



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-96395; File No. SR-CBOE-2022-058]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Amend Rule 10.3 Regarding Margin Requirements

November 28, 2022.

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 November 14, 2022, 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 Rule 10.3 regarding margin requirements. The text of the proposed rule change is provided below.

(additions are *italicized*; deletions are [bracketed])

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Rules of Cboe Exchange, Inc.

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Rule 10.3. Margin Requirements

(a) – (b) No change.

(c) *Customer Margin Account—Exception.* The foregoing requirements are subject to the following exceptions. Nothing in this paragraph (c) shall prevent a broker-dealer from requiring margin from any account in excess of the amounts specified in these provisions.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

(1) – (4) No change.

(5) *Initial and Maintenance Margin Requirements on Short Options, Stock Index Warrants, Currency Index Warrants and Currency Warrants.*

(A) – (B) No change.

(C) *Related Securities Positions—Listed or OTC Options.* Unless otherwise specified, margin must be deposited and maintained in the following amounts for each of the following types of positions.

(i) – (ii) No change.

(iii) *Covered Calls/Covered Puts.* [(a)] No margin is required for a call (put) option contract or warrant carried in a short position where there is carried in the same account a long (short) position in equivalent units of the underlying security.

[(b) No margin is required for a call (put) index option contract or warrant carried in a short position where there is carried in the same account a long (short) position in an (1) underlying stock basket, (2) index mutual fund, (3) IPR, or (4) IPS, that is based on the same index underlying the index option or warrant and having a market value at least equal to the aggregate current index value.

(c)] In order for th[e]is exception[s in subparagraphs (a) and (b) above] to apply, in computing margin on positions in the underlying security[, underlying stock basket, index mutual fund, IPR or IPS, as applicable], ([1]a) in the case of a call, the current market value to be used shall not be greater than the exercise price, and ([2]b) in the case of a put, margin shall be the amount required by subparagraph (b)(2) of this Rule, plus the amount, if any, by which the exercise price exceeds the current market value.

(iv) *Exceptions.* The following paragraphs set forth the minimum amount of margin which must be maintained in margin accounts of customers having positions in components underlying options, stock index warrants, currency index warrants or currency warrant when such components are held in conjunction with certain positions in the overlying option or warrant. In respect of an option or warrant on a market index, an underlying stock basket is an eligible underlying component. The option or warrant must be listed or guaranteed by the carrying broker dealer. In the case of a call option or warrant carried in a short position, a related long position in the underlying component shall be valued at no more than the call option / warrant exercise price for margin equity purposes.

(a) *Long Option Offset.* When a component underlying an option or warrant is carried long (short) in [an]the same account [in which there is also carried]as a long put (call) option or warrant specifying equivalent units of the

underlying component, the minimum amount of margin which must be maintained on the underlying component is 10% of the option / warrant exercise price plus the out-of-the-money amount not to exceed the minimum maintenance required pursuant to paragraph (b) of this Rule.

(b) *Conversion*. When a call option or warrant carried in a short position is covered by a long position in equivalent units of the underlying component and there is [also] carried in the same account a long put option or warrant specifying equivalent units of the same underlying component and having the same exercise price and expiration date as the short call option or warrant, the minimum amount of margin which must be maintained for the underlying component shall be 10% of the exercise price.

(c) *Reverse Conversion*. When a put option or warrant carried in a short position is covered by a short position in equivalent units of the underlying component and there is [also] carried in the same account a long call option or warrant specifying equivalent units of the same underlying component and having the same exercise price and expiration date as the short put option or warrant, the minimum amount of margin which must be maintained for the underlying component shall be 10% of the exercise price plus the amount by which the exercise price of the put exceeds the current market value of the underlying, if any.

(d) *Collar*. When a call option or warrant carried in a short position is covered by a long position in equivalent units of the underlying component and there is [also] carried in the same account a long put option or warrant specifying equivalent units of the same underlying component and having a lower exercise price than, and same expiration date as, the short call option / warrant, the minimum amount of margin which must be maintained for the underlying component shall be the lesser of 10% of the exercise price of the put plus the put out-of-the-money amount or 25% of the call exercise price.

(e) *Protected Option*. When an index call (put) option contract or warrant is carried in a short position (the “protected option or warrant position”) and there is carried in the same account a long (short) position in an underlying stock basket, non-leveraged index mutual fund or non-leveraged exchange-traded fund (each, the “protection”) that is based on the same index underlying the index option or warrant, the protected option or warrant position is not subject to the requirement set forth in subparagraph (c)(5)(A) above if the following conditions are met:

(1) when the protected option or warrant position is created, the absolute value of the protection is not less than 100% of the aggregate current underlying index value associated with the protected option or warrant position determined at either (A) the time the order that created the protected option or warrant position was entered or executed; or (B) the close of business on the trading day the protected option or warrant position was created;

(2) the absolute value of the protection is at no time less than 95% of the aggregate current underlying index value associated with the protected option or warrant position; and

(3) margin is maintained in an amount equal to the greater of: (A) the amount, if any, by which the aggregate current underlying index value is above (below) the aggregate exercise price of the protected call (put) option or warrant position; or (B) the amount, if any, by which the absolute value of the protection is below 100% of the aggregate current underlying index value associated with the protected option or warrant.

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The text of the proposed rule change is also available on the Exchange's website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

The proposed rule change amends Rule 10.3 regarding margin requirements. Specifically, the Exchange proposes to amend Rule 10.3(c)(5)(C)(iii)(b) to update the provisions that provide margin relief for a cash-settled index option written against a holding in an exchange-traded fund that tracks the same index as the index underlying the index option. Rule 10.3 sets forth margin requirements, and certain exceptions to those requirements, applicable to security positions of Trading Permit Holders' ("TPHs") customers. Rule 10.3(c)(5)(C)(iii) currently requires no margin for covered calls and puts. Specifically, that rule provides the following:

- No margin is required for a call (put) option contract or warrant carried in a short position where there is carried in the same account a long (short) position in equivalent units of the underlying security.³
- No margin is required for a call (put) index option contract or warrant carried in a short position where there is carried in the same account a long (short) position in an (1) underlying stock basket,⁴ (2) index mutual fund, (3) index portfolio receipt

³ In computing margin on such a position in the underlying security, (a) in the case of a call, the current market value to be used shall not be greater than the exercise price and (b) in the case of a put, margin will be the amount required by Rule 10.3(b)(2), plus the amount, if any, by which the exercise price of the put exceeds the current market value of the underlying.

⁴ An "underlying stock basket" means a group of securities that includes each of the component securities of the applicable index and which meets the following conditions: (a) the quantity of each stock in the basket is proportional to its representation in the index, (b) the total market value of the basket is equal to the underlying index value of the index options or warrants to be covered, (c) the securities in the basket cannot be used to cover more than the number of index options or warrants represented by that value and (d) the securities in the basket shall be unavailable to support any other option or warrant transaction in the account. See Rule 10.3(a)(7).

(“IPR”),⁵ or (4) index portfolio share (“IPS”),⁶ that is based on the same index underlying the index option or warrant and having a market value at least equal to the aggregate current index value.

- In order for the exceptions in the previous bullets to apply, in computing margin on positions in the underlying security, underlying stock basket, index mutual fund, IPR or IPS, as applicable,⁷ (1) in the case of a call, the current market value to be used shall not be greater than the exercise price, and (2) in the case of a put, margin shall be the amount required by subparagraph (b)(2) of Rule 10.3, plus the amount, if any, by which the exercise price exceeds the current market value.

Rule 10.3(c)(5) generally requires TPHs to obtain from a customer, and maintain, a margin deposit for short cash-settled index options in an amount equal to 100% of the

⁵ IPRs are securities that (a) represent an interest in a unit investment trust (“UIT”) which holds the securities that comprise an index on which a series of IPRs is based; (b) are issued by the UIT in a specified aggregate minimum number in return for a “Portfolio Deposit” consisting of specified numbers of shares of stock plus a cash amount; (c) when aggregated in the same specified minimum number, may be redeemed from the UIT, which will pay to the redeeming holder the stock and cash then comprising the Portfolio Deposit; and (d) pay holders a periodic cash payment corresponding to the regular cash dividends or distributions declared and paid with respect to the component securities of the stock index on which the IPRs are based, less certain expenses and other charges as set forth in the UIT prospectus. IPRs are “UIT interests” within the meaning of the Rules. See Rule 1.1. A UIT Interest is any share, unit, or other interest in or relating to a unit investment trust, including any component resulting from the subdivision or separation of such an interest.

⁶ IPSs are securities that (a) are issued by an open-end management investment company based on a portfolio of stocks or fixed income securities designed to provide investment results that correspond generally to the price and yield performance of a specified foreign or domestic stock index or fixed income securities index; (b) are issued by such an open-end management investment company in a specified aggregate minimum number in return for a deposit of specified number of shares of stock and/or a cash amount, or a specified portfolio of fixed income securities and/or a cash amount, with a value equal to the next determined net asset value; and (c) when aggregated in the same specified minimum number, may be redeemed at a holder’s request by such open-end management investment company, which will pay to the redeeming holder stock and/or cash, or a specified portfolio of fixed income securities and/or cash with a value equal to the next determined net asset value. See Rule 1.1.

⁷ IPRs and IPSs are commonly referred to as ETFs.

current market value of the option plus 15% (if overlying a broad-based index) or 20% (if overlying a narrow-based index) of the amount equal to the index value multiplied by the index multiplier minus the amount, if any, by which the option is out-of-the-money.⁸ The minimum margin required for such an option is 100% of the option current market value plus 10% of the index value multiplied by the index multiplier for a call or 10% of the exercise price multiplied by the index multiplier for a put.

Pursuant to current Rule 10.3(c)(5)(C)(iii)(b) and (c), however, a TPH requires no margin deposit for a short cash-settled index call option if the TPH is holding in the same account a long position in an ETF that tracks the same index underlying the index option⁹ if the current market value of the ETF for margin purposes (1) is at least equal to the aggregate current index value and (2) is not greater than the exercise price. If an account is short a cash-settled index put option and is holding in the same account a short position in the ETF, a TPH needs to require a margin deposit for the amount required by Rule 10.3(b)(2)¹⁰ plus the amount, if any, by which the exercise price of the option exceeds the market value of the ETF if the market value of the ETF is at least equal to the aggregate current index value.

⁸ The out-of-the-money amount for a call is any excess of the aggregate exercise price of the option or warrant over the product of the current (spot or cash) index value and the applicable multiplier. The out-of-the-money amount for a put is any excess of the product of the current (spot or cash) index value and the applicable multiplier over the aggregate exercise price of the option or warrant.

⁹ This is the same margin treatment that applies to an option on an equity security written against the underlying security. See current Rule 10.3(c)(5)(C)(iii)(a).

¹⁰ Rule 10.3(b)(2) provides the minimum amount of margin that must be maintained in customer margin accounts having positions in securities is: (1) with respect to long positions, 25% of the current market value of all long in the account; plus (2) with respect to short positions, (a) \$2.50 per share or 100% of the current market value, whichever is greater, of each security short in the account that has a current market value of less than \$5.00 per share; plus (b) \$5.00 per share or 30% of the current market value, whichever is greater, of each security short in the account that has a current market value of \$5.00 per share or more.

The Exchange proposes to amend this exception to margin requirements applicable to short option positions or warrants on indexes that are offset by positions in an underlying stock basket, non-leveraged index mutual fund, or non-leveraged exchange-traded fund (each, the “protection”) that is based on the same index option, as well as move it within Rule 10.3 to Rule 10.3(c)(5)(C)(iv).¹¹ Specifically, the proposed rule change adopts the following as Rule 10.3(c)(5)(C)(iv)(e)¹²:

(e) When an index call (put) option contract or warrant is carried in a short position (the “protected option or warrant position”) and there is carried in the same account a long (short) position in an underlying stock basket, non-leveraged index mutual fund or non-leveraged exchange-traded fund (each, the “protection”) that is based on the same index underlying the index option or warrant, the protected option or warrant position is not subject to the requirement set forth in subparagraph (c)(5)(A) above if the following conditions are met:

(1) when the protected option or warrant position is created, the absolute value of the protection is not less than 100% of the aggregate current underlying index value associated with the protected option or warrant position determined at either (A) the time the order that created the protected option or warrant position was entered or executed; or (B) the close of business on the trading day the protected option or warrant position was created;

(2) the absolute value of the protection is at no time less than 95% of the aggregate current underlying index value associated with the protected option or warrant position; and

(3) margin is maintained in an amount equal to the greater of: (A) the amount, if any, by which the aggregate current underlying index

¹¹ Proposed paragraph (e) limits the margin relief to index options written against an underlying stock basket, non-leveraged index mutual fund or non-leveraged exchange-traded fund (compared to underlying stock basket, index mutual fund, IPR, or IPS in current subparagraph (iii)(b)). The Exchange proposes to add the non-leveraged limitation to clarify that this exception is not intended to and does not apply to leveraged instruments. Additionally, the Exchange excludes IPRs and IPSs from being eligible for the margin relief in paragraph (e), as the Exchange understands that the use and availability of these products has diminished and has not observed the writing of index options against them.

¹² The proposed rule change identifies the strategy described in proposed subparagraph (e) as a “protected option,” which is a strategy of writing an index option against a holding in an ETF based on the same index as the index option, to differentiate it from a “covered call,” which is a strategy of writing an option against a position in an underlying security (the margin treatment for which is described in current subparagraph (iii)(a)).

value associated with the protected option or warrant position is above (below) the aggregate exercise price of the protected call (put) option or warrant position; or (B) the amount, if any, by which the absolute value of the protection is below the aggregate current underlying index value associated with the protected option or warrant position.

The proposed rule change provides that the margin requirement for an uncovered, short index option or warrant does not apply to a protected option or warrant position if certain conditions are met. The first proposed condition to qualify for the exception is that the TPH must carry or establish in the same account as the protected option or warrant position protection with an absolute value of not less than 100% of the aggregate underlying index value at either the time the order that created the protected option or warrant position was entered or executed or the close of business on the trading day the protected option or warrant position was created. This proposed first condition provides clearing brokers with flexibility regarding the point in time at which to value the protection. The aggregate underlying index value used would be that which existed at the same point in time the clearing broker selects to value the protection. This first condition corresponds to the concept of covered writing (such as writing a covered call). When writing a covered call, a market participant must have in the same account as the short call position a fully offsetting position in the underlying stock (in other words, 100% of the short position's aggregate underlying value, which is equal to the price of the stock times 100 (the number of shares underlying one option)).

The second proposed condition to qualify for the exception is that the absolute value of the protection must at no time be less than 95% of the aggregate underlying index value associated with the protected option or warrant position. Like the first proposed condition, this second proposed condition is intended to correspond to covered writing by requiring a market participant to maintain the protection in an amount close to the aggregate underlying index value associated with the protected option or warrant position. Because the value of the protection typically will not track exactly the

aggregate underlying index value (i.e., tracking error), the 95% threshold will require the absolute value of the protection to remain close to the aggregate underlying index value while effectively imposing a cap of 5% on how much the two values may diverge (i.e., the value of the protection may not be more than 5% less than the value of the aggregate underlying index value). If the absolute value of the protection falls below 95% of the aggregate underlying index value associated with the protected option or warrant position, the protected option or warrant position would be deemed uncovered and thus no longer eligible for relief from the uncovered, short index option margin requirement. When that occurs, a clearing broker must either collect the required margin amount for the short index option or warrant position, require that the value of the protection be increased to the 100% of the aggregate underlying index value, or liquidate the short index option or warrant position.

The third proposed condition to qualify for the exception is to maintain margin in an amount equal to the greater of: (a) the amount, if any, by which the aggregate underlying index value associated with the protected option or warrant position is above (below) the aggregate exercise price of the protected call (put) option or warrant position; or (b) the amount, if any, by which the absolute value of the protection is below the aggregate underlying index value associated with the protected option or warrant (which would be subject to the 95% threshold imposed by the second proposed condition, as described above).

The proposed margin requirement to cover any difference by which the underlying index value is above (below) the exercise price of a call (put), in aggregate, would capture any amount by which a protected option or warrant position is in-the-money (i.e., the amount the aggregate underlying index value exceeds the aggregate exercise price for a short call). Pursuant to this proposed requirement, margin equivalent to the in-the-money amount of the protected option or warrant position would need to be

held in the account with that position, which would then be available to offset any debit to that account in the event of an exercise of the protected option or warrant. This corresponds to current Cboe Rule 10.3(c)(5)(C)(iii)(c), which requires the value of the protection or underlying stock to be capped at the exercise price of a covered call for no additional margin to be required for that call position. Both approaches prevent any in-the-money amount from contributing equity to the account and being used to support other positions.

The proposed alternative margin requirement to cover any difference by which the absolute value of the protection is below the aggregate underlying index value associated with the protected option or warrant would compensate for any tracking error. Pursuant to this proposed requirement, margin equivalent to the value of the divergence between the absolute value of the protection and the aggregate underlying index value would need to be maintained once a protected option or warrant position is created. However, this requirement would be rendered moot if the absolute value of the protection fell below 95% of the aggregate underlying index value associated with the protected option or warrant position, because the position at that point would be considered uncovered. To the extent equity is not available in the margin account to meet this requirement, a TPH can require its customer to deposit margin into the account. The Exchange believes this is more practical than requiring the value of the protection to be maintained at 100% of the aggregate underlying index value in actual shares (or applicable units) of the protection, as this would require continuous small transactions in the protection instrument to offset tracking differences (which are generally no larger than 2%).

Because there may be instances where margin requirements for the in-the-money amount and the tracking error may be duplicative,¹³ the Exchange proposes to require

¹³ Two out of a total of six possible orderings of underlying index value, exercise

only the greater amount of the two to avoid requiring an unnecessarily high amount of margin.

Currently, if the absolute value of the protection is less than the aggregate underlying index value, the protection position must be supplemented to address the deficiency. As proposed, such deficiency would require margin (to the extent such deficiency is not greater than 5%) in the form of available equity in the margin account or a deposit of margin in any form (e.g., cash or marginable securities) rather than the purchase, sale, or deposit of additional protection to address a deficiency (regardless of the amount of the deficiency).¹⁴ As a result, the proposed rule change will reduce the need for small and potentially frequent purchases, sales, or deposits of additional protection, which may reduce the operational cost of the protected option strategy for customers. While the structure of protection, particularly ETFs, and market forces may cause the protection's value to differ from the index value, the Exchange has observed that these values are generally highly correlated and thus do not deviate significantly. Therefore, the Exchange believes the proposed margin requirement for protected options is an effective safeguard against the risk of a short option position.

Additionally, the proposed rule change eliminates the requirement to mark the price of a long ETF with an index call option written against it at the lower of the ETF's market value or the index option strike price. With covered call options, this requirement is intended to cap favorable moves in the price of the underlying security at the strike

price and protection value would result in overlapping margin requirements as proposed. For all others, one of the proposed margin requirement alternatives would be zero.

¹⁴ Pursuant to the current Rules, if the protection market value is not at least equal to the aggregate index value, and additional shares are not purchased or deposited, then the required margin is equal to the amount of the option current market value plus 15% (if a broad-based index) or 20% (if a narrow-based index) of the aggregate index value minus any out-of-the-money amount, subject to a minimum requirement.

price because moves above the strike price will not be realized. Currently, the Exchange applies this same requirement (as set forth in Rule 10.3(c)(5)(C)(iii)(c)) to protected options written against ETF holdings to maintain equivalency with the treatment of covered options. As an alternative, the proposed rule substitutes a margin requirement in this situation, which would require margin to be collected in an amount equal to, for example, the amount by which the aggregate underlying index value exceeds the aggregate exercise price in the case of a protected index call option or warrant position.

Further to the above, the proposed rule change deletes Rule 10.3(c)(5)(C)(iii)(b), as well as the cross-reference to such paragraph and the references to underlying stock basket, index mutual fund, IPR or IPS, as applicable,¹⁵ in current subparagraph (c), as those terms relate specifically to current subparagraph (b). Because this would leave only one section in Rule 10.3(c)(5)(C)(iii), the proposed rule change deletes subparagraph lettering and combines current subparagraph (iii)(a) and current subparagraph (iii)(c) into a single provision as subparagraph (iii) and makes corresponding conforming changes.

The proposed rule change also makes clarifying, nonsubstantive changes in each subparagraph of Rule 10.3(c)(5)(C)(iv) to conform language in those subparagraphs to language used throughout Rule 10.3. Specifically, the proposed rule change amends the provision of each subparagraph to state that the minimum amount of required margin in the circumstances described in each subparagraph applies when the applicable long position is carried “in the same account as” the applicable short position, rather than “also carried.” This language is consistent with the language in, for example, current Rule 10.3(c)(5)(C)(iii), as margin requirements are determined generally based on positions held in the same account.

¹⁵ These terms are related only to current subparagraph (b).

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹⁶

Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁷ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁸ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange further believes the proposed rule change furthers the objectives of Section 6(c)(3) of the Act,¹⁹ which authorizes the Exchange to, among other things, prescribe standards of financial responsibility or operational capability and standards of training, experience and competence for its Trading Permit Holders and person associated with Trading Permit Holders.

In particular, the proposed rule change amends a specific margin treatment related to short index options written against ETFs in the same manner. Given the difference described above between short stock options written against the underlying stock and

¹⁶ 15 U.S.C. 78f(b).

¹⁷ 15 U.S.C. 78f(b)(5).

¹⁸ Id.

¹⁹ 15 U.S.C. 78f(c)(3).

short index options written against ETFs, the Exchange believes it is reasonable to apply different margin treatments to these different strategies. While the economic outcomes of covered options and protected options are similar, as described above, the Exchange believes it promotes just and equitable principles of trade to apply margin slightly differently to protected options than covered options. While the proposed rule change may result in lower margin requirements for protected option strategies, the Exchange believes the proposed floor on the value of protection and the margin amounts are more reasonable than the current requirements, as they are more tailored to these strategies and reflect the potential deficiencies between the value of the protection and the value of the index. As a result, the Exchange believes the proposed margin required will still be sufficient for protected option strategies. Given the high correlation between these values, the Exchange believes it is appropriate to require margin in an amount necessary to only cover this deficiency, as ultimately that is the risk against which the margin requirement is protecting. Furthermore, any amount by which the aggregate underlying index value is above (below) the aggregate exercise price of the option in the case of a call (put) (i.e., the-in-the-money amount) would also be required as margin under the proposal. This in-the-money amount margin requirement prevents protection value in excess of the exercise price of the option (in the case of a short index call) from contributing to margin account equity and replaces the current requirement that caps the value of the protection at the aggregate exercise price of the option to qualify for a margin exception. The proposed rule change requires only the greater of the two margin requirements (the in-the-money amount or the protection deficiency amount) to apply to avoid requiring a customer to maintain unnecessarily high margin.

As noted above, the Exchange believes the proposed rule change may reduce the need for small and potentially frequent purchases, sales, or deposits of additional protection, which may reduce the operational cost of the protected option strategy. As a

result, the Exchange believes the proposed rule change may make this strategy more beneficial for customers and thus remove impediments to and perfect the mechanism of a free and open market, as well as reduce the margin required for such strategies, which will potentially free up capital that can be put back into the market, which ultimately benefits investors.

The proposed clarifying, nonsubstantive changes provide for more consistent language in similar rule provisions, which will ultimately benefit investors.

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 proposed rule change is not intended as a competitive filing, but rather to modify margin requirements for a certain option strategy to be more reasonable and practical. 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, as it will apply the same margin treatment to all TPHs. The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition, as several other options exchanges incorporate by reference the Exchange's margin rules into their rules (and thus apply them to their members), which incorporation by reference would apply to the proposed rule change if approved by the Commission. Additionally, as discussed above, the proposed rule change may reduce the operational burden of protected option strategies, as well as reduce the margin required for such strategies, which may make the strategies more beneficial for customers.

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 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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2022-058 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-2022-058. This file number should be included on the subject line if e-mail 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 (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed

with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2022-058 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁰

Sherry R. Haywood,
Assistant Secretary.

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²⁰ 17 CFR 200.30-3(a)(12).