



Cboe Options Exchange Introduces Cash-Settled FLEX ETF Options

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OVERVIEW

Applicable Cboe Exchange: Cboe Options

Effective August 1, 2023, Cboe Options Exchange (“C1”) will introduce cash-settled FLEX Exchange-Traded Fund (“ETF”) options, *pending regulatory review*.

TECHNICAL DETAILS

On the effective date, exercises and assignments for the new cash-settled FLEX ETF options will settle in cash (as opposed to physical underlying shares), with the settlement amount based on the difference between the closing price of the underlying security on the date of exercise and the strike price of the option. These cash-settled FLEX ETF options will have the same system functionality as regular FLEX options, including support for fixed or percent strike and premium, and execution via open outcry or electronic FLEX AIM, SAM and single-sided auction processes. Delta Adjusted at Close (“DAC”) will also be available for electronic processing of cash-settled FLEX ETF options. Cash-settled FLEX ETF options are not fungible with non-FLEX options.

No cash-settled FLEX ETF option may have the same exercise style (American/European), same expiration, and same strike price as a non-FLEX option on the same ETF. This is the same restriction that exists today for physically settled FLEX ETF options.

If a standard option is subsequently listed with the same terms (i.e., same expiration date, exercise price, and exercise style) as a cash-settled FLEX ETF option with open interest, the FLEX option may be traded only as a closing position.

FLEX Option Symbols

Cash-settled FLEX ETF options are defined by the Lead Character in the symbol. Two new Lead Characters (‘3’ and ‘4’) will be required to identify American and European-style cash-settled FLEX ETF options, respectively.

Underlying Security	Lead Character	Settlement Type	Exercise Style	Delivery
Index	1	AM	American	Cash
Index	2	AM	European	Cash
Index	3	PM	American	Cash
Index	4	PM	European	Cash
Index	5	Asian	European	Cash
Index	6	Cliquet	European	Cash

Equity/ETF	1	PM	American	Physical
Equity/ETF	2	PM	European	Physical
Equity/ETF	3 (NEW)	PM	American	Cash
Equity/ETF	4 (NEW)	PM	European	Cash

LIST OF CASH-SETTLED FLEX ETF PRODUCTS

Cboe may list up to 50 cash-settled FLEX ETF products. These products shall be FLEX Equity Options with an ETF underlying security having an average daily notional value of \$500 million or more and a national average daily volume of at least 4,680,000 shares, measured over the prior 6-month period.

- Twice per year the Exchange will determine the underlying ETFs satisfying the notional value and trading volume requirements of this rule using trading statistics for the previous six-month period.
- The Exchange will permit cash settlement as a contract term on no more than 50 underlying ETFs meeting the criteria of this rule.
- If more than 50 ETFs satisfy the notional value and trading volume requirements, the Exchange will select the top 50 ETFs with the highest average daily volume.
- If the Exchange determines, pursuant to the review conducted, that an underlying ETF ceases to satisfy the criteria, any new position entered into overlying such ETF will be required to have exercise settlement by physical delivery and any open cash-settled FLEX ETF Option positions may be traded only to close the position.

On the effective date, the following symbols will be eligible to have cash settlement as a flexible term.

Symbol	Name
AGG	iShares Core U.S. Aggregate Bond ETF
ARKK	ARK Innovation ETF
BIL	SPDR Bloomberg 1-3 Month T-Bill ETF
EEM	iShares MSCI Emerging Markets ETF
EFA	iShares MSCI EAFE ETF
EMB	iShares J.P. Morgan USD Emerging Markets Bond ETF
EWZ	iShares MSCI Brazil ETF
FXI	iShares China Large-Cap ETF
GDX	VanEck Gold Miners ETF
GLD	SPDR Gold Shares
HYG	iShares iBoxx \$ High Yield Corporate Bond ETF
IEF	iShares 7-10 Year Treasury Bond ETF
IEFA	iShares Core MSCI EAFE ETF
IEMG	iShares Core MSCI Emerging Markets ETF
IWM	iShares Russell 2000 ETF
IYR	iShares U.S. Real Estate ETF
JNK	SPDR Bloomberg High Yield Bond ETF
KRE	SPDR S&P Regional Banking ETF
KWEB	KraneShares CSI China Internet ETF
LQD	iShares iBoxx \$ Investment Grade Corporate Bond ETF
QQQ	Invesco QQQ Trust
SMH	VanEck Semiconductor ETF
SOXL	Direxion Daily Semiconductor Bull 3x Shares
SOXS	Direxion Daily Semiconductor Bear 3x Shares
SPXL	Direxion Daily S&P 500 Bull 3X Shares

SPY	SPDR S&P 500 ETF Trust
SQQQ	ProShares UltraPro Short QQQ
TLT	iShares 20+ Year Treasury Bond ETF
TQQQ	ProShares UltraPro QQQ
XBI	SPDR S&P Biotech ETF
XLE	Energy Select Sector SPDR Fund
XLF	Financial Select Sector SPDR Fund
XLI	Industrial Select Sector SPDR Fund
XLK	Technology Select Sector SPDR Fund
XLP	Consumer Staples Select Sector SPDR Fund
XLU	Utilities Select Sector SPDR Fund
XLV	Health Care Select Sector SPDR Fund
XLY	Consumer Discretionary Select Sector SPDR Fund
XOP	SPDR S&P Oil & Gas Exploration & Production ETF

TESTING OPPORTUNITIES

This functionality is currently available to test in the C1 certification environment.

ADDITIONAL INFORMATION

For more information, please refer to the following documents:

- [US Options FIX Specification](#)
- Rule 4.21(b) (*pending regulatory review*)

Please contact the Cboe Trade Desk for support or with any questions.

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Cboe Trade Desk

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