresholds identified in the proposed rule change is therefore an instrument whose payoff depends on information that directly influences the intrinsic value of the issuer's security and that the market uses as a basis for pricing the security itself. An option that is based on one or more of the proposed KPIs is, therefore, "based on the value of" that issuer's security within the meaning of the Act.

The binary KPI options the Exchange is proposing to use as underlyings those KPIs for certain public company issuers that are (i) included in those issuers' financial reports filed with the Commission and (ii) important to a determination of the value of the issuers' stock. Issuers frequently include KPIs and metrics material to the financial condition and results of operations of the company in reports and registration statements filed under both the Act and the Securities Act as part of the disclosure requirement in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A").[58]

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57 See Semiannual Reporting, Securities Exchange Act Release No. 105368, at 66 (May 5, 2026).

58 See, e.g., Item 303 of Regulation S-K. 17 CFR § 229.303. "The objective of the discussion and analysis is to provide material information relevant to an assessment of the financial condition and results of operations of the registrant including an evaluation of the amounts and certainty of cash flows from operations and from outside sources," and the MD&A discussion and analysis "must be of the financial statements and other statistical data that the registrant believes will enhance a reader's understanding of the registrant's financial condition, cash flows and other changes in financial condition and results of operations." Id.

The relevant obligation "requires disclosure of information not specifically referenced in the item that the company believes is necessary to an understanding of its financial condition, changes in financial condition and results of operations," which can include KPIs.[59] In providing guidance to issuers on the use of KPIs in their MD&A disclosure, the Commission observed that "[w]hen proposing the current MD&A framework, the Commission noted that '[f]or each business, there is a limited set of critical variables which presents the pulse of the business.'"[60] Due to their importance, certain KPIs directly inform an investor's assessment of the valuation of an issuer's stock.[61]

To qualify as a "security" under the Act, an option need not be restricted only to referencing the specific dollar value of a security. When approving the Exchange's listing of CD options, the Commission concluded that the CD options were "securities" even though the CD options "do not share every feature of a classic option."[62] In determining that CD options are "based on the value [of a security or securities]" and, therefore, that they are securities, the Commission stated that CD options "expressly reference in their payout conditions a term of an underlying security that is material to the value of that security."[63] This is also the case with the binary KPI options identified in the proposal: the KPIs selected are "material to the value" of a particular security, and payouts of binary KPI

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59 See Commission Guidance on Management's Discussion and Analysis of Financial Condition and Results of Operation, Securities Exchange Act Release No. 88094 (Jan. 30, 2020).

60 Id.

61 For example, in responding to a November 2024 request for comment by the Financial Accounting Standards Board regarding financial KPIs for business entities, the CFA Institute submitted a comment letter on behalf of its members, answering the question "How often do you use Financial KPIs in your analysis?" with an answer of "All the time." Supra at n. 46.

62 CD Options Approval at 32375 n.34. The Commission specifically noted that "the fact that the payout of a cash-settled option will not increase or decrease based on the price movement of the underlying security of that option is not dispositive." Id. at 32375.

63 Id. at 32376.

options are conditioned on those terms. Indeed, the nexus between the proposed KPIs and the value of the underlying security is, if anything, more direct than in the case of CD options. Whereas CD options reference a credit event (a contingency that may or may not affect the market value of the reference security depending on recovery rates and market conditions), binary KPI options reference the issuer's actual reported financial or operating performance, and are the metrics investors consider when determining the value of a stock. Unlike an exogenous event that merely holds the potential to trigger potential financial consequence for a security, each of the proposed KPIs (whether measured at the consolidated or segment level) ultimately constitutes a material component of the issuer's financial results that itself forms the basis for investors' measurements of a company's (and its stock's) intrinsic value.

Certain KPIs in the proposal (including, for example, those based on earnings per share), also result in those binary KPI options being options based on an "interest in," or based on the value of an interest in, a security or securities within the meaning of Section 3(a)(10) of the Act. In the CD Options Approval, the Commission observed that "[a] security is a collection of rights (and obligations) running between the issuer and the holder of the security" and that "[t]he concept of an 'interest in' a security plainly includes rights generating a pecuniary interest in a security, such as the right to a dividend payment or bond (coupon) payment."[64] The Commission stated that, for CD options, it was "important to note that merely because the option does not transfer ownership of the interest or right in a security — but instead becomes in-the-money and provides a cash payment if certain security rights are triggered — does not mean the option is not on an

64 Id.

interest in a security."[65] Similarly, each binary KPI option proposed herein provides a cash payout based on the disclosed KPI, some of which are directly tied to a pecuniary interest in a security, such as earnings per share (which represents the holder's pro rata claim on the issuer's profits and is the basis for both dividend distributions and earnings-driven appreciation in the value of the security), and others of which are indirectly tied to the pecuniary interest of a security, such as the issuer's net revenue and income, which determine the issuer's capacity to generate returns for security holders. A stockholder's pecuniary interest in a security is not limited to contractual payment rights (such as declared dividends) but encompasses the right to benefit from the issuer's earnings capacity, as reflected in the market price of the security. Binary KPI options based on earnings metrics therefore reference a core component of the stockholder's pecuniary interest.

Although the Act does not separately define the term "option," the CEA's definition of "option" lends further support to the classification of binary KPI options as securities. The CEA defines "option" as "an agreement, contract, or transaction that is of the character of, or is commonly known to the trade as, an 'option', 'privilege', 'indemnity', 'bid', 'offer', 'put', 'call', 'advance guaranty', or 'decline guaranty'."[66] This functional definition focuses on the character of the instrument and common usage rather than formal labels, and the binary KPI options proposed herein exhibit the defining characteristics of the previously Commission-approved binary options through standardized terms established by the Exchange: the nature of the underlying interest, the settlement method, the

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65 Id. at n.46.

66 7 U.S.C. 1a(36).

multiplier, the settlement style of the option, whether the option has automatic exercise provisions, the expiration date, and the exercise price. Specifically, binary KPI options are associated with an underlying KPI as designated by the Exchange. The Exchange establishes these options as cash-settled (the settlement method) that are European-style (the style of the option) that will be automatically exercised if the requirements for exercising the option have been met. Binary KPI options have a multiplier of one. As is the case for all other options listed on the Exchange, each binary KPI option will include an expiration date and a strike price in accordance with the proposed Rules. As such, the binary KPI options contracts are appropriately categorized as standardized options. Notably, as further discussed below, the binary payout structure does not transform these instruments into event contracts or swaps even though binary KPI options would likely meet the definition of "security-based swap"[67] (but would, therefore, still be "securities" subject to the Commission's jurisdiction[68]) if they were not excluded from the definition of "swap."[69] The Commission has previously approved binary options with all-or-nothing payouts, including binary index options, for listing on the Exchange, as securities options. The distinguishing feature is not the shape of the payout curve but rather the nature of the underlying interest: where the underlying is a security, an interest therein, or based on the value thereof, the instrument is a securities option regardless of whether its payout is variable or binary.

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[67] The term "security-based swap" is defined in the Act, and that definition is incorporated by reference into the CEA. See 15 U.S.C. 78c(a)(68) (defining the term); 7 U.S.C. 1a(42).

[68] Security-based swaps are "securities" under the Act. See 15 U.S.C. 78c(a)(10).

[69] See 7 U.S.C. 1a(47)(B)(iii).

The OCC's Options Disclosure Document ("ODD") includes the characteristics above in the list of standardized terms of options generally.[70] More specifically, the ODD attributes these same characteristics to binary options. Although the ODD defines an option generally as "the right to buy or sell a specified amount or value of a particular underlying interest at a fixed exercise price by exercising the option before its specified expiration date," it notes that cash settlement does not preclude an instrument from being an option: "Certain special kinds of options may give a right to receive a cash payment if certain criteria are met."[71] More specifically, the ODD describes binary options as follows: "A binary option is a cash-settled option having only two possible payoff outcomes: either a fixed amount or nothing at all . . . The binary options approved for trading are all subject to automatic exercise. The holder of a binary option . . . has the right to receive (and the writer of a binary option has the obligation to pay) the exercise settlement amount for the option if the value of the underlying interest as of the time specified by the applicable listing options market (i.e., the exercise settlement value) meets the criteria for automatic exercise of the option, as specified in the rules of the listing options market. If those criteria are not met, the option will expire worthless. . . . binary options are European-style options."[72] Accordingly, the binary KPI options proposed herein have the character of binary options and are commonly understood to function as such.

Moreover, the Exchange emphasizes that the "based on the value of" analysis does not depend on a generalized statistical relationship between KPIs and stock prices in the

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70 See Characteristics and Risks of Standardized Options, Options Clearing Corporation at 3 (June 2024) ("ODD"). The ODD was amended to add disclosure on binary options in June 2008. See Securities Exchange Act Release No. 57744, 73 FR 25072 (May 6, 2008).

71 ODD at 3.

72 Id. at 8.

aggregate, but rather on the demonstrated materiality of each specific KPI to the specific issuer's stock for which binary KPI options are proposed. Under the proposed rules, the Exchange will designate the applicable KPI and the relevant reporting period at the time of listing. This issuer-specific designation ensures that the Exchange has determined, prior to listing, that the particular KPI is material to the valuation of the respective issuer. Critically, the Exchange's materiality determination is not made in isolation; it is corroborated by reporting requirements or the issuer's own judgment. An issuer's inclusion of a KPI in its earnings-related filings — if the metric is not otherwise required by regulation to be included — reflects the issuer's independent determination, made subject to the officer certifications required under the Sarbanes-Oxley Act of 2002, that such metric is necessary for investors to understand the issuer's financial condition and results of operations, and is therefore material to an investor's valuation of the issuer's securities. The issuer's disclosure decision thus constitutes a determination by the issuer itself that the KPI is material to the value of its stock.

Additionally, treating the binary KPI options proposed herein as securities is consistent with the position taken by the Commission and the U.S. Commodity Futures Trading Commission ("CFTC") in the 2012 joint rulemaking[73] further defining "swap" and "security-based swap," in which the Commissions stated that the "swap" and "security-based swap" definitions were not intended to capture existing options products and that securities options, including exchange-traded equity options and listed index options, remain subject to the existing Commission options regulatory regime and are not

[73] See, e.g., Further Definition of "Swap," "Security-Based Swap," and "Security-Based Swap Agreement"; Mixed Swaps; Security-Based Swap Agreement Recordkeeping, Securities Exchange Act Release No. 67453, 77 FR 48208 (August 13, 2012).

reclassified as swaps or security-based swaps.[74] Importantly, the Commission further cautioned against an overly broad application of the swap definitions where an instrument does not functionally operate as a swap.[75]

The definition of "security-based swap" in the Act is broad enough to include binary KPI options if they are "swaps"; however, because the binary KPI options are options, they are not "swaps" or "security based swaps."[76] This is because the CEA expressly excludes from the definition of "swap" "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 and the Exchange Act]."[77] Pursuant to this exclusion, if an instrument qualifies as a securities option under the Act and the Securities Act (as the Exchange believes the proposed binary

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74 See id., at 48211 (noting that the definitions of "swap" and "security-based swap" "could be read to include certain types of agreements, contracts, and transactions that previously have not been considered swaps or security-based swaps, and nothing in the legislative history of the Dodd-Frank Act appears to suggest that Congress intended such agreements, contracts, or transactions to be regulated as swaps or security-based swaps under Title VII"). The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law in July 2010 and added definitions of "swap" and "security-based swap" into the CEA and the Act. See Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203, 124 Stat. 1376 (2010). The Exchange notes that binary options (on SPX from April 21, 2010 to January 16, 2015; and on VIX from April 21, 2010 to August 16, 2017) and credit default options (from June 19, 2007 to October 2008 and April 26, 2011 to December 26, 2014) were traded as standardized options on the Exchange after the Dodd-Frank Act was adopted.

75 See supra note 75; see also 77 FR 48208, at 48211 ("Title VII also calls on the agencies to treat functionally or economically similar products or entities in a similar manner, but does not require identical rules."). Section 712(d)(1) of the Dodd-Frank Act provided that the CFTC and the SEC, in consultation with the Board of Governors of the Federal Reserve System, shall jointly further define the terms "swap," "security-based swap," and "security- based swap agreement." Section 712(a)(7)(A) of the Dodd-Frank Act further provides that "[i]n adopting rules and orders under this subsection, the [CFTC] and the [SEC] shall treat functionally or economically similar products or entities described in paragraphs (1) and (2) in a similar manner."

76 The definition of "security-based swap" generally includes "any agreement, contract or transaction that is [a swap and is] based on . . . the occurrence, nonoccurrence, or extent of the occurrence of an event relating to a single issuer of a security or the issuers of securities in a narrow-based security index, provided that such event directly affects the financial statements, financial condition, or financial obligations of the issuer." 15 U.S.C. 78c(a)(68)(A)(ii)(III).

77 7 U.S.C. 1a(47)(B)(iii).

KPI options do), it is categorically removed from the swap and security-based swap definitions as a matter of statutory construction. Put another way, because security-based swaps are, by definition, a subset of swaps, an option that falls within the definition of "security" in the Act and the Securities Act is excluded from the definition of "swap" and, thus, cannot, as a matter of statutory construction, be a security-based swap.[78]

Classifying binary KPI options as securities options under the Act is consistent with the Commission's established regulatory framework for binary options, including investor protection objectives, and preserves the integrity of antimanipulation restrictions, insider trading prohibitions, and material nonpublic information controls. More specifically, because these contracts are tied to Commission disclosure rules and regulations and material nonpublic information ("MNPI") risks that are substantially identical to those present in traditional securities trading, aligning binary KPI options with the securities regulatory framework preserves the integrity of insider trading prohibitions and the Commission's disclosure regime. Listing binary KPI options on a registered national securities exchange subjects trading activity to SRO and Commission surveillance for,

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[78] In the recent "Statement on Tokenized Securities" published jointly by the Division of Corporation Finance, the Division of Trading and Markets, and the Division of Investment Management, the interplay of the statutory definitions of "security," "swap" and "security-based swap" was laid out plainly as follows (footnotes omitted, emphasis added):

The assessment of whether a financial instrument is a security-based swap or a linked security depends, in part, on the exclusions from the definition of "swap." There are several exclusions from the definition of "swap" relating to securities. To the extent a financial instrument falls into one of these exclusions, it is not a swap and, therefore, is not a security-based swap. For example, any note, bond, or evidence of indebtedness that is a security, as defined in Section 2(a)(1) of the Securities Act, is excluded from the definition of swap. *Similarly, 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 and the Exchange Act, is excluded from the definition of swap*.

SEC Division of Corporation Finance, Division of Investment Management, Division of Trading and Markets, *Statement on Tokenized Securities* (Jan. 28, 2026).

among other things, manipulative trading and insider trading, affording investors the full protections of the federal securities laws. Further, classifying binary KPI options as security options under the Act allows these contracts to be offered by the same liquidity providers that offer listed options today, all of whom are Commission-registered and regulated broker-dealers who are also subject to FINRA and exchange SRO oversight, and allows such contracts to be traded by the same retail customer base that trade binary options (and KPI-related contracts) today.

Proposal

The Exchange believes the proposal is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section 6(b)(5) of the Act,[79] in particular, in that it is 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 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.

Specifically, the Exchange believes the proposed rule change 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 because it establishes a clear and transparent framework for a new category of listed options (binary KPI options) that are tied to financial and operating metrics of issuers that are publicly disclosed in required Commission reports. Currently, investors wishing to position their investment strategies around earnings announcements must rely primarily on equity options, whose

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[79] 15 U.S.C. 78f(b).

pricing is affected by a wide range of variables beyond the reported financial or operating measure of interest (e.g., implied volatility, delta, time value, and general market movement). Binary KPI options allow investors to take a targeted, defined-risk position directly on a specific financial or operating measure (i.e. a KPI) for a particular reporting period. The Exchange believes this additional investment tool will protect investors and the public interest because it will promote market efficiency, enable more precise price discovery around earnings events, allow investors to hedge against potential idiosyncratic risks, and remove a gap in current national securities exchange-listed products available to market participants.

The Exchange believes the proposed list of issuers and KPIs on which the Exchange may list binary KPI options will prevent fraudulent and manipulative acts and practices, 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. First, as noted above, the Exchange is proposing to list binary KPI contracts based on specific financial and operating metrics reported by the following issuers in their earnings-related disclosures submitted to the Commission: Apple, Inc.; Advanced Micro Devices, Inc.; Alphabet Inc.; Amazon.com, Inc.; Bank of America Corporation; Citigroup Inc.; Coinbase Global, Inc.; Ford Motor Company; Intel Corporation; JPMorgan Chase & Co.; Marathon Digital Holdings, Inc.; Meta Platforms, Inc.; Microsoft Corporation; Netflix, Inc.; NVIDIA Corporation; Palantir Technologies Inc.; SoFi Technologies, Inc.; Space Exploration Technologies Corp.; Super Micro Computer, Inc.; Target Corporation; Tesla, Inc.; and The Walt Disney Company. The Exchange believes offering investors an additional investment tool on a national securities exchange related to some of the most actively traded stocks and options will perfect the mechanism of a free and open market and benefit investors by allowing them to further refine their investment strategies, including using these options to hedge idiosyncratic, even-specific risk embedded in the specific KPIs (as further discussed below), for these actively traded companies.

The Exchange believes the proposed universe of issuers will prevent fraudulent and manipulative acts and practices, because the proposed issuers are large, well-capitalized, and widely followed issuers with highly liquid underlying securities and options markets. During May 2026, each of the issuers exceeded $3 billion in market capitalization and ranked among the top 200 U.S. companies by average daily options or stock volume, with the exception of Space Exploration Technologies Corp (commonly referred to as SpaceX), which had not been trading for a full calendar month but which the Exchange believes will satisfy these measures with its first month of trading results based on its volumes since it began trading.[80] Securities with high market capitalizations and liquid markets are generally less susceptible to manipulation because of the substantial capital required to artificially influence prices of those securities. The depth and breadth of trading activity for securities with significant market capitalizations, such as the stocks of the proposed issuers, make it unlikely that a single market participant would be able to exert undue influence on the price of such a stock, as large volumes of buyers and sellers are what ultimately continuously reflect the true market value of the stock. The Exchange believes the KPIs of issuers with high market capitalizations proposed to underlie binary KPI options are similarly less susceptible to manipulation because any attempt to distort a

[80] The ADV of SpaceX stock between June 12 and June 22, 2026 was approximately 290,009,963 shares. The market capitalization of SpaceX as of June 22, 2026 was $2.145 trillion.

financial metric of such an issuer would require an enormous and economically impractical deployment of capital, which would likely exceed the fixed payout of a binary KPI option. Therefore, like stocks of large-cap issuers, KPIs of large-cap issuers are less susceptible to manipulation due to the structural barriers that would make manipulating KPI values operationally difficult and financially irrational (in addition to the rigorous financial oversight to which these issuers are subject, as further discussed below).

In addition to the proposed issuers being highly capitalized and having actively traded stocks and options on such stocks, the Exchange also believes the proposed limited universe of issuers for binary KPI options to those proposed will prevent fraudulent and manipulative acts and practices because each issuer is subject to periodic reporting requirements under the Act. Therefore, each of the proposed issuers must file annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K with the Commission, which as discussed above disclose information the issuer believes is necessary for an investor to understand its financial condition, changes in financial condition and results of operations, which can include KPIs. Further, each issuer maintains audited financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") and is subject to executive certification requirements under the Sarbanes-Oxley Act. As a result, the settlement-determining KPI values for each eligible issuer are produced within the Commission's supervisory jurisdiction, are publicly verifiable from a Commission-regulated source and are subject to relevant anti-fraud provisions under the Act, which the Exchange believes will reduce the potential for manipulation of the underlying KPIs as well as the applicable issuer's stock.

Further, the Exchange believes the proposed limited universe of issuers will introduce binary KPI options in a well-developed, well-understood, and transparent Commission-regulated market environment. Each issuer is among the most widely followed, actively traded, and extensively analyzed issuers in its respective sector, with deep and liquid equity and derivatives markets and a broad institutional and retail investor base. The depth of existing market activity surrounding these issuers supports fair and orderly pricing by ensuring that binary KPI options are listed in markets where price discovery is well-established, liquidity is readily available, and participants have broad access to the information necessary to form and express informed views on KPI outcomes. The Exchange believes the continuous public scrutiny to which these issuers are subject substantially reduces the likelihood that any market participant could obtain or maintain an informational advantage sufficient to manipulate the settlement value of the binary KPI options.

The Exchange believes the proposed KPI metrics will similarly prevent fraudulent and manipulative acts and practices, 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. The Exchange's proposal limits eligible KPIs to GAAP and non-GAAP measures and other statistics related to an issuer's financial condition and operational results, all of which the proposed issuers disclose in their earnings-related filings (i.e., Forms 8-K, 10-Q, and 10-K) submitted to the Commission. As such, the settlement values of the proposed binary KPI options are derived exclusively from information that issuers deem as material information required to be disclosed in reports submitted to the Commission. These metrics are routinely referenced and tracked in the investment community and are figures that the market recognizes as a meaningful and central indicator of issuer performance. The Exchange believes that the inclusion of well-established metrics as eligible KPIs expands the value of binary KPI options for investors without compromising the integrity of trading processes, including the settlement process.

The proposed KPI metrics are among the most widely followed and extensively analyzed measures for the proposed issuers. Specifically, the Exchange proposes to be able to list a binary KPI option on earnings per share (prepared in accordance with GAAP) for each proposed issuer. This metric is among the most widely followed and extensively analyzed figures in public company financial disclosure and is disclosed in each issuer's periodic Commission filings. Similarly, the Exchange proposes to list binary KPI options on revenue, prepared in accordance with the applicable GAAP, for each issuer. As is the case for earnings per share, revenue is a widely followed financial metric for publicly reporting companies and is the subject of extensive analyst coverage.

The Exchange proposes KPIs representing revenues broken out by appliable reportable segment, business unit, or product category, including cloud and artificial intelligence infrastructure revenues, streaming and geographic subscription revenues, automotive segment revenues, financial services segment revenues, consumer product category revenues, and digital asset exchange transaction and subscription revenues, among others, for several of the proposed issuers. Each such metric is a GAAP-defined figure required to be disclosed in the issuer's periodic Commission filings. The Exchange understands these metrics enable market participants to express views on specific high-profile business lines that are extensively covered by analysts and subject to a high volume of publicly available forecasts.

The Exchange proposes KPIs for the proposed financial institution issuers that are specific to financial institution income statement presentation, including net interest income, provision for credit losses, and net income. Each such metric reflects the distinct GAAP reporting framework applicable to banking institutions and is subject to the same periodic disclosures as other proposed KPIs.

The proposed rule change also includes operating margin, gross margin, or cash flow from operations KPIs for several issuers, each of which is computed directly from GAAP financial statement line items disclosed in the issuer's periodic Commission filings. These metrics provide market participants with insight into issuer profitability and capital generation and complement other revenue and earnings figures when market participants are evaluating the value of an issuer and its stock.

The Exchange also proposes several non-financial operational KPIs that issuers disclosed in their periodic Commission filings, including relevant production volumes, network and infrastructure counts, user engagement metrics, deal counts, digital asset trading volume, and digital asset mining and holdings metrics. Each designated non-financial operational metric is closely tied to the core economic activity of the respective issuer's business and is a figure that the issuer has affirmatively chosen to disclose to the public as a key indicator of business performance. Issuers typically designate and disclose such metrics precisely because they are understood by the market to be among the most meaningful measures of their business activities. As discussed above, this is consistent with Commission guidance that an issuer should include KPIs in these report that the issuer believes an investor needs to gain understanding of its financial condition, changes in financial condition and results of operations, as such KPIs present the "pulse" of the issuer's business. The market significance of these metrics is further reflected in the extensive analyst coverage and investor attention, particularly near each reporting date. Each metric is subject to executive certification as part of the periodic report in which it appears and is widely tracked by financial data services and equity research analysts.

Overall, the Exchange believes that the proposed well-established, publicly reported metrics as eligible KPIs will expand the value of binary KPI options for investors without compromising the integrity of trading processes, including the settlement process. As a result, the Exchange believes the proposed KPIs will protect investors and the public interest as it will permit the Exchange to offer investors additional investment and hedging tools on the Exchange that investors can incorporate into their investment strategies regarding the proposed issuers.

The Exchange believes the proposed contract terms for binary KPI options will promote just and equitable principles of trade, remove impediments to and perfect a free and open market and national market system, and protect investors. As discussed above, the Exchange believes the proposed contract terms for binary KPI options are standardized option terms. Like standard option contracts and binary index option contracts currently listed for trading on the Exchange, each proposed binary KPI option will be a call or a put, will have an underlying, exercise price, an expiration date, a settlement type, a settlement style, and a multiplier. As is the case for binary index options, each proposed binary KPI option will have an exercise settlement amount paid depending on how the settlement value of the underlying compares to the exercise price.

The proposed binary KPI options will function in a substantially similar manner as binary index options, with the proposed contract terms substantially similar to the contract terms of binary index options. The proposed definitions of binary KPI option, call binary KPI option, exercise price, and put binary KPI option are the same as those terms for binary index options (as previously approved by the Commission), differing only in reference to the underlying (KPI v. index).

The proposed definition of settlement value for binary KPI options is generally similar to the definition for binary index options (as previously approved by the Commission), with certain differences necessary to be addressed due to the different nature of a KPI as the underlying. While the definition of exercise settlement value in current Rule 4.16(a) (proposed Rule 4.70) allows the Exchange to determine the exercise settlement amount for binary index options, $1 is a permissible exercise settlement amount for those options; therefore, the proposed $1 exercise settlement amount for binary KPI options is not novel and is consistent with current Exchange Rules. The Exchange believes the proposed $1 exercise settlement amount is reasonable given the retail nature of the proposed binary KPI options and merely adds specificity to the Rules for binary KPI options. The Exchange notes binary KPI options differ from standardized index options (which are also cash-settled) in that the exercise settlement amount is $1.00 rather than the cash difference amount between the settlement value of the index and the strike price of an option. Since the $1.00 exercise settlement amount will be paid out to the option holder if the criteria of the binary KPI option have been met, binary KPI options utilize a fixed exercise settlement amount.

The Exchange believes the alternative settlement procedures of the Clearing Corporation described above are appropriate in that they establish a process to address an unexpected condition, taking into consideration fairness to both option writers and holders.

By using this alternative exercise settlement amount, settlement will occur based on the market's last valuation of the binary KPI option. If the Clearing Corporation, with the assistance of the Exchange, determines that the last closing price is unreliable or inappropriate to use because the binary KPI option has not recently traded or traded with sufficient liquidity, the KPI will be deemed as not met and the binary KPI options will expire unexercised. The Exchange notes that alternative settlement procedures are not novel for options, and alternative settlement procedures vary based on option type.[81]

The Exchange proposes new Rule 4.81 to list the specific binary KPI contracts with the KPI criteria for each option contract. Such KPI criteria are established as the set KPI events that will be used to determine an option contract should be exercised by comparing the strike price of the binary KPI option to the KPI value. The Exchange believes these proposed contracts (including the issuers and KPIs) are consistent with the Act for the reasons set forth above.

The Exchange believes the proposed expirations for binary KPI options will remove impediments to and perfect the mechanism of a free and open market and a national market system because they will align with the reporting periods for which the proposed issuers disclose earnings results and submit corresponding reports to the Commission. These expirations will, therefore, permit investors to incorporate binary KPI options into their investment strategies that correspond to issuers' earnings results. Further, as discussed

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[81] For example, for binary index options on indexes issued by OCC, OCC Rules provide for a determination process used when the underlying security price or index value is unreported, inaccurate, unavailable or inappropriate. The OCC determination process utilizes a panel to fix the value of the underlying interest to be used for expiration processing. This process differs from the proposed alternative settlement procedures for binary KPI options because the binary options issued by OCC depend solely on trading price or index value (unlike binary KPI options) and OCC Rules allow specific methods by which an underlying value may be determined for expiration processing if a trading price or value is not available. See OCC By-Laws, Article XIV, Section 5,

above, the Exchange believes aligning expirations with Commission-regulated sources will reduce the potential for manipulation of the underlying KPIs, which will ultimately protect investors and the public interest.

The proposed rule change establishes a strike regime for binary KPI options similar to that for traditional options and binary index options. As is the case for traditional options and binary index options, the proposed rule change establishes permissible strike intervals, the amounts of which increase as the value of the strike increases. Additionally, the Exchange proposes to list initial and additional series pursuant to a similar framework as traditional equity options. The differences in the proposed strike regime compared to that of standard equity and index options are necessary and appropriate to reflect the static nature of KPIs (unlike underlying equities and indexes, the values of which change throughout the trading day) and the timing of their disclosure. As noted above, the Exchange intends to list binary KPI options aligned with the cadence of the KPI announcements as their expiration cycle (generally quarterly). The Exchange intends to list for trading binary KPI options with expirations for the then-current reporting period (e.g., third quarter) as well as the following period (e.g., fourth quarter) prior to the expiration of the binary KPI options for the then-current reporting period.

As the Exchange does for standard options, as well as binary index options, the Exchange lists strikes (subject to its Rules) based on relevant market information — including the then-current value of the underlying — and customer demand. As described above, the Exchange intends to do the same for binary KPI options by listing strikes relative to the then current value of the underlying KPI. The Exchange believes it is consistent with just and equitable principles of trade to permit the Exchange to list strikes for a new expiration based on the most recently disclosed KPI value, which may not be for the immediately preceding reporting period, and then add strikes based on the disclosed KPI for the immediately preceding reporting period (which would be the settlement value for binary KPI options that expire in the prior reporting period). This will enable the Exchange to respond to changes in market conditions in the same manner it is able to do today to respond to changes in values of (and market conditions related to) other underlyings. The Exchange believes this flexibility is appropriate for binary KPI options because the value of a KPI changes only when an issuer discloses that KPI, which generally happens every three months, unlike other underlyings that change every trading day. While this proposed strike listing regime differs from that of other options, the concept is the same, which is to permit the Exchange to list strikes reflective of the then-current value of the underlying. It is possible the changed value of an underlying KPI may be more sudden and pronounced than changes in the value of an underlying equity or index (which are susceptible to sudden value changes); however, like the listing rules for equity and index options, the proposed rules permit the Exchange to list strikes to reflect potentially significant changes in the value of the underlying.

The Exchange believes the proposed scaling of strike prices is reasonable and will protect investors, as it will permit the Exchange to list strike values in amounts similar to current strike values for other options. As noted above, values of certain KPIs may be large (e.g., in the billions). The proposed scaling will permit the Exchange, for example, to list a strike of 27 rather than 27,000,000,000, which the Exchange believes will be simpler for investors to understand (as it will be made clear that 27 will reflect billions in this example) and consistent with current strike levels. The proposed scaling also permits the strike prices for binary KPI options to fit within current system capabilities regarding strike price values. The Exchange believes scaling rather than modifying its systems (and potentially causing investors to modify their systems) will benefit investors by allowing them to trade binary KPI options in the same manner as they trade other options today.

The Exchange believes the proposed strike intervals promote just and equitable principles of trade because it will permit the Exchange to list commercially meaningful strikes that will permit investors to tailor their trading strategies with precision. The Exchange acknowledges the proposed strike intervals are smaller than those in current Rules for other types of options. However, the Exchange believes the precision is appropriate and necessary given the nature of KPIs and the proposed options. The purpose of binary KPI options is to permit investors to take discrete and precise positions on KPIs. Therefore, the Exchange needs the ability to list strikes with the precision necessary to permit investors to take these positions. For example, earnings per share is generally a relatively small number (under $10). While strike intervals for other options are limited to $0.50 intervals, that would not be meaningful in the context of binary KPI options when investors are looking to take positions for a specific KPI, which will be measured in penny intervals. Therefore, the Exchange believes smaller strike intervals will benefit investors because they will allow the Exchange to list binary KPI options that will enable investors to use these options in the precise nature for which they are intended and provide sufficient flexibility for the Exchange to list series to respond to changes in market conditions and customer demand, while other rules will place bounds around the strikes the Exchange may list.

Further, as discussed above, the proposed strike intervals are consistent with current rules for other options, which provide for larger strike intervals as the value of strike prices increases. Given the scaling factor for larger KPI values, while it may appear the proposed rule change will permit smaller strike intervals for larger KPI values, that may be true on a nominal basis but is not the case if the actual value of the strike intervals is considered. The corresponding actual value of the strike interval for a strike price that was subject to a larger scale value is higher than the actual value of the strike interval for a strike price that was subject to a smaller scale value. As a result, the permissible strike intervals for strike prices representing higher KPI values are actually larger than the permissible strike intervals for strike prices representing lower KPI values. This is consistent with general premise underlying current strike intervals that larger strike intervals apply to larger strike values and, therefore, the Exchange believes the proposed rule change will promote just and equitable principles of trade.

The Exchange believes this proposed rule change clearly describes the proposed terms of binary KPI options, such as with respect to expirations (including the Exchange's announcement of the specific expiration date after binary KPI options series for that expiration are listed) and exercise prices (including the scaling factor, negative values, and potential changes to that scaling factor for a binary KPI option class) for all investors. As discussed above, these terms and changes to such terms will be described in Exchange notices, technical specifications (including binary KPI option reference data files), and contract specifications (all of which are posted on the Exchange's public website and thus available to all investors). Exchange TPHs and retail brokerage firms are highly sophisticated investors that intake information regarding other Exchange-listed options (including changes) in the same manner that the Exchange plans to release this information for binary KPI options. As binary KPI options are intended as a retail-focused product, the Exchange understands from retail brokerage firms that binary KPI options will be displayed on the firms' user interfaces in a way that similarly makes the terms of the options clear to their retail customers.[82] Therefore, the Exchange expects retail customers to have access to all relevant information regarding the terms of binary KPI options they choose to trade, including changes to expiration dates and exercise price values as announced by the Exchange.

The proposed rule change specifies a multiplier of one for binary KPI options rather than require the Exchange to designate a multiplier of at least one as the rules for binary index options do. This proposed multiplier is consistent with the definition of contract multiplier for binary index options (as that requires a multiplier of at least one) and merely adds specificity to the Rules.

The Exchange believes proposed Rule 5.1(b)(3)(f), which establishes RTH for binary KPI options is consistent with the Act, protects investors, and prevents fraudulent and manipulative practices. The Exchange believes the proposed structure ensures that trading in binary KPI options ceases before the earnings announcement that determines settlement. The distinction between A.M.- and P.M.-settled contracts mirrors the settlement terms already applicable to binary index options, as well as other Exchange products.

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[82] For example, the Exchange understands from retail brokerage firms they intend to display a binary KPI option of an issuer's earnings per share of -$2.47 to expire on the date on which the issuer announces its third quarter 2026 earnings results as a phrase, such as "will the issuer's loss per share for the third quarter of 2026 be more than (or less than) $2.47?".

The Exchange believes proposed Rule 5.3(c)(3), which addresses bid and offer conventions for binary options with multipliers other than 100, will provide clarity and consistency in market quotations relative to the notional size of the option, promotes investor understanding of the cost and value of binary KPI option contracts. Therefore, the Exchange believes the proposed rule change is consistent with just and equitable principles of trade because it creates a pricing structure that reflects the notional value of an option based on its multiplier.[83]

The Exchange believes proposed Rule 5.31(d)(1)(D), which provides that for binary KPI options, the System initiates the opening rotation at 9:30 A.M., is consistent with the opening auction framework already applicable to other index options listed on the Exchange and ensures that binary KPI options open for trading in an orderly and transparent manner. The Exchange believes this provision removes impediments to a free and open market by applying the same proven opening process to binary KPI options that governs other listed options classes on the Exchange. Additionally, unlike equity options, for which the underlying opens for trading and can trigger the opening rotation, KPIs do not trade, so triggering the opening rotation based on a set time is reasonable for binary KPI options.

The Exchange believes excluding binary KPI options from the obvious error provisions in Rule 6.5 is consistent with the Act and promotes just and equitable principles of trade because the standard obvious error framework, which evaluates whether an execution price deviates from a "theoretical value" by a prescribed amount, is incompatible

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83 The Exchange notes that this proposal is consistent with the existing framework for adjusting bids and offers for mini- and micro-options under Rules 5(c)(1) and (2), respectively.

with the structure of binary KPI options. Binary KPI options have no continuously observable theoretical value (unlike equity and index options) prior to the date of the earnings-related disclosure. Rather, their exercise settlement amount is fixed at either a pre-specified dollar amount or zero, depending entirely on whether the reported KPI satisfies the exercise condition, which itself is based on a single, publicly verifiable metric, disclosed in Commission filings. Applying an obvious error framework premised on theoretical value calculations to a product with a binary, fixed payout would be technically inapplicable and could produce unjust or arbitrary results. Moreover, because settlement of binary KPI options is determined by issuer-reported metrics disclosed through Commission filings (i.e., figures produced pursuant to established accounting standards, subject to independent audit, and certified under the Sarbanes-Oxley Act), the settlement process is itself governed by a comprehensive external regulatory framework. The Exchange believes that establishing any alternative dispute mechanism in this context would be not only unnecessary, but potentially disruptive to market integrity, as it may introduce an element of post-hoc discretion into a settlement process that is expressly designed to be objective, verifiable, and rule-bound. Finally, the Exchange notes that pursuant to proposed Rule 5.34(d), the Exchange may apply a maximum execution price protection for binary KPI options on a class basis, pursuant to which any execution price for a binary KPI option above the Exchange-designated maximum execution price for that class is adjusted down to that maximum execution price. This protection provides an additional safeguard against executions at potential erroneous prices, further limiting the need for a separate obvious error provision applicable to binary KPI options, which the Exchange believes protects investors and the public interest. The Exchange accordingly believes that the non-applicability of Rule 6.5 to binary KPI options is a reasonable and justified product-specific accommodation that promotes orderly trading and clear, consistent treatment of transactions in these contracts.

The Exchange believes the proposed amendments related to position limits for binary KPI options are consistent with the Act because they establish a rational position limit framework for binary KPI options that protects against manipulation while facilitating legitimate trading activity in a novel product. The Exchange believes that setting the position limit for binary KPI options as the same as the applicable position limit for the stock of the issuer, with 100 binary KPI option contracts equaling one standard option contract, is appropriate. These position limits were previously approved by the Commission as consistent with the Act for standard equity options. Therefore, the Exchange believes these same limits are appropriate for binary KPI options for the related equities, as the Commission has ultimately determined that option positions on an equity (or in this case a financial or operating metric based on the value of an equity) up to that amount are unlikely to permit a single investor from influencing the value of that equity. As proposed, binary KPI options with a multiplier of one will count toward applicable limits on a proportional basis relative to standard equity options on the issuer's stock, which carry a multiplier of 100. This treatment is consistent with the position limits applied to other reduced-value options, such as micro-options (which also have a contract multiplier of one), for which Rule 8.31(f) provides that for purposes of determining compliance with the position limits under Rule 8.31, 100 micro-option contracts with an index multiplier of one equals one standard option contract with an index multiplier of 100. Because the proposed binary KPI options have a multiplier of one, while standard option contracts have a multiplier of 100, the notional value of a binary KPI option is significantly less than the notional value of standard option contracts. For example, 250,000 contracts with a value of $1.00 with a multiplier of 100 would equate to $2,500,000 notional value, while 250,000 binary KPI option contracts with a value of $1.00 (which is the fixed maximum value of a binary KPI option contract) with a multiplier of one would equate to $250,000 notional value. Counting 100 binary KPI contracts as one standard option contract for purposes of calculating compliance with position limits effectively calibrates these limits so that investors may hold positions in binary KPI options in an economically equivalent number of contracts they may hold in standard equity options. Therefore, the Exchange believes this proposed treatment is consistent with just and equitable principles of trade, as it counts option positions in a manner equivalent with their value.

The Exchange further believes the proposal is reasonable given the nature of binary KPI options and their relationship to the underlying issuer. Because binary KPI options have a fixed maximum notional value and settle on an all-or-nothing basis based on a KPI of the issuer rather than the price of the issuer's stock as with a standard equity option, the Exchange believes the proposed position limits appropriately reflects the distinct structure of these contracts and limits the potential for any single market participant to exert undue influence over binary KPI option settlement. With respect to binary KPI options, the economic risk of a position is binary, in that the contract either settles in-the-money at $1.00 or out-of-the money at $0.00. Additionally, with respect to binary KPI options, the maximum notional exposure per contract is fixed in advance; it cannot exceed $1.00 multiplied by the contract multiplier. Moreover, unlike stock prices or index values, binary KPI option positions would not influence a company's financial or operational outcomes;

the number of option contracts outstanding or trading volume, for instance, has no effect on revenue or operational metrics.

Further, the Exchange's proposal to provide that positions in binary KPI options on the same KPI with different expiration dates and positions in binary KPI options for the same issuer with different underlying KPIs are not aggregated reflects the distinct structure of binary KPI options. Each binary KPI option expiration corresponds to a separate event tied to a specific issuer reporting period. Thus, the Exchange believes aggregating positions across different expiration dates would not accurately reflect the risk profile of these positions and would impose an unnecessary burden on market participants seeking exposure to company KPI events across different reporting periods. In determining that position limits should not be aggregated across all binary KPI options referencing a single issuer, the Exchange analyzed the degree to which KPIs of a given issuer are correlated with one another. Specifically, the Exchange performed a correlation analysis for each company set forth in proposed Rule 4.81(a), measuring the historical co-movement of each company's KPIs across the 16 most recent earnings releases (Q3 2022 through Q2 2026). Of the 223 KPI correlation pairs examined, 30 (approximately 13%) exhibit correlations above 0.90. The Exchange notes that many of these highly correlated pairs involve closely related measures, such as aggregate and segment revenue, where strong co-movement is expected and does not reflect an independent source of concentrated risk. Across the full sample, correlations indicate that the large majority of KPI pairs move substantially independently of one another across earnings periods. Thus, the Exchange believes issuer-level aggregate position limits are not warranted.

Similarly, the Exchange believes it is reasonable to provide that binary KPI options are not aggregated with non-binary options contracts overlying the stock of the issuer. Because binary KPI options and equity options overlying the same issuer have different risk profile (i.e., binary KPI options settle based on a KPI of the issuer rather than its stock price), the Exchange believes it would be inappropriate and misleading to require aggregation of these positions for purposes of position limits. As noted above, binary KPI options are based solely on whether a single, specified-issuer KPI meets a discrete threshold at a defined future date, and their value reflects the market's probability assessment of that singular outcome. Standard equity options, on the other hand, reflect a broad array of factors bearing on the price of the underlying security, including macroeconomic conditions and sector dynamics, of which any individual KPI is only one component. Because the two products are not priced off of a common reference and do not represent economically equivalent or fungible exposures, aggregating positions across them would not meaningfully advance the prevention of manipulative practices with respect to the underlying security.

The Exchange further notes that this proposed non-aggregation framework is not unprecedented. Rule 4.8(g) provides that positions in Single Stock Dividend Options ("SSDOs") will not be aggregated with positions in ordinary options overlying the stock of the issuer underlying the SSDOs. The rationale underlying that rule is directly analogous to the rationale supporting non-aggregation of binary KPI options with standard listed equity options on the same issuer. In its SSDO filing,[84] the Exchange noted that SSDOs

[84] See Securities Exchange Act Release No. 64654 (June 13, 2011), 76 FR 35503 (June 17, 2011) (SR-CBOE-2011-039).

are based solely on expected dividends for an issuer and will reflect the forward value of that expectation. Because the pricing of ordinary options and SSDOs differs dramatically as a result of fundamentally different inputs, the Exchange concluded that there was no need to aggregate positions across the two product types to prevent manipulative practices involving the underlying. The Commission found this approach appropriate and consistent with the Act in its approval of the proposal.[85]

The same logic applies to the proposed binary KPI options. Like SSDOs, binary KPI options derive their value from a single, specified variable (whether a particular issuer KPI meets a discrete contractual threshold at a defined date) and their pricing reflects the market's probability assessment of that singular outcome. In contrast, as noted above, standard equity options on the same issuer reflect a full spectrum of factors which may affect the underlying security's price. The pricing of binary KPI options and standard equity options on the same issuer will therefore differ substantially, for the same structural reasons that the Commission found dispositive in the SSDO context. The Exchange accordingly believes that non-aggregation of binary KPI options with standard equity options is appropriate and consistent with the Act.[86]

Finally, the Exchange believes the proposed amendment to the hedge exemption provision is consistent with the Act because it facilitates legitimate hedging activity in binary KPI options. Because a market participant simultaneously holding a short put and

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85 See Securities Exchange Act Release No. 64991 (July 29, 2011), 76 FR 47280 (August 4, 2011) (SR-CBOE-2019-033).

86 The Exchange notes that binary option contracts (Binary Return Derivatives ("ByRDs")) approved for trading at NYSE American and NYSE Arca, Inc. are similarly not aggregated with positions in other options on the same underlying security for purposes of determining compliance with the position limits. See NYSE American Rule 940Byrds (b) and NYSE Arca Rule 5.86-O(b).

short call position in binary KPI options has taken opposing sides of the potential binary outcome (i.e., the short call is at risk if the KPI is met and the short put is at risk if the KPI is not met), the Exchange believes such a position represents a defined, bounded risk profile that does not present the same potential for manipulation or market disruption that position limits are designed to prevent. The Exchange therefore believes the hedge exemption as proposed will encourage market-making activity and liquidity provision in binary KPI options while protecting investors and the public

The Exchange also believes the proposed changes to Rule 8.43(f) are consistent with the Act. By establishing tailored reporting requirements for binary KPI options, the Exchange will be able to monitor TPH positions effectively and detect any accumulation of positions that may approach or exceed applicable limits, to the benefit of investors. The Exchange believes it is consistent with just and equitable principles of trade for 100 binary KPI option contracts to equal one standard option contract for purposes of determining whether the report in Rule 8.43(a) is required given the size of binary KPI contracts. As discussed above, proposed binary KPI options have a multiplier of one, while standard option contracts have a multiplier of 100. Therefore, the notional value of a binary KPI option is significantly less than the notional value of standard option contracts. For example, 200 contracts with a value of $1.00 with a multiplier of 100 would equate to $20,000 notional value, while 200 binary KPI option contracts with a value of $1.00 (which is the fixed maximum value of a binary KPI option contract) with a multiplier of one would equate to $200 notional value. Counting 100 binary KPI contracts as one standard option contract for purposes of this report effectively calibrates the reporting requirement so that investors are required to submit the report for an economically equivalent number of contracts, which promotes just and equitable principles of trade.

The Exchange believes the proposal will provide the Exchange and regulators with visibility into large position concentrations in binary KPI options, preserving the ability to identify unusual activity and respond to any unforeseen concerns, while calibrating the threshold to a metric that is meaningful for this contract given its smaller multiplier relative to that of standard equity options. The Exchange believes this reporting framework, coupled with the position limits amendments, provides a fully adequate regulatory framework for these instruments.

Further, as noted above, the Exchange believes it has an adequate surveillance program in place to surveil for any potentially heightened insider trading or manipulation risks presented by the proposed binary KPI options. The Exchange notes that the settlement value of a binary KPI option is determined by the issuer's earnings-related disclosure, which figures are produced through the accounting and reporting processes of the issuer, subject to independent audit, and disclosed in filings with the Commission. Because settlement is decoupled from the market price of the underlying security, no amount of trading activity in that security could alter the revenue, earnings, or other metric that determines contract settlement. Any manipulation of the reported KPI would constitute securities fraud and expose the issuer to liability under federal securities law, separate and apart from any exchange-related violation.

Moreover, the specifically proposed binary KPI options present a more defined surveillance profile than other event contracts available in the market today. Because settlement is tied to a well-defined set of publicly reported issuer-KPI metrics, the relevant surveillance framework operates as a focused subset of the insider trading surveillances the Exchange already applies to standard equity options. The legal prohibition on trading in the issuer's securities, including options, while in possession of material non-public information about an unreported KPI is not novel, but rather the same prohibition the Exchange enforces today in connection with standard equity options overlying the same issuer.

The Exchange believes the proposed binary KPI options will serve as a vehicle to hedge idiosyncratic, event-specific risk embedded in the specific KPIs. Standard equity options are calibrated to the price of the underlying security and capture a full spectrum of factors or risks which may affect issue value, such as macroeconomic conditions or sector dynamics. Because equity option pricing incorporates this full spectrum, a participant seeking to hedge exposure to a single, discrete KPI outcome cannot do so precisely using standard equity options. Because settlement of a binary KPI option is determined solely by whether a specified-issuer KPI meets a defined threshold, the contract effectively isolates certain individual risks an investor may seek to manage. For example, consider an investor holding a long-term position in a particular issuer stock, who believes the issuer's quarterly revenue will fall short of expectations (for reasons unrelated to the issuer's long-term prospects). The investor may utilize the binary KPI option to hedge precisely against the near-term risk without disruption to the underlying equity position. This targeted hedging utility represents a distinct and additive function relative to existing listed products, which the Exchange believes will serve the interests of investors and provide an efficient mechanism for managing event-specific, KPI-driven risk.

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 these instruments, offering price transparency and the regulatory protections of a national securities exchange. 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 KPI options in other markets (as further discussed below). Binary KPI options would provide investors with a straightforward means of expressing a directional view on key financial and operating metrics. The Exchange further believes the proposed rule change is consistent with the protection of investors and the public interest, as binary KPI options would be subject to the Exchange's existing rules governing the listing and trading of options. The Exchange believes expanding the universe of binary options will benefit investors, particularly retail investors and other investors who prefer simplicity, as a complementary offering to current exchange-traded options.

The proposed rule change will permit the Exchange to list binary KPI options 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 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. 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 KPI 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 KPI options is significantly reduced through the issuance and guarantee of the contracts by a registered clearing agency. 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 that 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 national securities exchange would create a centralized and standardized marketplace for these products, which promotes price discovery and transparency, within an established regulatory framework designed to afford investors in securities with important protections. In other words, the Exchange believes its proposal offers a more transparent platform than the OTC market or other market platforms offer. It would contribute to leveling the playing field with these alternative markets and provide investors with safeguards associated with Commission and SRO oversight of the trading activity in these exchange-listed binary KPI options.

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 through products 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 and 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."[87] 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.[88] 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 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

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

88 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").

market participants with yet another investment option for options listed on a national securities exchange.

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that 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 that 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 KPI 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 rules applicable to binary KPI options, as described in this proposed rule change. Except as set forth in the proposed rule change, binary KPI options will trade in the same manner as other options, including binary index 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 other options exchanges may propose similar products. Additionally, as noted above, substantively similar products to binary KPI options, as proposed, are available in the OTC market and various other markets.

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. 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 Securities and Exchange Commission (the "Commission") action on the proposed rule change specified in Section 19(b)(2) of the Act.[89]

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)

Not applicable.

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.

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[89] 15 U.S.C. 78s(b)(2).

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 5. Proposed rule text.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-CBOE-2026-061]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Amend its Rules to Permit the Listing of Binary Options Overlying Key Performance Indicators ("KPIs") Reported by Certain Issuers of Stock ("Binary KPI 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 to permit the listing of binary options overlying key performance indicators ("KPIs") reported by certain issuers of stock ("binary KPI options"). 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 (https://www.cboe.com/us/options/regulation/rule_filings/cone/), and at the principal office of the Exchange.

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

2 17 CFR 240.19b-4.

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

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

1. <u>Purpose</u>

The Exchange proposes to amend its Rules to permit the listing of binary options overlying key performance indicators ("KPIs") reported by certain issuers of stock ("binary KPI options").

By way of background, 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.

Under current Exchange Rules, the Exchange may list binary options on broad-based indexes.[3] The Exchange proposes to amend its Rules to permit the listing of binary

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[3] The Exchange has a separate rule filing pending to permit the Exchange to list binary index options on the Cboe Magnificent 10 Index. <u>See</u> Securities Exchange Act Release No. 105247 (April 15, 2026), 91 FR 21045 (April 20, 2026) (SR-CBOE-2026-032) (the current version of the filing permits listing binary index options on any index; however, the Exchange intends to amend the filing to limit the scope to the Cboe Magnificent 10 Index). For purposes of this rule filing, the Exchange has deemed rule changes proposed in SR-CBOE-2026-032 (including proposed amendments) as approved. To extent that the rule changes within that filing are not timely approved, the Exchange will update this filing accordingly.

KPI options. Binary KPI options are European-style, cash-settled options contracts listed on an underlying KPI of an issuer whose exercise settlement value is determined not by the market price of the issuer's stock, but by whether a specific financial or operating metric reported by the issuer in an earnings-related filing submitted to the U.S. Securities and Exchange Commission (the "Commission") meets or exceeds a pre-specified strike level.

First, the Exchange proposes to adopt Chater 4, Section I (Binary KPI Options) to describe binary KPI options. The Rules in proposed Chapter 4, Section I apply only to binary KPI options. All other Rules apply to the trading of binary KPI options, except as otherwise provided or the context otherwise requires.

The Exchange proposes to adopt Rule 4.80 (Definitions). Like other standardized options, binary KPI options have standardized terms that are established by the Exchange. Standardized terms for binary KPI options include the exercise criteria that is the condition or criteria of a binary KPI option, the exercise settlement amount (i.e., payout amount), strike prices, expiration dates, settlement type as A.M.-settlement or P.M.-settlement, the settlement style (as European), and the requirements used to determine if the KPI condition or criteria of a binary KPI option has been met (the "payout determination requirement"[4]). The Exchange proposes to establish these terms in new Rule 4.80 and additional provisions in proposed Chapter 4, Section I, as described below.

The Exchange proposes to define a "binary KPI option" in new Rule 4.80 as a cash-settled option contract listed on an underlying KPI of an issuer with an exercise settlement amount that is established at the creation of the option and with a settlement value that is

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4 This is the term used in the options disclosure document related to binary KPI options (currently pending Commission review) as required by Rule 9b-1 under the Securities Exchange Act of 1934 (the "Act").

determined by whether a specific KPI disclosed by the issuer in an earnings-related filing submitted to the Commission meets or exceeds its exercise price. Binary KPI options are paid out if the reported value of the applicable KPI (1) equals or is greater than (as the payout determination requirement) the exercise price for a call binary KPI option or (2) is less than (as the payout determination requirement) the exercise price for a put binary KPI option.[5] The Exchange also proposes to provide that unless the context dictates otherwise, the terms underlying security, equity, or index, or any variations of these terms, in the Rules mean KPI for purposes of binary KPI options.

The Exchange proposes to define a "call binary KPI option" as an option contract that returns an exercise settlement amount if the settlement value of the underlying KPI is at or above the exercise price at expiration (i.e., in- or at-the-money).[6]

The Exchange proposes to define "exercise price" (also referred to as "strike price") as the value[7] to which the settlement value of the underlying KPI is compared to the exercise settlement amount.[8] For binary KPI options, the exercise price is the exercise threshold of an option contract that establishes a number, value, or measure that is compared against the price of the settlement value of the underlying index or the KPI to determine if the cash payout amount (i.e., the exercise settlement amount) will be paid out. In other words, binary options will have a threshold number as the exercise price that will be used to determine if

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5 This is substantially similar to the definition of binary index option in current Rule 4.16(b) (and proposed Rule 4.70 in SR-CBOE-2026-032).

6 This is substantially similar to the definition of call binary index option in current Rule 4.16(b) (and proposed Rule 4.70 in SR-CBOE-2026-032).

7 The value of an exercise price is measured in the applicable units of the KPI. For example, some KPIs are measured in U.S. dollars while others may be measured in percentages or numbers.

8 This is substantially similar to the definition of exercise price with respect to binary index options in current Rule 4.16(b) (and proposed Rule 4.70 in SR-CBOE-2026-032).

the exercise criteria of the binary option has been met and the option will be exercised (and if holders will receive the cash payout amount). For binary KPI options, the exercise threshold will be a number that reflects or is compared to the underlying KPI of the binary option.

The Exchange proposes to define the term KPI (or "key performance indicator") as a key financial or operating metric disclosed by an issuer in its earnings-related filings submitted to the Commission (i.e., Form 8-K, Form 10-Q, or Form 10-K, as applicable).

The Exchange proposes to define "put binary KPI option" as an option contract that returns an exercise settlement amount if the settlement value of the underlying KPI is below the exercise price at expiration (i.e., in-the-money).[9]

The Exchange proposes to define "settlement value" as the value of the underlying KPI that is used to determine whether a binary KPI option is in-, at-, or out-of-the-money.[10] The proposed definition specifies that the "settlement value" is the value of the applicable KPI as disclosed in the applicable issuer's earnings-related filing submitted to, the Commission on applicable expiration date (for both A.M.-settled and P.M.-settled binary KPI options).[11] The Exchange designates the applicable KPI and the relevant reporting period (for example, a calendar quarter) at the time of listing a binary KPI option. Proposed paragraph (b) of the settlement value definition provides if the applicable KPI is not

9 This is substantially similar to the definition of put binary index option in current Rule 4.16(b) (and proposed Rule 4.70 in SR-CBOE-2026-032).

10 This is substantially similar to the definition of settlement value with respect to binary index options in current Rule 4.16(b) (and proposed Rule 4.70 in SR-CBOE-2026-032).

11 While the timing of an issuer's official announcement informs whether the Exchange will establish a binary KPI option as A.M.-settled or P.M.-settled (as further discussed below), the Exchange will use the KPI value included in an issuer's report submitted to the Commission (and not the press release announcing earnings results, for example) as the settlement value. The Exchange understands, however, these values are generally the same.

reported or otherwise unavailable on the expiration date (and will not be reported), settlement (including any payout of the exercise settlement amount) will occur in accordance with the Rules of the Clearing Corporation.[12] The alternative settlement procedures of the Clearing Corporation provide that if the KPI value needed to determine whether a binary KPI option is in-the-money is not available, expiring contracts will be exercised but may result in delivery of an alternative exercise settlement amount. The alternative exercise settlement amount will be the last closing price of the binary KPI option, meaning that the alternative exercise settlement amount may be less than the standard payout amount of $1. For example, if a KPI will not be reported by the KPI issuer, there is expiring open interest on binary KPI options on that KPI, and the last closing price of the binary KPI option was $0.76, the expiring binary KPI options will be exercised and settle at $0.76 rather than $1.00.

Additionally, proposed paragraph (c) of the settlement value definition states if an applicable KPI is restated after the expiration date and settlement of a binary KPI option, the settlement value (and the exercise settlement amount) of the binary KPI option does not change (as set forth in the Rules of the Clearing Corporation). In other words, the value of the applicable KPI as reported by the issuer on the applicable expiration date is final, and the amount paid (or not paid) at settlement will not change, regardless of whether it is later restated by the issuer.

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12 The Exchange notes this proposed provision is similar to Rules 4.13(a)(4) and 5.20(e) (which provide that for index options, in various circumstances that may cause values of securities that are components of the index to not be available for calculation of the index at expiration, the values of those securities (and thus the value of the index) will be calculated in accordance with the Rules and By-Laws of the Clearing Corporation). As further discussed below, the Exchange intends to clear binary KPI options through Cboe Clear US, LLC ("CCUS") and will submit a separate rule filing to update Exchange Rules to reflect this. Therefore, references in the proposed Rules and this rule filing to Clearing Corporation mean CCUS.

The Exchange proposes to add Rule 4.81 (Designation of Binary KPI Option Contracts) to identify the binary KPI options that may be listed for trading on the Exchange. Pursuant to proposed Rule 4.81(a), the Exchange may from time to time approve for listing and trading on the Exchange any of the following binary KPI options contracts for the following issuers:

Company	**KPI (each financial metric is measured in $ unless otherwise specified)**
Apple, Inc.	Earnings per share: diluted Total net sales Net sales by category: iPhone Net sales by category: Services Net sales by reportable segment: Americas Net sales by reportable segment: Greater China
Advanced Micro Devices, Inc.	GAAP Diluted earnings per share GAAP Revenue Net Revenue: Data Center Segment Net Revenue: Client and Gaming Segment GAAP Operating Margin (%)
Alphabet Inc.	Diluted net income per share Revenues YouTube ads Revenues Google Cloud Revenues
Amazon.com, Inc.	Diluted earnings per share Total Net sales AWS: Net sales

	North America: Net sales International: Net sales Net Sales: Advertising services
Bank of America Corporation	Diluted earnings per share Total Revenue, net of interest expense Net Interest Income Provision for credit losses Net Income
Citigroup Inc.	Diluted earnings per share Total Revenue, net of interest expense Net Interest Income Total Provision for credit losses Net Income
Coinbase Global, Inc.	Net income per share - Diluted Total Revenue Transaction Revenue Total Trading Volume Subscription and Services Revenue
Ford Motor Company	GAAP Earnings per share - Diluted Total Revenues Ford Pro Segment: Revenue Ford Model e Segment: Revenue Ford Blue Segment: Revenue
Intel Corporation	GAAP Earnings per share attributable to Intel - diluted

	Net revenue Revenue: Client Computing Group (CCG) Revenue: Data Center and AI (DCAI) Revenue: Intel Foundry GAAP operating margin (%)
JPMorgan Chase & Co.	Earnings per share - diluted Net revenue - reported Net Interest Income Provision for credit losses Net Income Net income
Marathon Digital Holdings, Inc.	Earnings (Net loss) per share of common stock - diluted Revenues Number of Blocks Won (# Bitcoin (BTC)) Energized Hashrate (EH) (# EH/s) Total Bitcoin Holdings (# BTC) BTC Produced (# BTC) BTC Purchased (# BTC)
Meta Platforms, Inc.	Earnings per share: Diluted Revenue Family Daily Active People (DAP) (#) Revenue: Advertising Operating Margin (%) Operating margin (%)

Microsoft Corporation	Diluted Earnings per Share Revenue Intelligent Cloud: Revenue Microsoft Cloud revenue More Personal Computing: Revenue
Netflix, Inc.	Earnings per share: Diluted Revenues United States and Canada (UCAN): Revenue Europe, Middle East, and Africa (EMEA): Revenue Operating Margin (%)
NVIDIA Corporation	GAAP Diluted earnings per share Revenue Data Center Revenue Edge Computing Revenue Automotive Revenue
Palantir Technologies Inc.	Earnings per share attributable to common stockholders, diluted Revenue Net Income Closed Deals of at Least $1 Million (#)
Robinhood Markets, Inc.	Net income attributable to Robinhood common stockholders: Diluted Total net revenues Funded Customers (#) Average Revenue Per User (“ARPU”)

	Robinhood Gold Subscribers (#)
SoFi Technologies, Inc.	Earnings per share attributable to common stockholders – diluted Total net revenue Total net revenue – Technology Platform Total net revenue – Financial Services Total net revenue – Lending
Space Exploration Technologies Corp	Earnings per share: Diluted Total Revenues
Super Micro Computer, Inc.	Net income per common share: Diluted Net sales Gross Margin (%) Cash flow used in operations Net Income
Target Corporation	Diluted earnings per share Net sales Food & Beverage Net sales Apparel & Accessories Net sales Operating income: Rate (%)
Tesla, Inc.	Net Income per share of common stocks attributable to common stockholders: diluted Total Revenues Total Automotive Revenue Model 3/Y Production (#) Supercharger Connectors (#)

	Free Cash Flow
The Walt Disney Company	Diluted earnings per share Revenues Entertainment Subscription Video On Demand (SVOD) Operating Income Revenues: Experiences Segment operating income: Sports

The Exchange proposes to add Rule 4.81(b) to clarify that binary KPI options are a separate class from other options overlying the stock of the issuer[13] and are a separate class from other binary KPI options with differently underlying KPIs for the same issuer. The Exchange believes this is reasonable given that an individual KPI is the specific underlying of binary KPI options, and generally options with different underlyings (e.g., different underlying security or index) are different option classes.

Next, the Exchange proposes to adopt Rule 4.82 (Terms of Binary KPI Option Contracts) to describe the permissible terms of binary KPI option series. Proposed Rule 4.82 provides that binary KPI options listed and traded on the Exchange are designated as to expiration date, exercise price, settlement type, settlement style, exercise settlement amount, contract multiplier, and underlying KPI.[14] After approving a particular binary KPI option class for listing and trading on the Exchange, the Exchange from time to time may open for trading series of options in that binary KPI option class. Proposed Rule 4.82(a) states binary KPI

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13 This is substantially similar to current Rule 4.16(c)(1) (and proposed Rule 4.71(b) in SR-CBOE-2026-032), which provides that binary index options are a separate class from other options overlying the same index.

14 This is substantially similar to current Rule 4.16(c)(2) (and proposed Rule 4.72 in SR-CBOE-2026-032) regarding binary index options.

options have European-style settlement, which is consistent with the rules regarding binary index options, as noted above. Proposed Rule 4.82(a) further provides that the Exchange may designate the settlement type for binary KPI options as A.M.-settled or P.M.-settled.[15] Binary KPI options for issuers[16] that disclose their earnings results before the open of Regular Trading Hours ("RTH") on a given trading day are designated as A.M.-settled binary KPI options, and binary KPI options for issuers that disclose their earnings results after the close of RTH on a given trading day are designated as P.M.-settled binary KPI options. The Exchange notes that the proposed concepts of A.M.-settlement and P.M.-settlement for binary KPI options differ compared to traditional options (as well as binary index options), for which "P.M.-settled" generally means that the expiration of an option so designated will settle to the closing price of the underlying security or index value and "A.M.-settled" generally means that the expiration of an option so designated will settle to the opening price of the underlying. While different than how these terms apply to standard and binary index options, the Exchange believes the proposed description of A.M.-settlement and P.M.-settlement appropriately reflect the earnings disclosure practices of issuers. Additionally, while the timing of the event that will determine whether the Exchange designates a binary KPI option as A.M.-settled or P.M.-settled is different than that for traditional options and binary index options, the trading hours on expiration dates for each of A.M.-settled and P.M.-settled binary KPI options are consistent with those of A.M.-settled and P.M.-settled index options (traditional and binary) today.

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15 Most binary index options (as well as many traditional index options) that may be listed on the Exchange may be designated A.M.-settled or P.M.-settled.

16 The Exchange determines whether an issuer discloses its earnings results before or after the close of RTH on a given trading day based on publicly available information regarding the issuer's disclosure practices.

Proposed Rule 4.82(b) describes permissible expirations for binary KPI options. Specifically, the proposed rule change will permit the Exchange to list series that expire on the date the issuer announces its earnings results for the applicable reporting period (such as calendar quarter). The expiration date for a binary KPI option will be the date on which an issuer discloses the applicable KPI in its earnings results (for example, the date on which it issues an earnings results press release) for the specified reporting period (with the specific expiration date to be finalized when an issuer announces the date on which it will disclose its earnings results for that reporting period).[17] If that date is a Tuesday, Wednesday, Thursday, or Friday and the Exchange is not open for business on that date, the expiration date will be the first business day immediately prior to that day. If that date is a Monday and the Exchange is not open for business on that date, the expiration date will be the first business day immediately following that Monday. The disclosed KPIs relate to a specific reporting period (such as a calendar quarter), which KPIs an issuer publicly announces on a date following the end of that reporting period.

While an expiration date for a binary KPI option will be a specific date, as is the case for traditional options and binary index options, the Exchange's proposed designation of expiration dates for binary KPI options will differ to reflect standard issuer disclosure practices. In some instances, an issuer might not establish the specific date on which it will announce its earnings results for a reporting period until weeks prior to the release date.

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17 For example, for a binary KPI option series, the Exchange may designate the reporting period for a series to be the fourth quarter of 2026. The expiration date for that series would be the date on which the applicable issuer establishes as the date it will announce earnings results for that quarter. In accordance with Rule 1.5(a), the Exchange will issue a Notice when the specific expiration date for a binary KPI option is finalized. Additionally, the Exchange will maintain a reference data file for each issuer KPI on which the Exchange lists binary KPI options (as will be described in the Exchange's technical specifications available on its public website), and that reference data file will be updated with the specific expiration date for a binary KPI option once known.

Consequently, unlike standard equity and index options that have an exact expiration date when strikes are first listed, a binary KPI option will be listed for trading with a placeholder expiration date if the date the KPI information will be released by the issuer is not publicly known. If a placeholder expiration date is required, it will be set as the first trading day that is three months following the date of the prior quarterly release date for a KPI (for KPIs announced quarterly) and six months following the date of the prior semiannual release date for a KPI (for KPIs announced semiannually, if the Commission approves proposed rules that would permit such reporting). Once the KPI issuer announces the release date of the KPI information, the expiration date will be updated as the finalized expiration date of the option contract. Ultimately, however, the expiration date for a binary KPI option is an issuer's earnings release date at the time the series is listed (even if the exact date is unknown) until expiration.

The Exchange may designate binary KPI option series to expire up to 12 months from the time they are listed and may list up to two expirations at one time for a binary KPI option (per KPI per issuer). The Exchange may open for trading a series of binary KPI options at least one business week prior to the expiration date of a binary KPI option. The proposed permissible expirations for binary KPI options are similar to current Rules. First, the proposed rule change permits the Exchange to list binary KPI options to expire up to 12 months from the time they are listed. Current rules regarding binary index options permit these expirations, in addition to expirations out more than 12 months up to 36 months from the time they are listed.[18] The proposed rule change also limits the Exchange to list up to two expirations at one time for binary KPI options. Therefore, the proposed scope of

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[18] See current Rule 4.16(c)(3) (and proposed Rule 4.72 in SR-CBOE-2026-032).

permissible expirations for binary KPI options is narrower than that permitted for binary index options under current Rules (as previously approved by the Commission).

The proposal to list expirations at least one business week prior to the expiration date of binary KPI option (as well as the proposed language regarding shifting an expiration date to the immediately business day before or after an expiration date that falls on a day the Exchange is not open for business) is substantially similar to current Exchange rules applicable to short term equity options series,[19] as well as the rules of another options exchange applicable to binary equity options.[20] The Exchange believes it is appropriate to permit listing of binary KPI options that expire up to 12 months from the time they are listed to accommodate different issuer reporting periods (including semiannual reporting if the Commission approves recently proposed rules to permit such reporting), as well as to permit the Exchange to list expirations for consecutive calendar quarter periods or for a calendar quarter and annual reporting period at the same time. As discussed above, issuers disclose KPIs in their periodic reports submitted to the Commission.

Proposed Rule 4.82(c) describes the permissible exercise prices (or strike prices) the Exchange may designate for series of binary KPI options. Proposed Rule 4.82(c)(1) describes how the value of exercise prices of binary KPI options are measured. Specifically, the exercise price of each binary KPI option series will be fixed at an amount equal to a value of the underlying KPI. Because the value of certain KPIs may be very large (e.g., billions of dollars), the Exchange proposes that the exercise price value of the underlying KPI will be divided by

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1919 See Rule 4.5(d).

20 See NYSE American, LLC Section 17, Rule 903(b).

a scaling factor based on the value of the KPI in the issuer's most recent earnings-related disclosure as of the time a binary KPI option class is listed) as follows:

- if the most recently disclosed KPI value is greater than or equal to one trillion, the exercise price equals that value divided by one trillion (e.g., for such KPIs, an exercise price of 27.00 is equivalent to a KPI value of 27,000,000,000,000.00);
- if the most recently disclosed KPI value is greater than or equal to one billion but less than one trillion, the exercise price equals that value divided by one billion (e.g., for such KPIs, an exercise price of 112.00 is equivalent to a KPI value of 112,000,000,000.00);
- if the most recently disclosed KPI value is greater than or equal to one million but less than one billion, the exercise price equals that value divided by one million (e.g., for such KPIs, an exercise price of 900.00 is equivalent to a KPI value of 900,000,000.00);
- if the most recently disclosed KPI value is greater than or equal to one thousand but less than one million, the exercise price equals that value divided by one thousand (e.g., for such KPIs, an exercise price of 42.00 is equivalent to a KPI value of 42,000.00); and
- if the most recently disclosed KPI value is less than one thousand, the exercise price equals that value and is not divided by a scaling factor (e.g., for such KPIs, an exercise price of 774.00 is equivalent to a KPI value of 774.00).[21]

[21] When applying the scaling factor, the Exchange will not round the scaled KPI value and instead will truncate the value so the scaled strike price value fits within standard strike listing format.

The Exchange will apply a different scaling factor to newly listed binary KPI option series for a new expiration only after the value of the KPI in the issuer's earnings-related disclosures has a value in a different scaling tier for four consecutive reporting periods or if the Exchange deems it necessary in the interests of a fair and orderly market. Application of a different scaling factor will not affect the exercise prices of any series of the binary KPI options previously opened. For example, if the Exchange begins listing a new class of binary KPI options and the most recently disclosed KPI value for the issuer at the time of that listing was for the third quarter of 2026 and was $892,000, the exercise prices for that class of binary KPI options will be scaled by 1,000, and thus exercise prices of 895, 995, and 1005, would represent $895,000, $995,000, and $1,005,000, respectively. If the issuer discloses a KPI value of $1,020,000 in its fourth quarter 2026 earnings disclosure, the Exchange will continue to list exercise prices scaled by 1,000. If the issuer then discloses KPI values of $1,112,000, $1,237,000, and $1,064,000 for the first, second, and third quarters, respectively, of 2027, the Exchange will begin scaling the exercise prices by 1,000,000 for the fourth quarter 2027 expirations (or for the first quarter 2028 expirations if the Exchange had already listed fourth quarter 2027 expirations prior to the disclosure of the third quarter 2027 KPI value). The Exchange believes this will permit consistency for listing scaled KPI values while allowing the Exchange to update strike prices to reflect long-term changes to an issuer's KPI values.

The Exchange will announce via Exchange notice if the scaling factor applied to a binary KPI options changes (for example, the KPIs will be scaled in billions rather than in millions). Additionally, the Exchange will update this information in the Exchange's technical specifications regarding binary KPI options and reference data file that describes the terms of binary KPI options, both of which will be available on the Exchange's website (customers receive notifications of such updates). This is consistent with how the Exchange provides information regarding product information (including updates) for all options the Exchange lists for trading.

It is possible for a KPI to have a negative value, such as earnings per share (which is equivalent to a loss per share). Proposed Rule 4.82(c)(1)(B) provides the Exchange may list binary KPI options series with exercise prices representing negative KPI values. For these series, the exercise price will equal the absolute value of the KPI and will be scaled as described above. For example, if an issuer's earnings per share in the last reporting period was -$3.52 (and thus was a loss per share), a binary KPI option for such issuer with a strike of 3.58 will reflect an expected loss of $3.58 per share. The Exchange will incorporate into symbology for binary KPI options whether the value of the strike price is positive or negative, including if the Exchange lists binary KPI option series with both positive and negative strike prices. This is similar to current Exchange practice for index options for which the Exchange lists both A.M.-settled and P.M.-settled series – whether a series is A.M.- or P.M.-settled is built into the symbol, each of which could have the same strike prices listed at the same time. Whether a symbol reflects a positive or negative value will be available on contract specifications as well as the reference data file for the specific binary KPI option on the Exchange's public website.

Proposed Rule 4.82(c)(1) provides the minimum interval between strike prices for binary KPI options series is:

- 0.01 where the strike price is less than 10;
- 0.10 where the strike price is 10 or greater but less than 100;

- 1.00 where the strike price is 100 or greater but less than 1,000;
- 10.00 where the strike price is 1,000 or greater but less than 10,000; and
- 100.00 where the strike price is 10,000 or greater.

As discussed above, while KPI values above 1,000 are generally scaled, there may be circumstances in which the Exchange lists strikes above 1,000 or even 10,000 given the Exchange's proposal to maintain a lower scale level until a KPI value is consistently above a certain level (e.g., above one billion for four consecutive quarters). This may occur when a KPI value is near the top of a scaling range; for continuity, the Exchange will continue listing strike prices using the lower scaling factor and not change to a higher scaling factor until the KPI value is regularly within that higher range. Suppose a KPI value is 995,000,000; in this case, strike prices will be scaled by 1,000,000. Thus, the Exchange may list binary KPI options above and below 995 (995,000,000 divided by 1,000,000). However, it is realistic that the KPI may increase to above 1,000,000,000. As proposed, the Exchange may list strike prices, for example, of 1,000 (representing 1,000,000,000) and above, for expirations until the KPI value is above 1,000,000,000 for four consecutive reporting periods. To reduce confusion, the Exchange would not scale strike prices using different scaling factors within a single expiration (and would not change the scale until the KPI value is consistently at the higher level). Therefore, it is possible the Exchange may list strikes greater than 1,000. Similarly, while strikes above 10,000 may be rare, given the Exchange proposes to maintain a lower scale level until a KPI value is consistently above a certain level (e.g., above one billion for four consecutive quarters, as proposed), depending on market factors and demand, it is possible (although unlikely) the Exchange may determine it is appropriate to list strikes above 10,000 if market factors or expectations signify a significant increase of the KPI value. The proposed strike intervals accommodate the listing of binary KPI options in these circumstances before the Exchange shifts the strike prices for an issuer's KPI to a different scaling level.

The proposed strike intervals are generally consistent with current Exchange Rules for other options, which provide for larger strike intervals as the values of strike prices increase. Given the scaling factor for larger KPI values, it may appear the proposed rule change will permit smaller strike intervals for larger KPI values if those intervals are considered solely on a nominal basis. However, that is not the case if the actual values of the strike intervals are considered. The corresponding actual value of the strike interval for a strike price that was subject to a larger scale value is higher than the actual value of the strike interval for a strike price that was subject to a smaller scale value. For example, suppose a strike price of 950 represents $950 million. The proposed rule change would permit strike intervals of $1.00. However, that $1.00 corresponds to $1,000,000. In other words, if the Exchange listed strikes of 950, 951, and 952, the difference in values of those strikes are $1 million, not $1 (i.e., the strikes represent values of $950,000,000, $951,000,000, and $952,000,000). Similarly, suppose a strike price of 3 represents $3,000,000,000. The proposed rule change would permit strike intervals of $0.01. However, that corresponds to $10,000,000. If the Exchange listed strikes of 3.00, 3.01, and 3.02, the difference in values of those strikes are $10,000,000, not $0.01 (i.e., the strikes represent values of $3,000,000,000, $3,010,000,000, and $3,020,000,000, respectively). As a result, the permissible strike intervals for strike prices representing values in the billions are actually larger than the permissible strike intervals for strike prices representing values in the millions. This is consistent with the general premise underlying current strike intervals that larger strike intervals apply to larger strike values.

Proposed Rule 4.82(d) describes the initial series of a binary KPI option the Exchange may open for trading. Specifically, the Exchange may open for trading one or more binary KPI option series with a fixed KPI value as the strike price, with approximately the same number of strike prices being opened above and below the at-the-money KPI value (i.e., the value of the KPI in the issuer's most recent earnings-related disclosure) at the time the binary KPI options are opened. The Exchange will list strike prices for binary KPI option series that are reasonably close to the at-the-money KPI value at the time of listing. A strike is "reasonably close" to the at-the-money KPI value if (1) for KPIs less than or equal to 10, it is no more than 100% above or below the at-the-money KPI value; and (2) for KPIs greater than 10, it is no more than 30% above or below the at-the-money KPI value. The Exchange may also open binary KPI option series that are more than 30% above or below the at-the-money KPI value (if the KPI is greater than 10) provided demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers.[22]

The Exchange may add new series of binary KPI options series when the Exchange deems it necessary to maintain a fair and orderly market or to meet customer demand.[23] To the extent the Exchange lists binary KPI options series for an expiration before then-currently listed binary KPI options expire (and thus before the applicable issuer has disclosed the KPI value for the reporting period immediately preceding the reporting period for these newly

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[22] See, e.g., Rule 4.5(d)(3) and (4) (permissible series for short term equity option series). It is currently uncommon for the Exchange to list series more than 50% away from the at-the-money value of an underlying security for strikes above 20, as permitted by Rule 4.5(d)(3).

[23] Current Rule 4.16(c)(4) (and proposed Rule 4.72(c) in SR-CBOE-2026-032) also provides that additional series of a binary index option may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market or to meet customer demand, and that the opening of a new series of binary index option on the Exchange will not affect any other series of options of the same class previously opened.

listed options), the Exchange may list additional series after the KPI value for the immediately preceding reporting period is disclosed using that disclosed KPI value as the at-the-money KPI. For example, before expiration of a binary KPI options series set to expire on the date of an issuer's disclosure of its third quarter earnings results, the Exchange lists series of that binary KPI option to expire on the date of an issuer's disclosure of its fourth quarter earnings results (using the KPI from the second quarter earnings results as the at-the-money KPI value). After the issuer discloses its third quarter earnings results, including the applicable KPI, the Exchange may list additional series for the fourth quarter binary KPI options using the third quarter KPI result as the at-the-money KPI value. Any additional strike prices the Exchange lists will be reasonably close (as defined above) to the at-the-money KPI value at the time of listing.

Continuing the above example, suppose the Exchange lists binary KPI options for the fourth quarter before the binary KPI options for the third quarter have expired. As proposed, the Exchange would list strikes above and below the at-the-money strike, which at the time of listing would be the settlement value KPI from the issuer's second quarter earnings results disclosure, as that is the most recently available KPI. If the KPI for the option was net sales, and the second quarter value was $45.093 billion, the at-the-money strike would be 45.10, and the Exchange could list strikes within 50% of that value, and additional series based on customer demand or market changes. After the Exchange lists those series, the issuer announces its third quarter earnings results, including net sales of $57.241 billion. As proposed, after that announcement, the Exchange may list additional strikes within 50% of $57.24 to reflect the change in value of the underlying (as well as additional series based on customer demand or market changes).

This proposed framework for listing and adding series is similar to the framework in current Rules for listing and adding series of equity options. While the proposed strike intervals are narrower than these rules, the permissible ranges are also narrower. The Exchange acknowledges the proposed framework would still permit the Exchange to list a large number of strikes per KPI per expiration.[24] However, the Exchange intends to apply its standard strike listing practices to binary KPI options. Specifically, the Exchange generally lists strikes at wider intervals as they move farther away from the at-the-money value, while listing more granular intervals for strikes closer to the at-the-money value. The Exchange also generally delists granular strikes that are deep out-of-the-money if the Exchange determines they are sufficiently covered by wider strike intervals that are close in value.

These proposed provisions regarding the listing of binary KPI option series are similar to provisions regarding permissible series of other options. The Exchange believes it is reasonable to list binary KPI options for a new reporting period prior to the expiration of then-listed binary KPI options for the immediately preceding reporting period (e.g., listing binary KPI options for the fourth quarter before expiration of binary KPI options for the third quarter), and thus before the settlement value of the applicable KPI is known for the immediately preceding reporting period for these options, to permit investors to roll positions from one expiration to the next. As proposed, once the settlement value for the immediately preceding reporting period is known (the third quarter in this example), the Exchange may list additional series of the binary KPI options that reflect that KPI value. This is consistent with current practice if there is a change (including a substantial change)

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24 See, e.g., Rule 4.5(d)(3) and (4).

in the price of underlying security or value of an underlying index. For example, Rule 4.5(d)(3) provides that the Exchange may open additional series of a short-term option series overlying a security when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened, subject to the "reasonably close" parameters set forth in that rule. Disclosure of, as an example, the third quarter KPI value after the fourth quarter binary KPI options series were listed based on the second quarter KPI value (if the third quarter KPI value differs from the second quarter KPI value) is similar to the move in the price of an underlying security, which may result in the Exchange listing additional series based on the updated price of the underlying security. Similarly consistent with current practice for other options (as set forth in Rule 4.5(d)(4), for example), opening of binary KPI options based on this later-disclosed KPI value will not affect any other series of options of the same binary KPI options class previously opened.

Proposed Rule 4.82(g) provides that the contract multiplier for each class of binary KPI options is one.[25]

The Exchange proposes to add new Rule 4.83 (Determination of Settlement Value) to establish that binary KPI options that are "at-the-money," "in-the-money," or "out-of-the-money" are a function of the settlement value of the underlying KPI in relation to the type of binary KPI option (i.e., put or call) and the exercise price.[26] As described above, the settlement value for a binary KPI option is the value of the KPI as disclosed in the applicable issuer's

[25] This is consistent with the definition of contract multiplier for binary index options in current Rule 4.16 (and proposed Rule 4.70 in SR-CBOE-2026-032), which permits the Exchange to designate a multiplier of at least one for binary index options.

[26] This is substantially similar to current Rule 4.16(e) (and proposed Rule 4.73 in SR-CBOE-2026-032) regarding binary index options.

earnings related filing. While the timing of an announcement of a KPI value factors into the determination of whether the Exchange lists a binary KPI option as A.M-settled or P.M.-settled, the Exchange will source the settlement value from the filing the issuers submits to the Commission. Generally, companies issue press releases that contain earnings results and near contemporaneously submit a Form 8-K to the Commission with the press release as an exhibit. Therefore, it is unlikely the value of the KPI in the Commission filing will differ from the value in the initial announcement; however, the value in the Commission filing will be the ultimate settlement value.

Proposed Rule 4.84 (Adjustment) provides that binary KPI option contracts are subject to adjustment only in accordance with and to the extent specified in the 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.[27]

Next, the Exchange proposes to amend Rule 5.1(b)(2)(G), which currently provides that RTH for binary options are the same as RTH for options with the same underlying index, to clarify that this provision applies only to binary index options. The Exchange proposes to add new Rule 5.1(b)(3)(F), which provides that for binary KPI options, RTH are from 9:30 A.M. to 4:00 P.M.[28] Further, the last day of trading for P.M.-settled binary KPI options is the day of expiration, and the last day of trading for A.M.-settled binary KPI options is the trading day prior to expiration.

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[27] This is substantially similar to current Rule 4.16(f) (and proposed Rule 4.74 in SR-CBOE-2026-032) regarding binary index options. This is also consistent with how adjustments are handled for traditional equity and index options.

[28] As set forth in Rule 1.6, unless otherwise specified, all times in the Rules (including the proposed Rules) are Eastern Time.

The Exchange recognizes it is possible, although unusual and unlikely, that KPI information may become available at unexpected times. The proposed rules address the impact on trading and expiration that such disclosure may have. First, the proposed rule change provides if the Exchange confirms an issuer discloses the KPI prior to the expiration date, trading in the applicable binary KPI options series will cease, and the expiration date for the option accelerates to a date on or shortly after the date of that disclosure in accordance with the Rules of the Clearing Corporation.[29] This may occur if, for example, the applicable issuer releases the KPI information in advance of the expiration date of the option. If the issuer releases KPI information after the expiration date, which may be the case if, for example, the issuer's earnings are delayed, trading in the option will not be impacted and will cease as of the expiration date. While the expiration date will not change, expiration processing of such options will be delayed until the KPI information becomes available, in accordance with the rules of the Clearing Corporation. Additionally, the proposed rule change provides if there is an unofficial disclosure of the KPI prior to the expiration date, the Exchange may determine to halt (and resume) trading in the applicable binary KPI options series in accordance with Rule 5.20. In certain circumstances, the expiration date for the option may accelerate in accordance with the Rules of the Clearing Corporation; if this occurs, trading in the binary KPI will cease.[30] This proposed provision addresses the unlikely event that KPI information becomes available through sources other than the issuer in advance

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[29] The proposed acceleration of binary KPI options is similar to the existing acceleration process for equity options when the underlying security of such options has been converted entirely to cash. See OCC Rule 807.

[30] Rule 5.20(a) provides that any two Floor Officials, in consultation with a designated senior executive officer of the Exchange, may halt trading in any security in the interests of a fair and orderly market and to protect investors considering relevant factors.

of the expiration date. If the Exchange determines the KPI information reported from the unofficial source is unreliable, trading in the binary KPI option may resume until it expires.

The Exchange proposes to amend Rule 5.3 (Bids and Offers) to add new Rule 5.3(c), which states that, notwithstanding Rule 5.3(a), bids and offers for a binary option with a multiplier other than 100 must be expressed in terms of dollars per 1/multiplier of the total value of the contract.[31] For example, if a binary option has a multiplier of 1, an offer of "0.50" represents an offer of $0.50.

Pursuant to Rule 5.4(c)(1), the Exchange establishes the minimum increment for bids and offers on orders for binary options on a class-by-class basis, which may not be less than $0.01. The Exchange proposes clarifying in this rule that it applies to binary index options (which the Exchange may list pursuant to current Rules) and would apply to binary KPI options as proposed in this rule filing.

The Exchange proposes to amend Rule 5.31 (Opening Auction Process) to add Rule 5.31(d)(1)(D), which provides that for binary KPI options, the System initiates the opening rotation at 9:30 A.M. This is analogous to the opening process currently in place for VIX options, for which the opening rotation is similarly triggered at a specified time.[32]

The Exchange proposes to adopt a maximum execution price protection mechanism for binary options.[33] Specifically, proposed Rule 5.34(d) permits the Exchange to apply a maximum execution price protection for binary options on a class basis, pursuant to which

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31 The Exchange notes this would apply to all binary options, not just binary KPI options, as current Rule 4.16(b) (and proposed Rule 4.70 in SR-CBOE-2026-032) permits binary options to have multipliers of at least one.

32 See Rule 5.31(d)(1)(C).

33 The Exchange notes this would apply to all binary options, including both binary index options and binary KPI options.

the System adjusts any execution price for a binary option above the Exchange-designated maximum execution price for that class down to that maximum execution price. For example, suppose for a binary KPI option class the Exchange designates $1.03 as the maximum execution price. If the System observes a binary KPI option execution in that class at $1.10, the System adjusts the execution price to $1.03. Binary options have a maximum value equivalent to the exercise settlement amount (i.e., the payout amount). Therefore, the Exchange believes it is reasonable to prevent executions from occurring at prices significantly above that maximum value, as it protects investors from execution prices that are potentially erroneous.

While binary options have a maximum intrinsic value (e.g., binary KPI options have a maximum intrinsic value of $1, which is the exercise settlement amount), there are costs involved with options trading that may cause investors to execute these options at prices higher than that value. Suppose a customer wants to buy a binary option that is close to expiration and is deep in-the-money. While the intrinsic value of this binary option is $1, and likely to payout $1, a Market-Maker would need to receive more than $1 to accommodate the sale of this binary option to cover additional trading expenses, such as transaction and clearing fees. Therefore, the Exchange believes allowing execution prices above the intrinsic value is appropriate.

The Exchange proposes to amend Rule 6.5 (Nullification and Adjustment of Option Transactions Including Obvious Errors), Interpretation and Policy .04, which is specific to binary options and which currently provides that, for purposes of the obvious error provisions in Rule 6.5(c), the adjusted price (including any applicable adjustment under Rule 6.5(c)(4)(A) for non-customer transactions) will not exceed the applicable exercise settlement value for the binary option. The Exchange proposes to amend this rule to clarify that this provision applies to binary index options. Further, the Exchange proposes to add Rule 6.5, Interpretation and Policy .10, which provides that Rule 6.5 does not apply to binary KPI options. While the obvious error provisions set forth in Rule 6.5 will not be applicable to binary KPI options, the Exchange believes the proposed maximum execution price protection in Rule 5.34(d) may prevent executions at potentially erroneous prices and thus obviate the need for an obvious error process.

The Exchange proposes to amend Rule 6.20(g) (Exercise of Options Contracts) to describe the automatic exercise feature of binary KPI options. Current Rule 6.20(g) describes the automatic exercise of binary index options. The proposed rule change moves the current provision to proposed subparagraph (g)(1) (and clarifies it applies to binary index options). The proposed rule change then adds Rules 6.20(g)(2) to add a similar provision for binary KPI options, which states that binary KPI options will be automatically exercised at expiration if the settlement value of the underlying KPI is equal to or greater than the exercise price of a call binary KPI option or less than the exercise price in the case of a put binary KPI option.

The Exchange proposes to amend Rule 8.36 (Position Limits for Binary Options) to set forth position limit requirements for binary KPI options.[34] The Exchange proposes to adopt Rule 8.36(a)(iii) to provide that in determining compliance with Rule 8.30 (Position Limits), the position limit for binary KPI options is the same as the applicable

[34] As part of the proposed change, the Exchange proposes to clarify that current fixed position limit provisions in proposed Rule 8.36(a)(1) (current Rule 8.36(a)), and the formulaic position limit provisions in proposed Rule 8.36(a)(2) (current Rule 8.36(b)), apply to binary index options. The proposed rule change also updates the paragraph lettering for current Rules 8.36(c) through (f) to reflect revised paragraph numbering.

position limit for the stock of the issuer per expiration and 100 binary KPI option contracts equal one standard option contract.[35]

The Exchange also proposes to amend current Rule 8.36(c) (proposed Rule 8.36(b)), which currently states that positions in binary index options on the same index that have different exercise settlement amounts are aggregated. The Exchange proposes to amend the rule to clarify that this provision applies to binary index options (as proposed Rule 8.36(b)(1)). Further, the Exchange proposes to adopt Rule 8.36(b)(2) to provide that positions in binary KPI options on the same KPI that have different expiration dates are not aggregated (as proposed position limits are calculated per expiration), and positions in binary KPI options for the same issuer with different underlying KPIs are not aggregated (as binary KPI options overlying different KPIs, even for the same issuer, are different classes, as discussed above). The Exchange proposes to amend current Rule 8.36(d) (proposed Rule 8.36(c)) relating to the aggregation of binary options positions with non-binary option contracts for purposes of position limits. The Exchange proposes to clarify that the current provision (as proposed Rule 8.36(c)(1)) applies to binary index options. The Exchange proposes to adopt Rule 8.36(c)(2) to provide that binary KPI options are not aggregated with non-binary options contracts overlying the stock of the issuer or with binary KPI options for the same issuer with different underlying KPIs. Finally, the Exchange proposes to amend the hedge exemption provision in current Rule 8.36(f) (proposed Rule 8.36(e)).[36] As proposed, with respect to binary KPI options, a binary KPI option short put

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35 This is similar to other Rules regarding how positions in contracts with multipliers other than 100 are counted for purposes of determining compliance with Rule 8.30. See, e.g., Rule 8.30, Interpretation and Policy .08 (regarding mini-option contracts, which have a multiplier of 1).

36 As per current Rule 8.36(f), binary options are not subject to the hedge exemption to the standard position limits found in Rule 8.30. As part of the proposed rule change, the Exchange proposes to clarify current hedge exemption provisions specific to binary index options and to move provisions

position coupled with a binary KPI option short call position, regardless of the binary KPI option strike, shall be exempt from the established position limits as prescribed in Rule 8.36.

The Exchange also proposes to amend Rule 8.43 (Reports Related to Position Limits). Current Rule 8.43(a) states that in a manner and form prescribed by the Exchange, each Trading Permit Holder ("TPH") shall report to the Exchange, the name, address, and social security or tax identification number of any customer who, acting alone, or in concert with others, on the previous business day maintained aggregate long or short positions on the same side of the market of 200 or more contracts of any single class of option contracts dealt in on the Exchange. The Exchange proposes to amend Rule 8.43(f) to provide that for purposes of this report, 100 binary KPI option contracts equal one standard option contract. The Exchange believes this is reasonable given that binary KPI options have a multiplier of 1 while standard equity option contracts have a multiplier of 100.[37]

Except as otherwise described above, all binary KPI options will be listed and traded on the Exchange in a substantially similar manner as standard equity and index options and 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 options on the Exchange, including those related to customer accounts, margin requirements (pursuant to current margin rules, binary KPI options will be fully funded),[38] and trading halt procedures,[39]

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specific to binary index options to Rule 8.36(e)(1). The Exchange proposes to renumber current Rule 8.36(f)(1), (2), and (3) as Rule 8.36(f)(1)(A), (B), and (C), respectively.

37 This is consistent with the proposed rule change discussed above that 100 binary KPI option contracts equal one standard option contract for purposes of determining compliance with Rule 8.30.

38 See Rule 10.3(m).

39 Binary KPI options will not be tied to the trading state of the underlying issuer stock and thus, trading in binary KPI options will not be affected by halts in the underlying issuer stock. The binary

which are designed to prevent fraudulent and manipulative acts and practices, will apply to the listing and trading of binary KPI 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 KPI options.

At launch, binary KPI options will be supported for electronic trading only and for complex orders[40]; FLEX and floor trading will not be available. The Exchange will support Automated Improvement Mechanism ("AIM") and Complex-AIM ("C-AIM") auctions as well as Complex Order Auctions ("COA") for binary KPI options at launch.[41] The Exchange will not apply Preferred Market-Maker ("PMM"), Designated Primary Market-Maker ("DPM"), or small-size order entitlement overlays at launch.[42]

With respect to order types and times-in-force, at launch, the Exchange will support limit orders[43] with Time-in-Force of Day or Immediate-or-Cancel ("IOC"). With respect to order instructions,[44] the Exchange will support the following at launch: Attributable and Non-Attributable; Book Only; Cancel Back; orders marked with Match Trade Prevention identifiers ("MTPs") Cancel Newest ("MCN"), MTP Cancel Oldest ("MCO"), MTP Decrement and Cancel ("MDC"), MTP Cancel Both ("MCB"), MTP Cancel Smallest

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KPI options will halt in accordance with current Exchange Rules, including Rules 5.20 and 5.22.

40 Complex order functionality will apply to binary KPI options in the same manner as all other options that trade on the Exchange, as described in Rule 5.33 (this will include the ability to leg into the simple Book).

41 As per current rules, the Exchange may designate binary KPI options eligible for additional auction types in the future. See, e.g., Rule 5.39 (Solicitation Auction Mechanism ("SAM" or "SAM Auction")), Rule 5.40 (Complex Solicitation Auction Mechanism ("C-SAM" or "C-SAM Auction")), Rule 5.35 (Step Up Mechanism ("SUM")).

42 See Rule 5.32(a)(2).

43 See Rule 5.6(b) for definition of "limit order".

44 See Rule 5.6(c) for definitions of order instructions.

("MCS"); Minimum Quantity; Post Only[45]; Price Adjust; Reserve; and Stop-Limit. All other order types, order instructions, or times-in-force will not be supported at launch; however, per current Rule 5.6, the Exchange may determine to support additional order types, order instructions, or times-in-force on a class-by-class basis. Consistent with current practice, if the Exchange modifies the applicability of any functionality or order instructions for binary KPI options, it will notify TPHs in accordance with Rule 1.5(a) (such as by Exchange notice).

The Exchange will send quotation and transaction price information for binary KPI options to The Options Price Reporting Authority ("OPRA") in the same manner it sends this information to OPRA for all other options the Exchange lists. Additionally, the Exchange understands from OPRA that it will disseminate information regarding binary KPI options in the same manner it does for all other options the Exchange lists. The Exchange intends to follow OPRA's standard capacity monitoring process for binary KPI options (in accordance with OPRA instructions), which includes submission of quarterly capacity projections (the Exchange will include its projected binary KPI option volume in the applicable submission). Further, the Exchange understands from OPRA that no technical changes are required to accommodate the reporting to OPRA of quotation and transaction information regarding binary KPI options (the Exchange represents, if later required by OPRA, it will adhere to any new technical requirements OPRA deems

45 The Exchange intends to make the Post Only instruction available as it understands Market-Makers use this instruction on their quotes so those quotes do not trade against resting interest (Rule 5.5(c)(3)(A) requires quotes (i.e. bulk messages) to be designated as Post Only or Book Only). Market-Makers generally send quote updates regularly and frequently, as their quoting systems update quotes to reflect market factors. The Post Only instruction eliminates the risk that one Market-Maker's quote update would execute against, for example, another Market-Maker's quote update that another Market-Maker may have sent but has not yet reached the Book. The Post Only instruction ultimately supports Market-Maker's primary function, which is to add liquidity to the Book.

necessary to accommodate binary KPI options).[46] The Exchange does not believe 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. Certain provisions of the OPRA Plan regarding voting if there is a tie in a Management Committee vote, as well as the allocation of costs and resources, relate specifically to volume cleared at OCC. The Exchange will take steps necessary and within its authority to amend these provisions of the OPRA Plan to reflect all listed options volume cleared by any registered clearing agency, including volume that will be cleared by Cboe Clear U.S. LLC ("CCUS") (as discussed below).

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply the same program procedures to binary KPI options the Exchange applies to its other options products. 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, Inc. ("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

46 The Exchange understands OPRA may need to update how it disseminates open interest information for binary KPI options, as its current process incorporate information from OCC. The Exchange and CCUS are working with OPRA to implement a process to provide OPRA with binary KPI option open interest so OPRA may incorporate it into its dissemination process.

surveillance that are common to rules of all options exchanges.[47] All options exchanges are also parties to the Options Regulatory Surveillance Authority plan under Regulation NMS Rule 608, pursuant to which FINRA conducts options-related insider trading surveillance, investigations, and enforcement for the U.S. options markets. 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 KPI options, including cooperation with FINRA to implement insider trading surveillances to incorporate the unique characteristics of binary KPI options. The Exchange will report any information regarding binary KPI options required to be reported to the Consolidated Audit Trail ("CAT") in the same manner it reports this information to CAT for all other options the Exchange lists.[48] The Exchange understands from FINRA CAT — the administrator of the CAT — that no technical changes are required to accommodate the reporting to CAT of information regarding binary KPI options (the Exchange represents, if later required by

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47 Section 19(g)(1) of 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.

48 CAT reporting requirements will apply to broker-dealers with respect to binary KPI options in the same manner as they apply to any other options the Exchange lists. The Exchange understands from FINRA CAT there will be no changes to the reporting specifications for broker-dealers to accommodate the reporting of information regarding binary KPI options to CAT.

FINRA CAT, it will adhere to any new technical requirements FINRA CAT deems necessary to accommodate binary KPI options).

Pursuant to the Options Order Protection and Locked/Crossed Market Plan ("Linkage Plan"),[49] participant exchanges to the Linkage Plan established a framework to provide order protection. The Linkage Plan (and Exchange Rules 5.65 through 5.67 regarding intermarket linkage) applies during all trading sessions during which multiply listed options trade. Rule 5.36 addresses order routing away from the Exchange to promote compliance with the Linkage Plan. If the proposed binary KPI options become multiply listed options, Users may designate an order for routing (or not available for routing), and the Exchange System is designed to, at all times, prevent trade-throughs and avoid displaying locked/crossed markets in accordance with the Linkage Plan (and Exchange Rules 5.65 through 5.67 regarding intermarket linkage).

Upon launch, binary KPI options will clear through CCUS. CCUS is seeking temporary registration as a registered clearing agency under Section 17A of the Securities Exchange Act of 1934 (the "Act") and to update its rules to accommodate the clearing of binary KPI options. Additionally, the Exchange is drafting an options disclosure document to describe the characteristics and risks associated with the trading of binary options, including binary KPI options, in accordance with Rule 9b-1 under the Act.[50] In connection with the clearing of binary KPI options through CCUS, the Exchange will submit a separate

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[49] The Linkage Plan requires U.S. options exchanges to establish a framework for providing order protection and addressing locked and crossed markets in eligible options classes. The Linkage Plan is a national market system plan approved by the Commission pursuant to Section 11A of the Act and Rule 608 thereunder. The full text of the Linkage Plan is available at https://www.theocc.com/getcontentasset/7fc629d9-4e54-4b99-9f11-c0e4db1a2266/dfc3d011-8f63-43f6-9ed8-4b444333a1d0/options_order_protection_plan.pdf.

[50] 17 CFR 240.9b-1.

rule filing to reflect that these options will be cleared initially by CCUS (as the Rules currently contemplate clearing through The Options Clearing Corporation (the "OCC")). Further, the Exchange understands FINRA will need to submit a separate rule filing to similarly reflect the clearance of options through CCUS (and potentially make other changes to contemplate the trading of binary KPI options). The Exchange represents it will not list for trading binary KPI options until all applicable filings and documents of CCUS and FINRA related to binary KPI options being cleared through CCUS are approved by the Commission or effective after review by the Commission, as applicable.

The Options Listings Procedure Plan (the "OLPP") sets forth procedures to facilitate the listing and trading of standardized options. This plan currently describes procedures with respect to options issued by and cleared at OCC. The Exchange will take steps necessary and within its authority to amend the OLPP to reflect listing procedures applicable to options that will cleared by CCUS, including binary KPI options.

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.[51] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[52] 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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[51] 15 U.S.C. 78f(b).

[52] 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)[53] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

Binary KPI Options Are Securities

As an initial matter, the Exchange believes that the binary KPI options proposed herein are "securities" under the Act.[54] The Act defines the term "security" to include "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)."[55] As discussed above, the Commission has already approved Exchange Rules addressing binary options that are based on securities indexes, and the binary KPI options will operate in substantially the same manner as these binary options but with a different underlying. Moreover, the reasons previously articulated by the Commission when determining that credit default options ("CD options") are securities and approving CD options to be listed on the Exchange apply to the binary KPI options as well.[56]

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53 Id.

54 For the same reasons discussed herein, the Exchange believes the binary KPI options contracts are also "securities" under the Securities Act of 1933, as amended. See 15 U.S.C. 77b(a)(1).

55 15 U.S.C. 78c(a)(10). See also Caiola v. Citibank, N.A., New York, 295 F.3d 312, 325 (2d Cir. 2002), quoting United Housing Foundation v. Foreman, 421 U.S. 837, 848 (1975) ("In searching for the meaning and scope of the word 'security' . . . the emphasis should be on economic reality").

56 See Securities Exchange Act Release No. 55871 (June 6, 2007), 72 FR 32372 (June 12, 2007) (SR-CBOE-2006-84) (order approving the Exchange's proposal to adopt CD options) ("CD Options Approval").

Like the previously approved binary options and CD options, the binary KPI options contracts proposed herein satisfy the definition of "security" in the Act because they are options that are "based on the value [of a security or securities] or "any interest therein."[57] The proposed KPIs, including net income, net sales, net interest income, provision for credit losses, and specified expense metrics, are recognized by investment professionals and analysts as among the most significant inputs into the valuation of an issuer's stock; therefore, a binary option with such an underlying KPI is based on the value of the security to which the KPI relates. As the CFA Institute has observed, fundamental financial metrics (including revenue, earnings, and net income) serve as the primary inputs to equity valuation models used by investment professionals to determine the intrinsic value of a company's shares.[58]

The proposed rule change would apply to certain KPIs — primarily financial metrics such as revenue, earnings and income — of specified issuers that are disclosed in required Commission reports (i.e., those reports that provide investors with information about the issuer that the issuer considers to be material to making an investment decision

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57 The Commission has confirmed on numerous occasions that the term "security" includes options that are based on the value of securities or that are interests in securities. See, e.g., CD Options Approval, at 32376-77 (concluding that CD options "are options 'based on the value [of a security or securities]' and, therefore, securities" and that credit default options "are options on an 'interest in," or based on the value of an interest in, a security or securities within the meaning of Section 3(a)(10) of the Act") (brackets in original); In the Matter of EZTD, Securities Exchange Act Rel. No. 79292 (Nov. 10, 2016) (finding that "[a]ll of the binary options that EZTD offered and sold to U.S. customers, however, are options based on the value of a security or index of securities, and thus are securities under the [definitions in the Securities Act and the Exchange Act]").

58 See, e.g., discussion in CFA Institute Member Survey Report, 2018, available at https://www.cfainstitute.org/sites/default/files/-/media/documents/survey/key-performance-indicators-survey.pdf and May 1, 2025 Comment letter on FASB Invitation to Comment - Financial Key Performance Indicators for Business Entities (file reference no: 2024-ITC100): https://rpc.cfainstitute.org/sites/default/files/docs/comment-letters/fasb-financial-kpis-itc-response.pdf ("Alternative performance measures (APMs), which include Financial KPIs and non-financial KPIs (e.g., same-store sales, average revenue per user) are of such importance that investor organizations have proposed a dedicated standard setting board for them." p. 2.)

with respect to that issuer's securities). These KPIs are disclosed in earnings-related filings submitted to the Commission because they are material to investors in evaluating the value of the underlying stock. Indeed, the Commission noted in its recent proposal to permit issuers to submit semiannual reports rather than quarterly reports that "[i]n addition to protecting investors, greater availability of material information allows securities prices to better reflect their issuers' fundamental value and ultimately promotes capital formation as issuers have access to lower cost of capital and investors in those issuers' securities have access to higher liquidity."[59] Therefore, the Commission recognized that the value of securities is based, in part, on material information — such as KPIs disclosed in earnings-related filings. A binary option whose payoff is contingent on whether an issuer achieves one of the KPI thresholds identified in the proposed rule change is therefore an instrument whose payoff depends on information that directly influences the intrinsic value of the issuer's security and that the market uses as a basis for pricing the security itself. An option that is based on one or more of the proposed KPIs is, therefore, "based on the value of" that issuer's security within the meaning of the Act.

The binary KPI options the Exchange is proposing to use as underlyings those KPIs for certain public company issuers that are (i) included in those issuers' financial reports filed with the Commission and (ii) important to a determination of the value of the issuers' stock. Issuers frequently include KPIs and metrics material to the financial condition and results of operations of the company in reports and registration statements filed under both the Act and the Securities Act as part of the disclosure requirement in Management's

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[59] See Semiannual Reporting, Securities Exchange Act Release No. 105368, at 66 (May 5, 2026).

Discussion and Analysis of Financial Condition and Results of Operations ("MD&A").[60] The relevant obligation "requires disclosure of information not specifically referenced in the item that the company believes is necessary to an understanding of its financial condition, changes in financial condition and results of operations," which can include KPIs.[61] In providing guidance to issuers on the use of KPIs in their MD&A disclosure, the Commission observed that "[w]hen proposing the current MD&A framework, the Commission noted that '[f]or each business, there is a limited set of critical variables which presents the pulse of the business.'"[62] Due to their importance, certain KPIs directly inform an investor's assessment of the valuation of an issuer's stock.[63]

To qualify as a "security" under the Act, an option need not be restricted only to referencing the specific dollar value of a security. When approving the Exchange's listing of CD options, the Commission concluded that the CD options were "securities" even though the CD options "do not share every feature of a classic option."[64] In determining that CD options are "based on the value [of a security or securities]" and, therefore, that

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60 See, e.g., Item 303 of Regulation S-K. 17 CFR § 229.303. "The objective of the discussion and analysis is to provide material information relevant to an assessment of the financial condition and results of operations of the registrant including an evaluation of the amounts and certainty of cash flows from operations and from outside sources," and the MD&A discussion and analysis "must be of the financial statements and other statistical data that the registrant believes will enhance a reader's understanding of the registrant's financial condition, cash flows and other changes in financial condition and results of operations." Id.

61 See Commission Guidance on Management's Discussion and Analysis of Financial Condition and Results of Operation, Securities Exchange Act Release No. 88094 (Jan. 30, 2020).

62 Id.

63 For example, in responding to a November 2024 request for comment by the Financial Accounting Standards Board regarding financial KPIs for business entities, the CFA Institute submitted a comment letter on behalf of its members, answering the question "How often do you use Financial KPIs in your analysis?" with an answer of "All the time." Supra at n. 48.

64 CD Options Approval at 32375 n.34. The Commission specifically noted that "the fact that the payout of a cash-settled option will not increase or decrease based on the price movement of the underlying security of that option is not dispositive." Id. at 32375.

they are securities, the Commission stated that CD options "expressly reference in their payout conditions a term of an underlying security that is material to the value of that security."[65] This is also the case with the binary KPI options identified in the proposal: the KPIs selected are "material to the value" of a particular security, and payouts of binary KPI options are conditioned on those terms. Indeed, the nexus between the proposed KPIs and the value of the underlying security is, if anything, more direct than in the case of CD options. Whereas CD options reference a credit event (a contingency that may or may not affect the market value of the reference security depending on recovery rates and market conditions), binary KPI options reference the issuer's actual reported financial or operating performance, and are the metrics investors consider when determining the value of a stock. Unlike an exogenous event that merely holds the potential to trigger potential financial consequence for a security, each of the proposed KPIs (whether measured at the consolidated or segment level) ultimately constitutes a material component of the issuer's financial results that itself forms the basis for investors' measurements of a company's (and its stock's) intrinsic value.

Certain KPIs in the proposal (including, for example, those based on earnings per share), also result in those binary KPI options being options based on an "interest in," or based on the value of an interest in, a security or securities within the meaning of Section 3(a)(10) of the Act. In the CD Options Approval, the Commission observed that "[a] security is a collection of rights (and obligations) running between the issuer and the holder of the security" and that "[t]he concept of an 'interest in' a security plainly includes rights generating a pecuniary interest in a security, such as the right to a dividend payment

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65 Id. at 32376.

or bond (coupon) payment."[66] The Commission stated that, for CD options, it was "important to note that merely because the option does not transfer ownership of the interest or right in a security — but instead becomes in-the-money and provides a cash payment if certain security rights are triggered — does not mean the option is not on an interest in a security."[67] Similarly, each binary KPI option proposed herein provides a cash payout based on the disclosed KPI, some of which are directly tied to a pecuniary interest in a security, such as earnings per share (which represents the holder's pro rata claim on the issuer's profits and is the basis for both dividend distributions and earnings-driven appreciation in the value of the security), and others of which are indirectly tied to the pecuniary interest of a security, such as the issuer's net revenue and income, which determine the issuer's capacity to generate returns for security holders. A stockholder's pecuniary interest in a security is not limited to contractual payment rights (such as declared dividends) but encompasses the right to benefit from the issuer's earnings capacity, as reflected in the market price of the security. Binary KPI options based on earnings metrics therefore reference a core component of the stockholder's pecuniary interest.

Although the Act does not separately define the term "option," the CEA's definition of "option" lends further support to the classification of binary KPI options as securities. The CEA defines "option" as "an agreement, contract, or transaction that is of the character of, or is commonly known to the trade as, an 'option', 'privilege', 'indemnity', 'bid', 'offer', 'put', 'call', 'advance guaranty', or 'decline guaranty'."[68] This functional definition

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66 Id.

67 Id. at n.46.

68 7 U.S.C. 1a(36).

focuses on the character of the instrument and common usage rather than formal labels, and the binary KPI options proposed herein exhibit the defining characteristics of the previously Commission-approved binary options through standardized terms established by the Exchange: the nature of the underlying interest, the settlement method, the multiplier, the settlement style of the option, whether the option has automatic exercise provisions, the expiration date, and the exercise price. Specifically, binary KPI options are associated with an underlying KPI as designated by the Exchange. The Exchange establishes these options as cash-settled (the settlement method) that are European-style (the style of the option) that will be automatically exercised if the requirements for exercising the option have been met. Binary KPI options have a multiplier of one. As is the case for all other options listed on the Exchange, each binary KPI option will include an expiration date and a strike price in accordance with the proposed Rules. As such, the binary KPI options contracts are appropriately categorized as standardized options. Notably, as further discussed below, the binary payout structure does not transform these instruments into event contracts or swaps even though binary KPI options would likely meet the definition of "security-based swap"[69] (but would, therefore, still be "securities" subject to the Commission's jurisdiction[70]) if they were not excluded from the definition of "swap."[71] The Commission has previously approved binary options with all-or-nothing payouts, including binary index options, for listing on the Exchange, as securities options. The distinguishing feature is not the shape of the payout curve but rather the nature of the

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69 The term "security-based swap" is defined in the Act, and that definition is incorporated by reference into the CEA. See 15 U.S.C. 78c(a)(68) (defining the term); 7 U.S.C. 1a(42).

70 Security-based swaps are "securities" under the Act. See 15 U.S.C. 78c(a)(10).

71 See 7 U.S.C. 1a(47)(B)(iii).

underlying interest: where the underlying is a security, an interest therein, or based on the value thereof, the instrument is a securities option regardless of whether its payout is variable or binary.

The OCC's Options Disclosure Document ("ODD") includes the characteristics above in the list of standardized terms of options generally.[72] More specifically, the ODD attributes these same characteristics to binary options. Although the ODD defines an option generally as "the right to buy or sell a specified amount or value of a particular underlying interest at a fixed exercise price by exercising the option before its specified expiration date," it notes that cash settlement does not preclude an instrument from being an option: "Certain special kinds of options may give a right to receive a cash payment if certain criteria are met."[73] More specifically, the ODD describes binary options as follows: "A binary option is a cash-settled option having only two possible payoff outcomes: either a fixed amount or nothing at all . . . The binary options approved for trading are all subject to automatic exercise. The holder of a binary option . . . has the right to receive (and the writer of a binary option has the obligation to pay) the exercise settlement amount for the option if the value of the underlying interest as of the time specified by the applicable listing options market (i.e., the exercise settlement value) meets the criteria for automatic exercise of the option, as specified in the rules of the listing options market. If those criteria are not met, the option will expire worthless. . . . binary options are European-style

[72] See Characteristics and Risks of Standardized Options, Options Clearing Corporation at 3 (June 2024) ("ODD"). The ODD was amended to add disclosure on binary options in June 2008. See Securities Exchange Act Release No. 57744, 73 FR 25072 (May 6, 2008).

[73] ODD at 3.

options."[74] Accordingly, the binary KPI options proposed herein have the character of binary options and are commonly understood to function as such.

Moreover, the Exchange emphasizes that the "based on the value of" analysis does not depend on a generalized statistical relationship between KPIs and stock prices in the aggregate, but rather on the demonstrated materiality of each specific KPI to the specific issuer's stock for which binary KPI options are proposed. Under the proposed rules, the Exchange will designate the applicable KPI and the relevant reporting period at the time of listing. This issuer-specific designation ensures that the Exchange has determined, prior to listing, that the particular KPI is material to the valuation of the respective issuer. Critically, the Exchange's materiality determination is not made in isolation; it is corroborated by reporting requirements or the issuer's own judgment. An issuer's inclusion of a KPI in its earnings-related filings — if the metric is not otherwise required by regulation to be included — reflects the issuer's independent determination, made subject to the officer certifications required under the Sarbanes-Oxley Act of 2002, that such metric is necessary for investors to understand the issuer's financial condition and results of operations, and is therefore material to an investor's valuation of the issuer's securities. The issuer's disclosure decision thus constitutes a determination by the issuer itself that the KPI is material to the value of its stock.

Additionally, treating the binary KPI options proposed herein as securities is consistent with the position taken by the Commission and the U.S. Commodity Futures Trading Commission ("CFTC") in the 2012 joint rulemaking[75] further defining "swap" and

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[74] Id. at 8.

[75] See, e.g., Further Definition of "Swap," "Security-Based Swap," and "Security-Based Swap Agreement"; Mixed Swaps; Security-Based Swap Agreement Recordkeeping, Securities Exchange

"security-based swap," in which the Commissions stated that the "swap" and "security-based swap" definitions were not intended to capture existing options products and that securities options, including exchange-traded equity options and listed index options, remain subject to the existing Commission options regulatory regime and are not reclassified as swaps or security-based swaps.[76] Importantly, the Commission further cautioned against an overly broad application of the swap definitions where an instrument does not functionally operate as a swap.[77]

The definition of "security-based swap" in the Act is broad enough to include binary KPI options if they are "swaps"; however, because the binary KPI options are options, they are not "swaps" or "security based swaps."[78] This is because the CEA expressly excludes from the definition of "swap" "any put, call, straddle, option, or

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Act Release No. 67453, 77 FR 48208 (August 13, 2012).

76 See id., at 48211 (noting that the definitions of "swap" and "security-based swap" "could be read to include certain types of agreements, contracts, and transactions that previously have not been considered swaps or security-based swaps, and nothing in the legislative history of the Dodd-Frank Act appears to suggest that Congress intended such agreements, contracts, or transactions to be regulated as swaps or security-based swaps under Title VII"). The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law in July 2010 and added definitions of "swap" and "security-based swap" into the CEA and the Act. See Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203, 124 Stat. 1376 (2010). The Exchange notes that binary options (on SPX from April 21, 2010 to January 16, 2015; and on VIX from April 21, 2010 to August 16, 2017) and credit default options (from June 19, 2007 to October 2008 and April 26, 2011 to December 26, 2014) were traded as standardized options on the Exchange after the Dodd-Frank Act was adopted.

77 See supra note 75; see also 77 FR 48208, at 48211 ("Title VII also calls on the agencies to treat functionally or economically similar products or entities in a similar manner, but does not require identical rules."). Section 712(d)(1) of the Dodd-Frank Act provided that the CFTC and the SEC, in consultation with the Board of Governors of the Federal Reserve System, shall jointly further define the terms "swap," "security-based swap," and "security- based swap agreement." Section 712(a)(7)(A) of the Dodd-Frank Act further provides that "[i]n adopting rules and orders under this subsection, the [CFTC] and the [SEC] shall treat functionally or economically similar products or entities described in paragraphs (1) and (2) in a similar manner."

78 The definition of "security-based swap" generally includes "any agreement, contract or transaction that is [a swap and is] based on . . . the occurrence, nonoccurrence, or extent of the occurrence of an event relating to a single issuer of a security or the issuers of securities in a narrow-based security index, provided that such event directly affects the financial statements, financial condition, or financial obligations of the issuer." 15 U.S.C. 78c(a)(68)(A)(ii)(III).

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 and the Exchange Act]."[79] Pursuant to this exclusion, if an instrument qualifies as a securities option under the Act and the Securities Act (as the Exchange believes the proposed binary KPI options do), it is categorically removed from the swap and security-based swap definitions as a matter of statutory construction. Put another way, because security-based swaps are, by definition, a subset of swaps, an option that falls within the definition of "security" in the Act and the Securities Act is excluded from the definition of "swap" and, thus, cannot, as a matter of statutory construction, be a security-based swap.[80]

Classifying binary KPI options as securities options under the Act is consistent with the Commission's established regulatory framework for binary options, including investor protection objectives, and preserves the integrity of antimanipulation restrictions, insider trading prohibitions, and material nonpublic information controls. More specifically, because these contracts are tied to Commission disclosure rules and regulations and material nonpublic information ("MNPI") risks that are substantially identical to those

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79 7 U.S.C. 1a(47)(B)(iii).

80 In the recent "Statement on Tokenized Securities" published jointly by the Division of Corporation Finance, the Division of Trading and Markets, and the Division of Investment Management, the interplay of the statutory definitions of "security," "swap" and "security-based swap" was laid out plainly as follows (footnotes omitted, emphasis added):

The assessment of whether a financial instrument is a security-based swap or a linked security depends, in part, on the exclusions from the definition of "swap." There are several exclusions from the definition of "swap" relating to securities. To the extent a financial instrument falls into one of these exclusions, it is not a swap and, therefore, is not a security-based swap. For example, any note, bond, or evidence of indebtedness that is a security, as defined in Section 2(a)(1) of the Securities Act, is excluded from the definition of swap. *Similarly, 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 and the Exchange Act, is excluded from the definition of swap*.

SEC Division of Corporation Finance, Division of Investment Management, Division of Trading and Markets, *Statement on Tokenized Securities* (Jan. 28, 2026).

present in traditional securities trading, aligning binary KPI options with the securities regulatory framework preserves the integrity of insider trading prohibitions and the Commission's disclosure regime. Listing binary KPI options on a registered national securities exchange subjects trading activity to SRO and Commission surveillance for, among other things, manipulative trading and insider trading, affording investors the full protections of the federal securities laws. Further, classifying binary KPI options as security options under the Act allows these contracts to be offered by the same liquidity providers that offer listed options today, all of whom are Commission-registered and regulated broker-dealers who are also subject to FINRA and exchange SRO oversight, and allows such contracts to be traded by the same retail customer base that trade binary options (and KPI-related contracts) today.

Proposal

The Exchange believes the proposal is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section 6(b)(5) of the Act,[81] in particular, in that it is 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 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.

Specifically, the Exchange believes the proposed rule change 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 because it establishes a

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[81] 15 U.S.C. 78f(b).

clear and transparent framework for a new category of listed options (binary KPI options) that are tied to financial and operating metrics of issuers that are publicly disclosed in required Commission reports. Currently, investors wishing to position their investment strategies around earnings announcements must rely primarily on equity options, whose pricing is affected by a wide range of variables beyond the reported financial or operating measure of interest (e.g., implied volatility, delta, time value, and general market movement). Binary KPI options allow investors to take a targeted, defined-risk position directly on a specific financial or operating measure (i.e. a KPI) for a particular reporting period. The Exchange believes this additional investment tool will protect investors and the public interest because it will promote market efficiency, enable more precise price discovery around earnings events, allow investors to hedge against potential idiosyncratic risks, and remove a gap in current national securities exchange-listed products available to market participants.

The Exchange believes the proposed list of issuers and KPIs on which the Exchange may list binary KPI options will prevent fraudulent and manipulative acts and practices, 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. First, as noted above, the Exchange is proposing to list binary KPI contracts based on specific financial and operating metrics reported by the following issuers in their earnings-related disclosures submitted to the Commission: Apple, Inc.; Advanced Micro Devices, Inc.; Alphabet Inc.; Amazon.com, Inc.; Bank of America Corporation; Citigroup Inc.; Coinbase Global, Inc.; Ford Motor Company; Intel Corporation; JPMorgan Chase & Co.; Marathon Digital Holdings, Inc.; Meta Platforms, Inc.; Microsoft Corporation; Netflix, Inc.; NVIDIA

Corporation; Palantir Technologies Inc.; SoFi Technologies, Inc.; Space Exploration Technologies Corp.; Super Micro Computer, Inc.; Target Corporation; Tesla, Inc.; and The Walt Disney Company. The Exchange believes offering investors an additional investment tool on a national securities exchange related to some of the most actively traded stocks and options will perfect the mechanism of a free and open market and benefit investors by allowing them to further refine their investment strategies, including using these options to hedge idiosyncratic, even-specific risk embedded in the specific KPIs (as further discussed below), for these actively traded companies.

The Exchange believes the proposed universe of issuers will prevent fraudulent and manipulative acts and practices, because the proposed issuers are large, well-capitalized, and widely followed issuers with highly liquid underlying securities and options markets. During May 2026, each of the issuers exceeded $3 billion in market capitalization and ranked among the top 200 U.S. companies by average daily options or stock volume, with the exception of Space Exploration Technologies Corp (commonly referred to as SpaceX), which had not been trading for a full calendar month but which the Exchange believes will satisfy these measures with its first month of trading results based on its volumes since it began trading.[82] Securities with high market capitalizations and liquid markets are generally less susceptible to manipulation because of the substantial capital required to artificially influence prices of those securities. The depth and breadth of trading activity for securities with significant market capitalizations, such as the stocks of the proposed issuers, make it unlikely that a single market participant would be able to exert undue

[82] The ADV of SpaceX stock between June 12 and June 22, 2026 was approximately 290,009,963 shares. The market capitalization of SpaceX as of June 22, 2026 was $2.145 trillion.

influence on the price of such a stock, as large volumes of buyers and sellers are what ultimately continuously reflect the true market value of the stock. The Exchange believes the KPIs of issuers with high market capitalizations proposed to underlie binary KPI options are similarly less susceptible to manipulation because any attempt to distort a financial metric of such an issuer would require an enormous and economically impractical deployment of capital, which would likely exceed the fixed payout of a binary KPI option. Therefore, like stocks of large-cap issuers, KPIs of large-cap issuers are less susceptible to manipulation due to the structural barriers that would make manipulating KPI values operationally difficult and financially irrational (in addition to the rigorous financial oversight to which these issuers are subject, as further discussed below).

In addition to the proposed issuers being highly capitalized and having actively traded stocks and options on such stocks, the Exchange also believes the proposed limited universe of issuers for binary KPI options to those proposed will prevent fraudulent and manipulative acts and practices because each issuer is subject to periodic reporting requirements under the Act. Therefore, each of the proposed issuers must file annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K with the Commission, which as discussed above disclose information the issuer believes is necessary for an investor to understand its financial condition, changes in financial condition and results of operations, which can include KPIs. Further, each issuer maintains audited financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") and is subject to executive certification requirements under the Sarbanes-Oxley Act. As a result, the settlement-determining KPI values for each eligible issuer are produced within the Commission's supervisory jurisdiction, are publicly verifiable from a Commission-regulated source and are subject to relevant anti-fraud provisions under the Act, which the Exchange believes will reduce the potential for manipulation of the underlying KPIs as well as the applicable issuer's stock.

Further, the Exchange believes the proposed limited universe of issuers will introduce binary KPI options in a well-developed, well-understood, and transparent Commission-regulated market environment. Each issuer is among the most widely followed, actively traded, and extensively analyzed issuers in its respective sector, with deep and liquid equity and derivatives markets and a broad institutional and retail investor base. The depth of existing market activity surrounding these issuers supports fair and orderly pricing by ensuring that binary KPI options are listed in markets where price discovery is well-established, liquidity is readily available, and participants have broad access to the information necessary to form and express informed views on KPI outcomes. The Exchange believes the continuous public scrutiny to which these issuers are subject substantially reduces the likelihood that any market participant could obtain or maintain an informational advantage sufficient to manipulate the settlement value of the binary KPI options.

The Exchange believes the proposed KPI metrics will similarly prevent fraudulent and manipulative acts and practices, 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. The Exchange's proposal limits eligible KPIs to GAAP and non-GAAP measures and other statistics related to an issuer's financial condition and operational results, all of which the proposed issuers disclose in their earnings-related filings (i.e., Forms 8-K, 10-Q, and 10-K) submitted to the Commission. As such, the settlement values of the proposed binary KPI options are derived exclusively from information that issuers deem as material information required to be disclosed in reports submitted to the Commission. These metrics are routinely referenced and tracked in the investment community and are figures that the market recognizes as a meaningful and central indicator of issuer performance. The Exchange believes that the inclusion of well-established metrics as eligible KPIs expands the value of binary KPI options for investors without compromising the integrity of trading processes, including the settlement process.

The proposed KPI metrics are among the most widely followed and extensively analyzed measures for the proposed issuers. Specifically, the Exchange proposes to be able to list a binary KPI option on earnings per share (prepared in accordance with GAAP) for each proposed issuer. This metric is among the most widely followed and extensively analyzed figures in public company financial disclosure and is disclosed in each issuer's periodic Commission filings. Similarly, the Exchange proposes to list binary KPI options on revenue, prepared in accordance with the applicable GAAP, for each issuer. As is the case for earnings per share, revenue is a widely followed financial metric for publicly reporting companies and is the subject of extensive analyst coverage.

The Exchange proposes KPIs representing revenues broken out by appliable reportable segment, business unit, or product category, including cloud and artificial intelligence infrastructure revenues, streaming and geographic subscription revenues, automotive segment revenues, financial services segment revenues, consumer product category revenues, and digital asset exchange transaction and subscription revenues, among others, for several of the proposed issuers. Each such metric is a GAAP-defined figure required to be disclosed in the issuer's periodic Commission filings. The Exchange understands these metrics enable market participants to express views on specific high-profile business lines that are extensively covered by analysts and subject to a high volume of publicly available forecasts.

The Exchange proposes KPIs for the proposed financial institution issuers that are specific to financial institution income statement presentation, including net interest income, provision for credit losses, and net income. Each such metric reflects the distinct GAAP reporting framework applicable to banking institutions and is subject to the same periodic disclosures as other proposed KPIs.

The proposed rule change also includes operating margin, gross margin, or cash flow from operations KPIs for several issuers, each of which is computed directly from GAAP financial statement line items disclosed in the issuer's periodic Commission filings. These metrics provide market participants with insight into issuer profitability and capital generation and complement other revenue and earnings figures when market participants are evaluating the value of an issuer and its stock.

The Exchange also proposes several non-financial operational KPIs that issuers disclosed in their periodic Commission filings, including relevant production volumes, network and infrastructure counts, user engagement metrics, deal counts, digital asset trading volume, and digital asset mining and holdings metrics. Each designated non-financial operational metric is closely tied to the core economic activity of the respective issuer's business and is a figure that the issuer has affirmatively chosen to disclose to the public as a key indicator of business performance. Issuers typically designate and disclose such metrics precisely because they are understood by the market to be among the most meaningful measures of their business activities. As discussed above, this is consistent with

Commission guidance that an issuer should include KPIs in these report that the issuer believes an investor needs to gain understanding of its financial condition, changes in financial condition and results of operations, as such KPIs present the "pulse" of the issuer's business. The market significance of these metrics is further reflected in the extensive analyst coverage and investor attention, particularly near each reporting date. Each metric is subject to executive certification as part of the periodic report in which it appears and is widely tracked by financial data services and equity research analysts.

Overall, the Exchange believes that the proposed well-established, publicly reported metrics as eligible KPIs will expand the value of binary KPI options for investors without compromising the integrity of trading processes, including the settlement process. As a result, the Exchange believes the proposed KPIs will protect investors and the public interest as it will permit the Exchange to offer investors additional investment and hedging tools on the Exchange that investors can incorporate into their investment strategies regarding the proposed issuers.

The Exchange believes the proposed contract terms for binary KPI options will promote just and equitable principles of trade, remove impediments to and perfect a free and open market and national market system, and protect investors. As discussed above, the Exchange believes the proposed contract terms for binary KPI options are standardized option terms. Like standard option contracts and binary index option contracts currently listed for trading on the Exchange, each proposed binary KPI option will be a call or a put, will have an underlying, exercise price, an expiration date, a settlement type, a settlement style, and a multiplier. As is the case for binary index options, each proposed binary KPI option will have an exercise settlement amount paid depending on how the settlement value of the underlying compares to the exercise price.

The proposed binary KPI options will function in a substantially similar manner as binary index options, with the proposed contract terms substantially similar to the contract terms of binary index options. The proposed definitions of binary KPI option, call binary KPI option, exercise price, and put binary KPI option are the same as those terms for binary index options (as previously approved by the Commission), differing only in reference to the underlying (KPI v. index).

The proposed definition of settlement value for binary KPI options is generally similar to the definition for binary index options (as previously approved by the Commission), with certain differences necessary to be addressed due to the different nature of a KPI as the underlying. While the definition of exercise settlement value in current Rule 4.16(a) (proposed Rule 4.70) allows the Exchange to determine the exercise settlement amount for binary index options, $1 is a permissible exercise settlement amount for those options; therefore, the proposed $1 exercise settlement amount for binary KPI options is not novel and is consistent with current Exchange Rules. The Exchange believes the proposed $1 exercise settlement amount is reasonable given the retail nature of the proposed binary KPI options and merely adds specificity to the Rules for binary KPI options. The Exchange notes binary KPI options differ from standardized index options (which are also cash-settled) in that the exercise settlement amount is $1.00 rather than the cash difference amount between the settlement value of the index and the strike price of an option. Since the $1.00 exercise settlement amount will be paid out to the option holder if the criteria of the binary KPI option have been met, binary KPI options utilize a fixed exercise settlement amount.

The Exchange believes the alternative settlement procedures of the Clearing Corporation described above are appropriate in that they establish a process to address an unexpected condition, taking into consideration fairness to both option writers and holders. By using this alternative exercise settlement amount, settlement will occur based on the market's last valuation of the binary KPI option. If the Clearing Corporation, with the assistance of the Exchange, determines that the last closing price is unreliable or inappropriate to use because the binary KPI option has not recently traded or traded with sufficient liquidity, the KPI will be deemed as not met and the binary KPI options will expire unexercised. The Exchange notes that alternative settlement procedures are not novel for options, and alternative settlement procedures vary based on option type.[83]

The Exchange proposes new Rule 4.81 to list the specific binary KPI contracts with the KPI criteria for each option contract. Such KPI criteria are established as the set KPI events that will be used to determine an option contract should be exercised by comparing the strike price of the binary KPI option to the KPI value. The Exchange believes these proposed contracts (including the issuers and KPIs) are consistent with the Act for the reasons set forth above.

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83 For example, for binary index options on indexes issued by OCC, OCC Rules provide for a determination process used when the underlying security price or index value is unreported, inaccurate, unavailable or inappropriate. The OCC determination process utilizes a panel to fix the value of the underlying interest to be used for expiration processing. This process differs from the proposed alternative settlement procedures for binary KPI options because the binary options issued by OCC depend solely on trading price or index value (unlike binary KPI options) and OCC Rules allow specific methods by which an underlying value may be determined for expiration processing if a trading price or value is not available. See OCC By-Laws, Article XIV, Section 5,

The Exchange believes the proposed expirations for binary KPI options will remove impediments to and perfect the mechanism of a free and open market and a national market system because they will align with the reporting periods for which the proposed issuers disclose earnings results and submit corresponding reports to the Commission. These expirations will, therefore, permit investors to incorporate binary KPI options into their investment strategies that correspond to issuers' earnings results. Further, as discussed above, the Exchange believes aligning expirations with Commission-regulated sources will reduce the potential for manipulation of the underlying KPIs, which will ultimately protect investors and the public interest.

The proposed rule change establishes a strike regime for binary KPI options similar to that for traditional options and binary index options. As is the case for traditional options and binary index options, the proposed rule change establishes permissible strike intervals, the amounts of which increase as the value of the strike increases. Additionally, the Exchange proposes to list initial and additional series pursuant to a similar framework as traditional equity options. The differences in the proposed strike regime compared to that of standard equity and index options are necessary and appropriate to reflect the static nature of KPIs (unlike underlying equities and indexes, the values of which change throughout the trading day) and the timing of their disclosure. As noted above, the Exchange intends to list binary KPI options aligned with the cadence of the KPI announcements as their expiration cycle (generally quarterly). The Exchange intends to list for trading binary KPI options with expirations for the then-current reporting period (e.g., third quarter) as well as the following period (e.g., fourth quarter) prior to the expiration of the binary KPI options for the then-current reporting period.

As the Exchange does for standard options, as well as binary index options, the Exchange lists strikes (subject to its Rules) based on relevant market information — including the then-current value of the underlying — and customer demand. As described above, the Exchange intends to do the same for binary KPI options by listing strikes relative to the then current value of the underlying KPI. The Exchange believes it is consistent with just and equitable principles of trade to permit the Exchange to list strikes for a new expiration based on the most recently disclosed KPI value, which may not be for the immediately preceding reporting period, and then add strikes based on the disclosed KPI for the immediately preceding reporting period (which would be the settlement value for binary KPI options that expire in the prior reporting period). This will enable the Exchange to respond to changes in market conditions in the same manner it is able to do today to respond to changes in values of (and market conditions related to) other underlyings. The Exchange believes this flexibility is appropriate for binary KPI options because the value of a KPI changes only when an issuer discloses that KPI, which generally happens every three months, unlike other underlyings that change every trading day. While this proposed strike listing regime differs from that of other options, the concept is the same, which is to permit the Exchange to list strikes reflective of the then-current value of the underlying. It is possible the changed value of an underlying KPI may be more sudden and pronounced than changes in the value of an underlying equity or index (which are susceptible to sudden value changes); however, like the listing rules for equity and index options, the proposed rules permit the Exchange to list strikes to reflect potentially significant changes in the value of the underlying.

The Exchange believes the proposed scaling of strike prices is reasonable and will protect investors, as it will permit the Exchange to list strike values in amounts similar to current strike values for other options. As noted above, values of certain KPIs may be large (e.g., in the billions). The proposed scaling will permit the Exchange, for example, to list a strike of 27 rather than 27,000,000,000, which the Exchange believes will be simpler for investors to understand (as it will be made clear that 27 will reflect billions in this example) and consistent with current strike levels. The proposed scaling also permits the strike prices for binary KPI options to fit within current system capabilities regarding strike price values. The Exchange believes scaling rather than modifying its systems (and potentially causing investors to modify their systems) will benefit investors by allowing them to trade binary KPI options in the same manner as they trade other options today.

The Exchange believes the proposed strike intervals promote just and equitable principles of trade because it will permit the Exchange to list commercially meaningful strikes that will permit investors to tailor their trading strategies with precision. The Exchange acknowledges the proposed strike intervals are smaller than those in current Rules for other types of options. However, the Exchange believes the precision is appropriate and necessary given the nature of KPIs and the proposed options. The purpose of binary KPI options is to permit investors to take discrete and precise positions on KPIs. Therefore, the Exchange needs the ability to list strikes with the precision necessary to permit investors to take these positions. For example, earnings per share is generally a relatively small number (under $10). While strike intervals for other options are limited to $0.50 intervals, that would not be meaningful in the context of binary KPI options when investors are looking to take positions for a specific KPI, which will be measured in penny intervals. Therefore, the Exchange believes smaller strike intervals will benefit investors because they will allow the Exchange to list binary KPI options that will enable investors to use these options in the precise nature for which they are intended and provide sufficient flexibility for the Exchange to list series to respond to changes in market conditions and customer demand, while other rules will place bounds around the strikes the Exchange may list.

Further, as discussed above, the proposed strike intervals are consistent with current rules for other options, which provide for larger strike intervals as the value of strike prices increases. Given the scaling factor for larger KPI values, while it may appear the proposed rule change will permit smaller strike intervals for larger KPI values, that may be true on a nominal basis but is not the case if the actual value of the strike intervals is considered. The corresponding actual value of the strike interval for a strike price that was subject to a larger scale value is higher than the actual value of the strike interval for a strike price that was subject to a smaller scale value. As a result, the permissible strike intervals for strike prices representing higher KPI values are actually larger than the permissible strike intervals for strike prices representing lower KPI values. This is consistent with general premise underlying current strike intervals that larger strike intervals apply to larger strike values and, therefore, the Exchange believes the proposed rule change will promote just and equitable principles of trade.

The Exchange believes this proposed rule change clearly describes the proposed terms of binary KPI options, such as with respect to expirations (including the Exchange's announcement of the specific expiration date after binary KPI options series for that expiration are listed) and exercise prices (including the scaling factor, negative values, and potential changes to that scaling factor for a binary KPI option class) for all investors. As discussed above, these terms and changes to such terms will be described in Exchange notices, technical specifications (including binary KPI option reference data files), and contract specifications (all of which are posted on the Exchange's public website and thus available to all investors). Exchange TPHs and retail brokerage firms are highly sophisticated investors that intake information regarding other Exchange-listed options (including changes) in the same manner that the Exchange plans to release this information for binary KPI options. As binary KPI options are intended as a retail-focused product, the Exchange understands from retail brokerage firms that binary KPI options will be displayed on the firms' user interfaces in a way that similarly makes the terms of the options clear to their retail customers.[84] Therefore, the Exchange expects retail customers to have access to all relevant information regarding the terms of binary KPI options they choose to trade, including changes to expiration dates and exercise price values as announced by the Exchange.

The proposed rule change specifies a multiplier of one for binary KPI options rather than require the Exchange to designate a multiplier of at least one as the rules for binary index options do. This proposed multiplier is consistent with the definition of contract multiplier for binary index options (as that requires a multiplier of at least one) and merely adds specificity to the Rules.

The Exchange believes proposed Rule 5.1(b)(3)(f), which establishes RTH for binary KPI options is consistent with the Act, protects investors, and prevents fraudulent and manipulative practices. The Exchange believes the proposed structure ensures that

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84 For example, the Exchange understands from retail brokerage firms they intend to display a binary KPI option of an issuer's earnings per share of -$2.47 to expire on the date on which the issuer announces its third quarter 2026 earnings results as a phrase, such as "will the issuer's loss per share for the third quarter of 2026 be more than (or less than) $2.47?".

trading in binary KPI options ceases before the earnings announcement that determines settlement. The distinction between A.M.- and P.M.-settled contracts mirrors the settlement terms already applicable to binary index options, as well as other Exchange products.

The Exchange believes proposed Rule 5.3(c)(3), which addresses bid and offer conventions for binary options with multipliers other than 100, will provide clarity and consistency in market quotations relative to the notional size of the option, promotes investor understanding of the cost and value of binary KPI option contracts. Therefore, the Exchange believes the proposed rule change is consistent with just and equitable principles of trade because it creates a pricing structure that reflects the notional value of an option based on its multiplier.[85]

The Exchange believes proposed Rule 5.31(d)(1)(D), which provides that for binary KPI options, the System initiates the opening rotation at 9:30 A.M., is consistent with the opening auction framework already applicable to other index options listed on the Exchange and ensures that binary KPI options open for trading in an orderly and transparent manner. The Exchange believes this provision removes impediments to a free and open market by applying the same proven opening process to binary KPI options that governs other listed options classes on the Exchange. Additionally, unlike equity options, for which the underlying opens for trading and can trigger the opening rotation, KPIs do not trade, so triggering the opening rotation based on a set time is reasonable for binary KPI options.

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[85] The Exchange notes that this proposal is consistent with the existing framework for adjusting bids and offers for mini- and micro-options under Rules 5(c)(1) and (2), respectively.

The Exchange believes excluding binary KPI options from the obvious error provisions in Rule 6.5 is consistent with the Act and promotes just and equitable principles of trade because the standard obvious error framework, which evaluates whether an execution price deviates from a "theoretical value" by a prescribed amount, is incompatible with the structure of binary KPI options. Binary KPI options have no continuously observable theoretical value (unlike equity and index options) prior to the date of the earnings-related disclosure. Rather, their exercise settlement amount is fixed at either a pre-specified dollar amount or zero, depending entirely on whether the reported KPI satisfies the exercise condition, which itself is based on a single, publicly verifiable metric, disclosed in Commission filings. Applying an obvious error framework premised on theoretical value calculations to a product with a binary, fixed payout would be technically inapplicable and could produce unjust or arbitrary results. Moreover, because settlement of binary KPI options is determined by issuer-reported metrics disclosed through Commission filings (i.e., figures produced pursuant to established accounting standards, subject to independent audit, and certified under the Sarbanes-Oxley Act), the settlement process is itself governed by a comprehensive external regulatory framework. The Exchange believes that establishing any alternative dispute mechanism in this context would be not only unnecessary, but potentially disruptive to market integrity, as it may introduce an element of post-hoc discretion into a settlement process that is expressly designed to be objective, verifiable, and rule-bound. Finally, the Exchange notes that pursuant to proposed Rule 5.34(d), the Exchange may apply a maximum execution price protection for binary KPI options on a class basis, pursuant to which any execution price for a binary KPI option above the Exchange-designated maximum execution price for that class is adjusted down to that maximum execution price. This protection provides an additional safeguard against executions at potential erroneous prices, further limiting the need for a separate obvious error provision applicable to binary KPI options, which the Exchange believes protects investors and the public interest. The Exchange accordingly believes that the non-applicability of Rule 6.5 to binary KPI options is a reasonable and justified product-specific accommodation that promotes orderly trading and clear, consistent treatment of transactions in these contracts.

The Exchange believes the proposed amendments related to position limits for binary KPI options are consistent with the Act because they establish a rational position limit framework for binary KPI options that protects against manipulation while facilitating legitimate trading activity in a novel product. The Exchange believes that setting the position limit for binary KPI options as the same as the applicable position limit for the stock of the issuer, with 100 binary KPI option contracts equaling one standard option contract, is appropriate. These position limits were previously approved by the Commission as consistent with the Act for standard equity options. Therefore, the Exchange believes these same limits are appropriate for binary KPI options for the related equities, as the Commission has ultimately determined that option positions on an equity (or in this case a financial or operating metric based on the value of an equity) up to that amount are unlikely to permit a single investor from influencing the value of that equity. As proposed, binary KPI options with a multiplier of one will count toward applicable limits on a proportional basis relative to standard equity options on the issuer's stock, which carry a multiplier of 100. This treatment is consistent with the position limits applied to other reduced-value options, such as micro-options (which also have a contract multiplier of one), for which Rule 8.31(f) provides that for purposes of determining compliance with the position limits under Rule 8.31, 100 micro-option contracts with an index multiplier of one equals one standard option contract with an index multiplier of 100. Because the proposed binary KPI options have a multiplier of one, while standard option contracts have a multiplier of 100, the notional value of a binary KPI option is significantly less than the notional value of standard option contracts. For example, 250,000 contracts with a value of $1.00 with a multiplier of 100 would equate to $2,500,000 notional value, while 250,000 binary KPI option contracts with a value of $1.00 (which is the fixed maximum value of a binary KPI option contract) with a multiplier of one would equate to $250,000 notional value. Counting 100 binary KPI contracts as one standard option contract for purposes of calculating compliance with position limits effectively calibrates these limits so that investors may hold positions in binary KPI options in an economically equivalent number of contracts they may hold in standard equity options. Therefore, the Exchange believes this proposed treatment is consistent with just and equitable principles of trade, as it counts option positions in a manner equivalent with their value.

The Exchange further believes the proposal is reasonable given the nature of binary KPI options and their relationship to the underlying issuer. Because binary KPI options have a fixed maximum notional value and settle on an all-or-nothing basis based on a KPI of the issuer rather than the price of the issuer’s stock as with a standard equity option, the Exchange believes the proposed position limits appropriately reflects the distinct structure of these contracts and limits the potential for any single market participant to exert undue influence over binary KPI option settlement. With respect to binary KPI options, the economic risk of a position is binary, in that the contract either settles in-the-money at

$1.00 or out-of-the money at $0.00. Additionally, with respect to binary KPI options, the maximum notional exposure per contract is fixed in advance; it cannot exceed $1.00 multiplied by the contract multiplier. Moreover, unlike stock prices or index values, binary KPI option positions would not influence a company's financial or operational outcomes; the number of option contracts outstanding or trading volume, for instance, has no effect on revenue or operational metrics.

Further, the Exchange's proposal to provide that positions in binary KPI options on the same KPI with different expiration dates and positions in binary KPI options for the same issuer with different underlying KPIs are not aggregated reflects the distinct structure of binary KPI options. Each binary KPI option expiration corresponds to a separate event tied to a specific issuer reporting period. Thus, the Exchange believes aggregating positions across different expiration dates would not accurately reflect the risk profile of these positions and would impose an unnecessary burden on market participants seeking exposure to company KPI events across different reporting periods. In determining that position limits should not be aggregated across all binary KPI options referencing a single issuer, the Exchange analyzed the degree to which KPIs of a given issuer are correlated with one another. Specifically, the Exchange performed a correlation analysis for each company set forth in proposed Rule 4.81(a), measuring the historical co-movement of each company's KPIs across the 16 most recent earnings releases (Q3 2022 through Q2 2026). Of the 223 KPI correlation pairs examined, 30 (approximately 13%) exhibit correlations above 0.90. The Exchange notes that many of these highly correlated pairs involve closely related measures, such as aggregate and segment revenue, where strong co-movement is expected and does not reflect an independent source of concentrated risk. Across the full sample, correlations indicate that the large majority of KPI pairs move substantially independently of one another across earnings periods. Thus, the Exchange believes issuer-level aggregate position limits are not warranted.

Similarly, the Exchange believes it is reasonable to provide that binary KPI options are not aggregated with non-binary options contracts overlying the stock of the issuer. Because binary KPI options and equity options overlying the same issuer have different risk profile (i.e., binary KPI options settle based on a KPI of the issuer rather than its stock price), the Exchange believes it would be inappropriate and misleading to require aggregation of these positions for purposes of position limits. As noted above, binary KPI options are based solely on whether a single, specified-issuer KPI meets a discrete threshold at a defined future date, and their value reflects the market's probability assessment of that singular outcome. Standard equity options, on the other hand, reflect a broad array of factors bearing on the price of the underlying security, including macroeconomic conditions and sector dynamics, of which any individual KPI is only one component. Because the two products are not priced off of a common reference and do not represent economically equivalent or fungible exposures, aggregating positions across them would not meaningfully advance the prevention of manipulative practices with respect to the underlying security.

The Exchange further notes that this proposed non-aggregation framework is not unprecedented. Rule 4.8(g) provides that positions in Single Stock Dividend Options ("SSDOs") will not be aggregated with positions in ordinary options overlying the stock of the issuer underlying the SSDOs. The rationale underlying that rule is directly analogous to the rationale supporting non-aggregation of binary KPI options with standard listed equity options on the same issuer. In its SSDO filing,[86] the Exchange noted that SSDOs are based solely on expected dividends for an issuer and will reflect the forward value of that expectation. Because the pricing of ordinary options and SSDOs differs dramatically as a result of fundamentally different inputs, the Exchange concluded that there was no need to aggregate positions across the two product types to prevent manipulative practices involving the underlying. The Commission found this approach appropriate and consistent with the Act in its approval of the proposal.[87]

The same logic applies to the proposed binary KPI options. Like SSDOs, binary KPI options derive their value from a single, specified variable (whether a particular issuer KPI meets a discrete contractual threshold at a defined date) and their pricing reflects the market's probability assessment of that singular outcome. In contrast, as noted above, standard equity options on the same issuer reflect a full spectrum of factors which may affect the underlying security's price. The pricing of binary KPI options and standard equity options on the same issuer will therefore differ substantially, for the same structural reasons that the Commission found dispositive in the SSDO context. The Exchange accordingly believes that non-aggregation of binary KPI options with standard equity options is appropriate and consistent with the Act.[88]

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86 See Securities Exchange Act Release No. 64654 (June 13, 2011), 76 FR 35503 (June 17, 2011) (SR-CBOE-2011-039).

87 See Securities Exchange Act Release No. 64991 (July 29, 2011), 76 FR 47280 (August 4, 2011) (SR-CBOE-2019-033).

88 The Exchange notes that binary option contracts (Binary Return Derivatives ("ByRDs")) approved for trading at NYSE American and NYSE Arca, Inc. are similarly not aggregated with positions in other options on the same underlying security for purposes of determining compliance with the position limits. See NYSE American Rule 940Byrds (b) and NYSE Arca Rule 5.86-O(b).

Finally, the Exchange believes the proposed amendment to the hedge exemption provision is consistent with the Act because it facilitates legitimate hedging activity in binary KPI options. Because a market participant simultaneously holding a short put and short call position in binary KPI options has taken opposing sides of the potential binary outcome (i.e., the short call is at risk if the KPI is met and the short put is at risk if the KPI is not met), the Exchange believes such a position represents a defined, bounded risk profile that does not present the same potential for manipulation or market disruption that position limits are designed to prevent. The Exchange therefore believes the hedge exemption as proposed will encourage market-making activity and liquidity provision in binary KPI options while protecting investors and the public

The Exchange also believes the proposed changes to Rule 8.43(f) are consistent with the Act. By establishing tailored reporting requirements for binary KPI options, the Exchange will be able to monitor TPH positions effectively and detect any accumulation of positions that may approach or exceed applicable limits, to the benefit of investors. The Exchange believes it is consistent with just and equitable principles of trade for 100 binary KPI option contracts to equal one standard option contract for purposes of determining whether the report in Rule 8.43(a) is required given the size of binary KPI contracts. As discussed above, proposed binary KPI options have a multiplier of one, while standard option contracts have a multiplier of 100. Therefore, the notional value of a binary KPI option is significantly less than the notional value of standard option contracts. For example, 200 contracts with a value of $1.00 with a multiplier of 100 would equate to $20,000 notional value, while 200 binary KPI option contracts with a value of $1.00 (which is the fixed maximum value of a binary KPI option contract) with a multiplier of one would equate to $200 notional value. Counting 100 binary KPI contracts as one standard option contract for purposes of this report effectively calibrates the reporting requirement so that investors are required to submit the report for an economically equivalent number of contracts, which promotes just and equitable principles of trade.

The Exchange believes the proposal will provide the Exchange and regulators with visibility into large position concentrations in binary KPI options, preserving the ability to identify unusual activity and respond to any unforeseen concerns, while calibrating the threshold to a metric that is meaningful for this contract given its smaller multiplier relative to that of standard equity options. The Exchange believes this reporting framework, coupled with the position limits amendments, provides a fully adequate regulatory framework for these instruments.

Further, as noted above, the Exchange believes it has an adequate surveillance program in place to surveil for any potentially heightened insider trading or manipulation risks presented by the proposed binary KPI options. The Exchange notes that the settlement value of a binary KPI option is determined by the issuer's earnings-related disclosure, which figures are produced through the accounting and reporting processes of the issuer, subject to independent audit, and disclosed in filings with the Commission. Because settlement is decoupled from the market price of the underlying security, no amount of trading activity in that security could alter the revenue, earnings, or other metric that determines contract settlement. Any manipulation of the reported KPI would constitute securities fraud and expose the issuer to liability under federal securities law, separate and apart from any exchange-related violation.

Moreover, the specifically proposed binary KPI options present a more defined surveillance profile than other event contracts available in the market today. Because settlement is tied to a well-defined set of publicly reported issuer-KPI metrics, the relevant surveillance framework operates as a focused subset of the insider trading surveillances the Exchange already applies to standard equity options. The legal prohibition on trading in the issuer's securities, including options, while in possession of material non-public information about an unreported KPI is not novel, but rather the same prohibition the Exchange enforces today in connection with standard equity options overlying the same issuer.

The Exchange believes the proposed binary KPI options will serve as a vehicle to hedge idiosyncratic, event-specific risk embedded in the specific KPIs. Standard equity options are calibrated to the price of the underlying security and capture a full spectrum of factors or risks which may affect issue value, such as macroeconomic conditions or sector dynamics. Because equity option pricing incorporates this full spectrum, a participant seeking to hedge exposure to a single, discrete KPI outcome cannot do so precisely using standard equity options. Because settlement of a binary KPI option is determined solely by whether a specified-issuer KPI meets a defined threshold, the contract effectively isolates certain individual risks an investor may seek to manage. For example, consider an investor holding a long-term position in a particular issuer stock, who believes the issuer's quarterly revenue will fall short of expectations (for reasons unrelated to the issuer's long-term prospects). The investor may utilize the binary KPI option to hedge precisely against the near-term risk without disruption to the underlying equity position. This targeted hedging utility represents a distinct and additive function relative to existing listed products, which the Exchange believes will serve the interests of investors and provide an efficient mechanism for managing event-specific, KPI-driven risk.

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 these instruments, offering price transparency and the regulatory protections of a national securities exchange. 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 KPI options in other markets (as further discussed below). Binary KPI options would provide investors with a straightforward means of expressing a directional view on key financial and operating metrics. The Exchange further believes the proposed rule change is consistent with the protection of investors and the public interest, as binary KPI options would be subject to the Exchange's existing rules governing the listing and trading of options. The Exchange believes expanding the universe of binary options will benefit investors, particularly retail investors and other investors who prefer simplicity, as a complementary offering to current exchange-traded options.

The proposed rule change will permit the Exchange to list binary KPI options 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 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. 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 KPI 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 KPI options is significantly reduced through the issuance and guarantee of the contracts by a registered clearing agency. 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 that 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 national securities exchange would create a centralized and standardized marketplace for these products, which promotes price discovery and transparency, within an established regulatory framework designed to afford investors in securities with important protections. In other words, the Exchange believes its proposal offers a more transparent platform than the OTC market or other market platforms offer. It would contribute to leveling the playing field with these alternative markets and provide investors with safeguards associated with Commission and SRO oversight of the trading activity in these exchange-listed binary KPI options.

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 through products 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 and 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."[89] 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.[90] 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 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

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

90 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").

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 that 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 that 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 KPI 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 rules applicable to binary KPI options, as described in this proposed rule change. Except as set forth in the proposed rule change, binary KPI options will trade in the same manner as other options, including binary index 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 other options exchanges may propose similar products. Additionally, as noted above, substantively similar products to binary KPI options, as proposed, are available in the OTC market and various other markets.

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. 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-2026-061 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-2026-061. 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-2026-061 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.[91]

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[91] 17 CFR 200.30-3(a)(12).

Sherry R. Haywood,

Assistant Secretary.

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

Rules of Cboe Exchange, Inc.

* * * * *

SECTION I. BINARY KPI OPTIONS

The Rules in this Chapter 4, Section I apply only to binary KPI options (as defined herein). All Rules apply to the trading of binary KPI options, except as otherwise provided or the context otherwise requires.

Rule 4.80. Definitions

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

Binary KPI Option

The term "binary KPI option" means a cash-settled option contract listed on an underlying KPI of an issuer with an exercise settlement amount that is established at the creation of the option and with a settlement value that is determined by whether a specific KPI disclosed by the issuer in an earnings-related filing submitted to the Commission meets or exceeds its exercise price. Binary KPI options are paid out if the reported value of the applicable KPI (a) equals or is greater than the exercise price for a call binary KPI option or (b) is less than the exercise price for a put binary KPI option.

Unless the context dictates otherwise, the terms underlying security, equity, or index, or any variations of these terms, in the Rules mean KPI for purposes of binary KPI options.

Call Binary KPI Option

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

Exercise Price

The term "exercise price" means the value (measured in the applicable units of the KPI (e.g., U.S. dollars, percentage amount, or number)) to which the settlement value of the underlying KPI is compared to determine whether the holder of a binary KPI option is entitled to the exercise settlement amount.

Exercise Settlement Amount

The term "exercise settlement amount" for binary KPI options is $1 (unless otherwise adjusted pursuant to Rules 4.6 or 4.84 or modified pursuant to the Rules of the Clearing Corporation).

KPI

The term "KPI" or "key performance indicator" means a key financial or operating metric disclosed by an issuer in its earnings-related filings submitted to the Commission (i.e., Form 8-K, Form 10-Q, or Form 10-K filings, as applicable).

Put Binary KPI Option

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

Settlement Value

The term "settlement value" means the value of the underlying KPI that is used to determine whether a binary KPI option is in-, at-, or out-of-the-money. The "settlement value" is the value of the applicable KPI as disclosed in the applicable issuer's earnings-related filing submitted to the Commission on the applicable expiration date (for both A.M.-settled and P.M.-settled binary KPI options).

(a) The Exchange designates the applicable KPI and the relevant reporting period at the time of listing a binary KPI option.

(b) If the applicable KPI is not reported or otherwise unavailable on the expiration date (and will not be reported), settlement will occur in accordance with the Rules of the Clearing Corporation.

(c) If an applicable KPI is restated after the expiration date and settlement of a binary KPI option, the settlement value (and the exercise settlement amount) of the binary KPI option does not change (as set forth in the Rules of the Clearing Corporation).

Rule 4.81. Designation of Binary KPI Option Contracts

(a) *Classes.* The Exchange may from time to time approve for listing and trading on the Exchange any of the following binary KPI options contracts:

Company	**KPI (each financial metric is measured in $ unless otherwise specified)**
Apple, Inc.	Earnings per share: diluted Total net sales

	<u>Net sales by category: iPhone</u> <u>Net sales by category: Services</u> <u>Net sales by reportable segment: Americas</u> <u>Net sales by reportable segment: Greater China</u>
<u>Advanced Micro Devices, Inc.</u>	<u>GAAP Diluted earnings per share</u> <u>GAAP Revenue</u> <u>Net Revenue: Data Center Segment</u> <u>Net Revenue: Client and Gaming Segment</u> <u>GAAP Operating Margin (%)</u>
<u>Alphabet Inc.</u>	<u>Diluted net income per share</u> <u>Revenues</u> <u>YouTube ads Revenues</u> <u>Google Cloud Revenues</u>
<u>Amazon.com, Inc.</u>	<u>Diluted earnings per share</u> <u>Total Net sales</u> <u>AWS: Net sales</u> <u>North America: Net sales</u> <u>International: Net sales</u> <u>Net Sales: Advertising services</u>
<u>Bank of America Corporation</u>	<u>Diluted earnings per share</u> <u>Total Revenue, net of interest expense</u> <u>Net Interest Income</u> <u>Provision for credit losses</u> <u>Net Income</u>

Citigroup Inc.	Diluted earnings per share Total Revenue, net of interest expense Net Interest Income Total Provision for credit losses Net Income
Coinbase Global, Inc.	Net income per share - Diluted Total Revenue Transaction Revenue Total Trading Volume Subscription and Services Revenue
Ford Motor Company	GAAP Earnings per share - Diluted Total Revenues Ford Pro Segment: Revenue Ford Model e Segment: Revenue Ford Blue Segment: Revenue
Intel Corporation	GAAP Earnings per share attributable to Intel - diluted Net revenue Revenue: Client Computing Group (CCG) Revenue: Data Center and AI (DCAI) Revenue: Intel Foundry GAAP operating margin (%)
JPMorgan Chase & Co.	Earnings per share - diluted Net revenue - reported Net Interest Income

	Provision for credit losses Net Income Net income
Marathon Digital Holdings, Inc.	Earnings (Net loss) per share of common stock - diluted Revenues Number of Blocks Won (# Bitcoin (BTC)) Energized Hashrate (EH) (# EH/s) Total Bitcoin Holdings (# BTC) BTC Produced (# BTC) BTC Purchased (# BTC)
Meta Platforms, Inc.	Earnings per share: Diluted Revenue Family Daily Active People (DAP) (#) Revenue: Advertising Operating Margin (%)
Microsoft Corporation	Diluted Earnings per Share Revenue Intelligent Cloud: Revenue Microsoft Cloud revenue More Personal Computing: Revenue
Netflix, Inc.	Earnings per share: Diluted Revenues United States and Canada (UCAN): Revenue

	Europe, Middle East, and Africa (EMEA): Revenue Operating Margin (%)
NVIDIA Corporation	GAAP Diluted earnings per share Revenue Data Center Revenue Edge Computing Revenue Automotive Revenue
Palantir Technologies Inc.	Earnings per share attributable to common stockholders, diluted Revenue Net Income Closed Deals of at Least $1 Million (#)
Robinhood Markets, Inc.	Net income attributable to Robinhood common stockholders: Diluted Total net revenues Funded Customers (#) Average Revenue Per User (“ARPU”) Robinhood Gold Subscribers (#)
SoFi Technologies, Inc.	Earnings per share attributable to common stockholders – diluted Total net revenue Total net revenue – Technology Platform Total net revenue – Financial Services Total net revenue – Lending
Space Exploration Technologies Corp	Earnings per share: Diluted

	Total Revenues
Super Micro Computer, Inc.	Net income per common share: Diluted Net sales Gross Margin (%) Cash flow used in operations Net Income
Target Corporation	Diluted earnings per share Net sales Food & Beverage Net sales Apparel & Accessories Net sales Operating income: Rate (%)
Tesla, Inc.	Net Income per share of common stocks attributable to common stockholders: diluted Total Revenues Total Automotive Revenue Model 3/Y Production (#) Supercharger Connectors (#) Free Cash Flow
The Walt Disney Company	Diluted earnings per share Revenues Entertainment Subscription Video On Demand (SVOD) Operating Income Revenues: Experiences Segment operating income: Sports

(b) *Separate Class.* Binary KPI options are a separate class from other options overlying the stock of the issuer and are a separate class from other binary KPI options with different underlying KPIs for the same issuer.

Rule 4.82. Terms of Binary KPI Option Contracts

Binary KPI options listed and traded on the Exchange are designated as to expiration date, exercise price, settlement type, settlement style, exercise settlement amount, contract multiplier, and underlying KPI. After approving a particular binary KPI option class for listing and trading on the Exchange, the Exchange from time to time may open for trading series of options in that binary KPI option class.

(a) *Settlement.* The Exchange may designate the settlement type for binary KPI options as A.M.-settled or P.M.-settled. Binary KPI options for issuers that disclose their earnings results before the open of RTH on a given trading day are designated as A.M.-settled binary KPI options. Binary KPI options for issuers that disclose their earnings results after the close of RTH on a given trading day are designated as P.M.-settled binary KPI options. The Exchange determines whether an issuer discloses its earnings results before or after the close of RTH on a given trading day based on publicly available information regarding the issuer's disclosure practices. Binary KPI options have European-style settlement.

(b) *Expirations.* The Exchange may list series that expire on the date the issuer announces its earnings results for the applicable reporting period (such as calendar quarter).

> (1) The expiration date for a binary KPI option will be the date on which an issuer discloses the applicable KPI in its earnings results for the specified reporting period (with the specific expiration date to be finalized when an issuer announces the date on which it will disclose its earnings results for that reporting period). If that date is a Tuesday, Wednesday, Thursday, or Friday and the Exchange is not open for business on that date, the expiration date will be the first business day immediately prior to that day. If that date is a Monday and the Exchange is not open for business on that date, the expiration date will be the first business day immediately following that Monday.
>
> (2) The Exchange may designate binary KPI option series to expire up to 12 months from the time they are listed and may list up to two expirations at one time for a binary KPI option (per KPI per issuer).
>
> (3) The Exchange may open for trading a series of binary KPI options at least one business week prior to the expiration date of a binary KPI option.

(c) *Exercise Prices.*

> (1) *Exercise Price Values.* The exercise price of each binary KPI option series will be fixed at an amount equal to a value of the underlying KPI divided by a scaling factor.

(A) *Scaling Factors.* The Exchange will scale a KPI value for the purposes of exercise prices based on the value of the KPI in the issuer's most recent earnings-related disclosure as of the time binary KPI option class is listed as follows:

(i) if the most recently disclosed KPI value is greater than or equal to one trillion, the exercise price equals that value divided by one trillion (e.g., for such KPIs, an exercise price of 27.00 is equivalent to a KPI value of 27,000,000,000,000.00);

(ii) if the most recently disclosed KPI value is greater than or equal to one billion but less than one trillion, the exercise price equals that value divided by one billion (e.g., for such KPIs, an exercise price of 112.00 is equivalent to a KPI value of 112,000,000,000.00);

(iii) if the most recently disclosed KPI value is greater than or equal to one million but less than one billion, the exercise price equals that value divided by one million (e.g., for such KPIs, an exercise price of 900.00 is equivalent to a KPI value of 900,000,000.00);

(iv) if the most recently disclosed KPI value is greater than or equal to one thousand but less than one million, the exercise price equals that value divided by one thousand (e.g., for such KPIs, an exercise price of 42.00 is equivalent to a KPI value of 42,000.00); and

(v) if the most recently disclosed KPI value is less than one thousand, the exercise price equals that value and is not divided by a scaling factor (e.g., for such KPIs, an exercise price of 774.00 is equivalent to a KPI value of 774.00).

The Exchange will apply a different scaling factor to binary KPI option series for a new expiration only after the value of the KPI in the issuer's earnings-related disclosures has a value in a different scaling tier for four consecutive reporting periods or if the Exchange deems it necessary in the interests of a fair and orderly market. Application of a different scaling factor will not affect the exercise prices of any series of the binary KPI options previously opened.

(B) *Negative KPI Values.* The Exchange may list binary KPI options series with exercise prices representing negative KPI values. For these series, the exercise price will equal the absolute value of the KPI and will be scaled as set forth in subparagraph (A). To the extent the Exchange lists binary KPI option series with both positive and negative exercise prices, the series will be distinguished by the option symbol.

(3) *Strike Intervals.* The minimum interval between strike prices for binary KPI options series is:

(A) 0.01 where the strike price is less than 10;

(B) 0.10 where the strike price is 10 or greater but less than 100;

(C) 1.00 where the strike price is 100 or greater but less than 1,000;

(D) 10.00 where the strike price is 1,000 or greater but less than 10,000; and

(E) 100.00 where the strike price is 10,000 or greater.

(d) *Initial Series.* The Exchange may open for trading one or more binary KPI option series with a fixed KPI value as the strike price, with approximately the same number of strike prices being opened above and below the at-the-money KPI value (i.e., the value of the KPI in the issuer's most recent earnings-related disclosure) at the time the binary KPI options series are opened. The Exchange will list strike prices for binary KPI option series that are reasonably close to the at-the-money KPI value at the time of listing. A strike is "reasonably close" to the at-the-money KPI value if (1) for KPIs less than or equal to 10, it is no more than 100% above or below the at-the-money KPI value; and (2) for KPIs greater than 10, it is no more than 30% above or below the at-the-money KPI value. The Exchange may also open binary KPI option series that are more than 30% above or below the at-the-money KPI value (if the KPI is greater than 10) provided demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers.

(e) *Additional Series.* The Exchange may add new series of binary KPI options series when the Exchange deems it necessary to maintain a fair and orderly market or to meet customer demand.

(1) To the extent the Exchange lists binary KPI options series for an expiration before then-currently listed binary KPI options expire (and thus before applicable issuer has disclosed the KPI value for the reporting period immediately preceding the reporting period for these newly listed options), the Exchange may list additional series using that KPI value as the at-the-money KPI. For example, before expiration of a binary KPI options series set to expire on the date of an issuer's disclosure of its third quarter earnings results, the Exchange lists series of that binary KPI option to expire upon disclosure of an issuer's fourth quarter earnings results (using the KPI from the second quarter earnings results as the at-the-money KPI value). After the issuer discloses its third quarter earnings results, including the applicable KPI, the Exchange may list additional series for the fourth quarter binary KPI options using the third quarter KPI result as the at-the-money KPI value. Any additional strike prices the Exchange lists will be reasonably close (as defined in paragraph (d)) to the at-the-money KPI value at the time of listing.

(2) The opening of a new series of binary KPI options on the Exchange will not affect any other series of options of the same binary KPI option class previously opened.

(f) *Contract Multiplier*. The contract multiplier for each class of binary KPI options is one.

Rule 4.83. Determination of Settlement Value

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

Rule 4.84. Adjustment

Binary KPI option contracts are subject to adjustment only in accordance with and to the extent specified in the 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.*

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(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:

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

(3) *Other Options*. Except as otherwise set forth in the Rules or under unusual conditions as may be determined by the Exchange, Regular Trading Hours during which transactions in the following types of options may be made on the Exchange are as follows:

* * * * *

(F) *Binary KPI Options*. Regular Trading Hours for binary KPI options are from 9:30 a.m. to 4:00 p.m.

(i) The last day of trading for P.M.-settled binary KPI options is the day of expiration.

(ii) The last day of trading for A.M.-settled binary KPI options is the trading day prior to expiration.

(iii) If the Exchange confirms an issuer discloses the KPI prior to the expiration date, trading in the applicable binary KPI options series will cease, and the expiration date for the option accelerates to a date on or shortly after the date of that disclosure in accordance with the Rules of the Clearing Corporation.

(iv) If there is an unofficial disclosure of the KPI prior to the expiration date, the Exchange may determine to halt (and resume) trading in the applicable binary KPI options series in accordance with Rule 5.20. In certain circumstances, the expiration date for the option may accelerate in accordance with the Rules of the Clearing Corporation; if this occurs, trading in the binary KPI will cease.

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Rule 5.3. Bids and Offers

(c) *Options with Units of Trading/Index Multipliers Other than 100*.

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(3) Notwithstanding paragraph (a) above, bids and offers for a binary option with a multiplier other than 100 must be expressed in terms of dollars per 1/multiplier of the total value of the contract. For example, if a binary option has a multiplier of 1, an offer of “0.50” represents an offer of $0.50.

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Rule 5.4. Minimum Increments for Bids and Offers

(a) – (b) No change.

(c) *Other Options.* Notwithstanding paragraph (a) and (b) above, the minimum increment for the following types of options is as follows:

(1) *Binary Options.* The Exchange establishes the minimum increment for bids and offers on orders for binary options (including binary index options and binary KPI options) on a class-by-class basis, which may not be less than $0.01.

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Rule 5.31. Opening Auction Process

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(d) *Opening Rotation Triggers*. Upon the occurrence of one of the following triggers for a class, the System initiates the opening rotation for the series in that class, and the Exchange disseminates a message to market participants indicating the initiation of the opening rotation.

(1) *Regular Trading Hours*. The System initiates the opening rotation as follows:

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(D) *Binary KPI Options*. For binary KPI options, the System initiates the opening rotation at 9:30 a.m.

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Rule 5.34. Order and Quote Price Protection Mechanisms and Risk Controls

The System's acceptance and execution of orders, quotes, and bulk messages, as applicable, pursuant to the Rules, including Rules 5.31 through 5.33, and orders routed to PAR pursuant to Rule 5.82 are subject to the following price protection mechanisms and risk controls, as applicable.

(a) – (c) No change.

(d) *Binary Options*. In addition to the order and quote price protection mechanisms and risk controls described in paragraphs (a) through (c), the Exchange may apply a maximum execution price protection for binary options on a class basis, pursuant to which the System adjusts any execution price for a binary option above the Exchange-designated maximum execution price for that class down to that maximum execution price.

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

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Interpretations and Policies

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.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 value for the binary index option.

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.10 *Nonapplicability*. This Rule 6.5 does not apply to binary KPI options.

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Rule 6.20. Exercise of Options Contracts

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(g) *Binary Options.*

(1) *Binary Index Options.* Binary index options will be 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 index option or less than the exercise price in the case of a put binary index option.

(2) *Binary KPI Options.* Binary KPI options will be automatically exercised at expiration if the settlement value of the underlying KPI is equal to or greater than the exercise price of a call binary KPI option or less than the exercise price in the case of a put binary KPI option.

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Rule 8.36. Position Limits for Binary Options

(a) *Position Limits.*

(1) *Fixed Limit for Binary Index Options.* In determining compliance with Rule 8.30, the position limit for binary index options for which traditional options on the same index have no position limit pursuant to Rules 8.30 through 8.33, as applicable, is the number of contracts equal to 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 if the binary index option exercise settlement amount is $12,000, then the position limit is 12,500 contracts per expiration).

([b]2) *Formulaic Limit for Binary Index Options.* For binary options on an index for which traditional options on the same index have a position limit pursuant to Rules 8.30 through 8.33, 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:

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

(3) *Fixed Limit for Binary KPI Options.* In determining compliance with Rule 8.30, the position limit for binary KPI options is the same as the applicable position limit for the stock of the issuer per expiration, and 100 binary KPI option contracts equal one standard option contract.

([c]b) *Aggregated Positions.*

(1) *Binary Index Options.* Positions in binary index options on the same index that have different exercise settlement amounts are aggregated.

(2) *Binary KPI Options.* Positions in binary KPI options on the same KPI that have different expiration dates are not aggregated, and positions in binary KPI options for the same issuer with different underlying KPIs are not aggregated.

([d]c) *Non-binary.*

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

(2) *Binary KPI Options.* Binary KPI options are not aggregated with non-binary options contracts overlying the stock of the issuer.

([e]d) *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 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 considered to be on the same side of the market.

([f]e) *Hedge Exemption.* Binary options are not subject to the hedge exemption to the standard position limits found in Rule 8.30. Notwithstanding paragraphs (a) and (b) above:

(1) with respect to binary index options, 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):

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

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

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

(2) with respect to binary KPI options, a binary KPI option short put position coupled with a binary KPI option short call position, regardless of the binary KPI option strike, shall be exempt from the established position limits as prescribed in the Rule above.

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Rule 8.43. Reports Related to Position Limits

(a) Reporting. In a manner and form prescribed by the Exchange, each Trading Permit Holder shall report to the Exchange, the name, address, and social security or tax identification number of any customer who, acting alone, or in concert with others, on the previous business day maintained aggregate long or short positions on the same side of the market of 200 or more contracts of any single class of option contracts dealt in on the Exchange. The report shall indicate for each such class of options, the number of option contracts comprising each such position and, in the case of short positions, whether covered or uncovered.

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(f) *Binary Options.* In computing reportable binary options under this Rule 8.43: (1) positions in binary options on the same index that have different exercise settlement amounts are aggregated; (2) positions in binary 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 options on one index are not aggregated with binary options on any other index. For purposes of the report required by paragraph (a), 100 binary KPI option contracts equal one standard option contract.

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