



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103104; File No. SR-CBOE-2025-022]

**Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, to Permit the Exchange to List and Trade Options with P.M.-Settlement that Overlie the S&P 500 Equal Weight Index**

May 22, 2025.

I. Introduction

On March 20, 2020, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to list and trade p.m.-settled S&P 500 Equal Weight Index options that have standard third Friday-of-the-month, nonstandard, and quarterly expirations. The proposed rule change was published for comment in the Federal Register on April 8, 2025.<sup>3</sup> On April 29, 2025, the Exchange filed Amendment No. 1 to the proposed rule change, which amended and superseded the proposed rule change as originally filed.<sup>4</sup> The Commission received no comments on the proposed rule change. The Commission is publishing this Notice and Order to solicit comment on Amendment No. 1 in Sections II and III below, which sections are being published verbatim as filed by the Exchange, and to approve the proposed rule change, as modified and superseded by Amendment No. 1, on an accelerated basis.

II. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 102752 (April 2, 2025), 90 FR 15189.

<sup>4</sup> See Amendment No. 1, available at <https://www.sec.gov/comments/sr-cboe-2025-022/srcboe2025022.htm>.

Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to amend certain rules to permit the Exchange to list and trade options with p.m.-settlement that overlie the S&P 500 Equal Weight Index (based on both the full value and one-tenth the value of the index) (“SPEQF options” and “SPEQX options,” respectively). The text of the proposed rule change is provided in Exhibit 5.

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.

### III. 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 purpose of this proposed rule change is to amend certain rules to permit the Exchange to list and trade SPEQF and SPEQX options that are p.m.-settled. Specifically, the Exchange proposes to (1) amend Rule 4.13, Interpretation and Policy .13 to permit the listing of P.M.-settled<sup>5</sup> SPEQF and SPEQX options that expire on the standard third Friday-of-the-month (“Expiration Friday”)<sup>6</sup>; (2) amend Rule 4.13(c) to permit the Exchange to open for trading

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<sup>5</sup> An option with P.M.-settlement has its exercise settlement value derived from the closing prices on the expiration date.

<sup>6</sup> Rule 4.13, Interpretation and Policy .13 currently permits the Exchange to list P.M.-settled SPX and XSP options, as well as options on the Russell 2000 Index (“RUT options”) and the Mini-Russell 2000 Index (“MRUT” options), that expire on Expiration Fridays. Amendment No. 1 also amends Rule 4.13, Interpretation and Policy .13 to clarify that provision relates specific to p.m.-settled index options that expire on the third Friday-of-the-month. This rule provision previously included such language, which was

Quarterly Index Expirations (“QIXs”) on SPEQF and SPEQX options<sup>7</sup>; and (3) permit the Exchange to list SPEQF and SPEQX options with Nonstandard Expirations pursuant to Rule 4.13(e).<sup>8</sup>

The S&P 500 Equal Weight Index is the equal-dollar weighted version of the S&P 500 Index (which is capitalization-weighted). The S&P 500 Index measures the performance of approximately 500 of the largest capitalization stocks in the United States. The constituents of the S&P 500 Equal Weight Index are the same as those of the S&P 500 Index; the difference between the two indexes is that each constituent is allocated a fixed weight with respect to the S&P 500 Equal Weight Index rather than a capitalization weight as is the case for the S&P 500 Index. Therefore, the index that underlies options on the S&P 500 Index (“SPX options”), as well as the Mini-S&P 500 Index (“XSP options”), for which the Exchange may currently list p.m.-settled options on Expiration Fridays, with Nonstandard Expirations, and as QIXs, is comprised of the same constituents as the underlying index for SPEQF and SPEQX options.

The Exchange currently is permitted to list p.m.-settled series that expire on Expiration Friday, with Nonstandard Expirations, and QIXs for several different broad-based index options, including SPX and XSP options. This proposed rule change would permit the Exchange to list p.m.-settled SPEQF and SPEQX options that expire on Expiration Fridays, with Nonstandard Expirations, and QIXs. The availability of p.m.-settled SPEQF and SPEQX options with these

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inadvertently deleted by SR-CBOE-2024-034. This rule provision has always related specifically to classes for which the Exchange may list p.m.-settled series that expire on the third Friday-of-the-month; therefore, this proposed rule change has no impact on the application of the rule and merely provides clarity and transparency.

<sup>7</sup> QIXs are index option contracts that expire on the last business day of a calendar quarter. Rule 4.13(c) currently permits the Exchange to list QIXs for SPX and XSP options, as well as RUT options, MRUT options, and options on the S&P 100 Index. Amendment No. 1 also deletes an extra space from the rule text in Rule 4.13(c).

<sup>8</sup> Rule 4.13(e) permits the Exchange to open for trading Weekly Expirations on any broad-based index eligible for standard options trading on any Monday, Tuesday, Wednesday, Thursday, or Friday (other than Expiration Fridays or days that coincide with an end-of-month (“EOM”) expiration) or EOM expirations on any broad-based index eligible for standard options trading. While the Exchange believes it has the authority under this rule to list SPEQF and SPEQX options with Nonstandard Expirations, Commission staff informed the Exchange that it must submit a rule filing pursuant to Section 19(b)(2) under the Act before it may list Nonstandard Expirations for these classes.

various expirations will provide market participants with opportunities to trade those options in a manner more aligned with specific timing needs and more effectively tailor their investment and hedging strategies related to the S&P 500 Equal Weight Index and manage their portfolios. In particular, the proposed rule change will allow market participants to roll their positions in SPEQF and SPEQX options with regularity and more precision, to spread risk across more trading days, and incorporate daily, weekly, monthly, and quarterly changes in the markets, which may reduce the premium cost of hedging.

In connection with the proposed change to Rule 4.13, Interpretation .13, Exchange also proposes to amend Rule 5.1, which governs trading days and hours, in conjunction with the proposed addition of SPEQF and SPEQX p.m.-settled options that expire on Expiration Friday. Rule 5.1(b)(2)(C) currently provides that on their last trading day, Regular Trading Hours for expiring p.m.-settled SPX, XSP, RUT, MRUT options, as well as Index Options with Nonstandard Expirations and QIXs, may be effected on the Exchange between 9:30 a.m. and 4:00 p.m. Eastern Time<sup>9</sup> (as opposed to the 9:30 a.m. to 4:15 p.m. Regular Trading Hours for options with those expirations that are non-expiring). The proposed rule change amends Rule 5.1(b)(2)(C) to include SPEQF and SPEQX P.M.-settled options that expire on Expiration Friday.<sup>10</sup> The primary listing markets for the component securities that comprise the S&P 500 Equal Weight Index close trading in those securities at 4:00 p.m., just as the primary listing markets for the component securities that comprise the S&P 500 and Russell 2000 Indexes close trading at 4:00 p.m. (as noted above, the components of the S&P 500 Index are identical to the components of the S&P 500 Equal Weight Index). The primary listing exchanges for the component securities disseminate closing prices for the component securities, which are used to

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<sup>9</sup> See Rule 1.6, which states that unless otherwise specified, all times in the Rules are Eastern Time.

<sup>10</sup> As noted above, Rule 5.1(b)(2)(C) already applies to p.m.-settled series of SPEQF and SPEQX options with Nonstandard Expirations and QIXs. Therefore, while the proposed rule change amends this Rule only with respect to p.m.-settled SPEQF and SPEQX options that expire on Expiration Friday, on their last trading day, Regular Trading Hours for all expiring p.m.-settled SPEQF and SPEQX options with all permissible expirations (including Nonstandard Weekly and End-of-Month Expirations and QIXs) will end at 4:00 p.m.

calculate the exercise settlement value of broad-based indexes on which the Exchange lists options. The Exchange believes that, under normal trading circumstances, the primary listing markets have sufficient bandwidth to prevent any data queuing that may cause any trades that are executed prior to the closing time from being reported after 4:00 p.m. If trading in expiring SPEQF and SPEQX p.m.-settled options that expire on Expiration Fridays continued an additional fifteen minutes until 4:15 p.m. on their last trading day, these expiring options would be trading after the settlement index value for those expiring options was calculated.<sup>11</sup>

Therefore, in order to mitigate potential investor confusion and the potential for increased costs to investors as a result of potential pricing divergence at the end of the trading day, the Exchange believes that it is appropriate to cease trading in the expiring SPEQF and SPEQX p.m.-settled options that expire on Expiration Fridays at 4:00 p.m., as it already does for expiring p.m.-settled SPX and XSP options (as well as RUT and MRUT options) that expire on Expiration Fridays and for expiring broad-based indexes with Nonstandard Expirations (which are p.m.-settled) for the same aforementioned reasons.<sup>12</sup> The Exchange does not believe that the proposed rule change will impact volatility on the underlying cash markets comprising broad-based indexes at the close on Expiration Fridays, as it already closes trading on the last trading day for expiring p.m.-settled options at 4:00 p.m. (including SPX and XSP options, which have the same

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<sup>11</sup> Further, the Exchange expects that SPEQF and SPEQX p.m.-settled options (as the Exchange understands is the case for P.M.-settled SPX, XSP, RUT, and MRUT options that expire on Expiration Friday and all broad-based index options with Nonstandard Expirations, QIXs, and other p.m.-settled options) will typically be priced in the market based on corresponding futures values. If trading in expiring SPEQF and SPEQX p.m.-settled options that expire on Expiration Friday continued until 4:15 p.m. on their last trading day, these expiring options could not be priced on corresponding futures values but rather would have to be priced on the known cash value. At the same time, the prices of non-expiring SPEQF and SPEQX p.m.-settled options series that expire on a future Expiration Friday would continue to move and likely be priced in response to changes in corresponding futures prices. As a result, a potential pricing divergence could occur between 4:00 p.m. and 4:15 p.m. on the final trading day in expiring SPEQF and SPEQX p.m.-settled options that expire on Expiration Friday (e.g., a switch from pricing off of futures to cash). The Exchange understands that the switch from pricing off of futures to cash can be a difficult and risky crossover for liquidity providers. As a result, if expiring p.m.-settled contracts closed at 4:15 p.m., Market-Makers may react by widening spreads in order to compensate for the additional risk.

<sup>12</sup> See Securities Exchange Act Release Nos. 68888 (February 8, 2013), 78 FR 10668 (February 14, 2013) (SR-CBOE-2012-120) (“SPXPM Pilot Approval Order”); 70087 (July 31, 2013), 78 FR 47809 (August 6, 2013) (SR-CBOE-2013-055) (“XSPPM Pilot Approval Order”); 91067 (February 5, 2021), 86 FR 9108 (February 11, 2021) (SR-CBOE-2020-116) (“MRUTPM Pilot Approval Order”); and 101197 (September 26, 2024), 89 FR 20291 (October 2, 2024) (SR-CBOE-2024-034) (“RUT Pilot Approval Order”).

underlying cash markets as those of SPEQF and SPEQX options), which the Exchange does not believe has had an adverse impact on fair and orderly markets on Expiration Fridays for the underlying stocks comprising the corresponding indexes (as further discussed below).<sup>13</sup>

The Exchange notes, as is the case for other p.m.-settled options, that SPEQF and SPEQX options will be aggregated with all other option contracts for those options for purposes of determining compliance with the applicable position (and exercise) limit, as well as determining position limit reporting requirements.<sup>14</sup>

SPEQF and SPEQX p.m.-settled options will trade in the same manner as other p.m.-settled index options that trade on the Exchange. The Exchange Rules that currently apply to the listing and trading of p.m.-settled index options on the Exchange, including, for example, Rules that govern listing criteria, expirations, exercise prices, minimum increments, position and exercise limits, margin requirements, customer accounts, and trading halt procedures, will apply to the listing and trading of p.m.-settled SPEQF and SPEQX options on the Exchange in the same manner as they apply to other p.m.-settled index options that are listed and traded on the Exchange.

The Exchange has analyzed its capacity and represents that it believes the Exchange has the necessary systems capacity to handle the additional message traffic associated with the listing of new series that would result from the introduction of the SPEQF and SPEQX options up to the

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<sup>13</sup> See Securities Exchange Act Release Nos. 98454 (September 20, 2023), 88 FR 66103 (September 26, 2023) (SR-CBOE-2023-005) (“SPXPM Permanent Approval Order”); and 98455 (September 20, 2023), 88 FR 66073 (September 26, 2023) (SR-CBOE-2023-019) (“XSPPM and MRUTPM Permanent Approval Order”).

<sup>14</sup> See Rules 8.31(b), 8.35(b) and (d), and 8.42(b) and (g). Pursuant to current Rules, the position and exercise limits for SPEQF and SPEQX options are 25,000 contracts. The Exchange has a separate rule filing pending to eliminate position limits for SPEQF and SPEQX options (other broad-based index options, including SPX and XSP options, currently have no position limits). See Securities Exchange Act Release No. 102720 (March 25, 2025), 90 FR 14297 (March 31, 2025) (SR-CBOE-2025-020). If the Commission separately approves that filing, then SPEQF and SPEQX options (including those proposed in this rule filing) would have no position limits. Other rules regarding position and exercise limits would continue to apply. For example, Rule 8.35(b) requires Trading Permit Holders to report certain information regarding FLEX positions in FLEX index options that are subject to no position limits if they maintain in excess of 100,000 contracts in those options. Additionally, Rule 8.43 imposes various reporting obligations with respect to options (including index options), even for index options subject to no position limits.

proposed number of possible p.m.-settled expirations. The Options Price Reporting Authority (“OPRA”) also informed the Exchange it believes it has the necessary systems capacity to handle the additional traffic associated with the listing of new series that would result from this proposed rule change. The Exchange believes the equal weighting of the components of the index underlying SPEQF and SPEQX options presents a value proposition to the market that has generated investor demand for p.m.-settled SPEQF and SPEQX options, including Weekly Expirations. As further discussed below, equal-weighted index options can provide market participants with the ability to gain broad exposure to the stocks comprising the underlying index in a manner less impacted by a shift in concentration and market momentum than options overlying capitalization-weighted index that are more impacted by the stocks with largest capitalization. However, as the proposal is limited to two classes, the Exchange believes any additional traffic that would be generated from the introduction of p.m.-settled SPEQF and SPEQX options with the permissible expirations will be manageable.

The S&P 500 Equal Weight Index consists of the same components as the S&P 500 Index, as noted above. Because of the relationship between the S&P 500 Equal Weight Index and the S&P 500 Index, both of which market participants may use as hedging vehicles to meet their investment needs in connection with S&P 500 Index-related products and cash positions, the Exchange believes it is appropriate to permit the same expirations and settlement for SPEQF and SPEQX options as SPX and XSP options. The Exchange understands that investors often use S&P 500 Index-related products to diversify their portfolios and benefit from market trends. The Exchange believes that investors will benefit from the availability of p.m.-settled SPEQF and SPEQX options, as it will expand investing tools offering exposure to the U.S. equities market.

If the Commission approves the proposed rule change, the Exchange will provide the Commission with the following data on an annual basis for a period of five years following the initial listings of p.m.-settled SPEQF and SPEQX options series. This data will permit

evaluation of any impact of these options on the component securities that comprise the underlying index, as well as other linked markets (e.g., hedging instruments for SPEQF and SPEQX options), such as the E-mini S&P 500 Equal Weight Index futures, to the extent possible:<sup>15</sup>

- (1) number of exercised contracts for all expirations (i.e., Monday, Tuesday, Wednesday, Thursday, and Friday Weekly Expirations; EOM Expirations; a.m.- and p.m.-settled Expiration Fridays; and QIXs);
- (2) monthly trading volume aggregated for E-mini S&P 500 Equal Weight Index futures that trade on the Chicago Mercantile Exchange (to the extent such data is available); and
- (3) month-end open interest aggregated for all expirations of the E-mini S&P 500 Equal Weight Index futures.

The Exchange will also include analysis of this data. Further, the Exchange will provide the Commission with any additional data and analysis the Commission requests during this five-year period if the Commission [sic] such data necessary for purposes of its evaluation of any potential impact the listing of the proposed options has on the market. The Exchange would make all of this data analysis available in machine-readable format and publicly on its website.

## 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.<sup>16</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>17</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and

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<sup>15</sup> As discussed below, the Exchange and Commission analyzed various data to study, among other things, the impact, if any, of p.m.-settlement on the underlying securities that comprise the S&P 500 Index (which are the same securities that comprise the S&P 500 Equal Weight Index) and whether listing and trading p.m.-settled SPX options would increase volatility around the market close in linked-markets, as well as its underlying component securities.

<sup>16</sup> 15 U.S.C. 78f(b).

<sup>17</sup> 15 U.S.C. 78f(b)(5).

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)<sup>18</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors, because it will provide investors with additional means to manage their risk exposures and carry out their investment objectives with more flexibility. By offering SPEQF and SPEQX p.m.-settled options that expire on Expiration Fridays, with Nonstandard Expirations, and QIXs, the proposed rule change will allow market participants to purchase options on additional indexes available for trading on the Exchange in a manner more aligned with specific timing needs and more effectively tailor their investment and hedging strategies related to the S&P 500 Equal Weight Index and manage their portfolios. In particular, the proposed rule change will allow market participants to roll their positions in SPEQF and SPEQX options with more regularity and precision, to spread risk across more trading days, and to incorporate daily, weekly, monthly, and quarterly changes in the markets, which may reduce the premium cost of hedging.

The Exchange further believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system because it will permit the Exchange to make available to investors series with the same expirations and settlement in SPEQF and SPEQX options as are available for SPX and XSP options. As noted

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Id.

above, the constituent stocks of the S&P 500 Index are exactly the same as the constituent stocks of the S&P 500 Equal Weight Index. However, the Exchange believes that SPEQF and SPEQX options are designed to provide different, additional opportunities for investors to hedge the market risk associated with this index and to gain directional exposure to the index by listing options directly on this index. The U.S. equity markets have experienced increased levels of concentration in recent years. SPEQF and SPEQX options provide market participants with alternative tools to manage their risk and diversify their exposure to the stocks comprising the S&P 500 Index. Specifically, these options permit market participants to gain broad exposure to these stocks using options that would be less impacted by a shift in concentration and market momentum. Because capitalization-weighted indexes such as the S&P 500 Index are more impacted by larger capitalized stocks, options overlying an equal-weighted index (such as the S&P 500 Equal Weight Index) would permit investors to hedge against potential swings in the largest stocks comprising the S&P 500 Index while maintaining the ability to hedge across the entire span of S&P 500 constituent securities. The Exchange believes the significant liquidity of the components of the S&P 500 Equal Weight Index can withstand any additional trading as a result of listing options on an index comprised of components that also comprise other indexes underlying listed options (including unwinding of options positions into underlying stock positions). The proposed rule change will provide market participants looking to gain broad exposure to the stocks underlying the S&P 500 Index in a manner less impacted by a shift in concentration and market momentum with hedging tools with the same level of precision currently available to market participants that look to gain broad exposure to these stocks more impacted by the stocks with largest capitalization. As a result, market participants will have greater trading opportunities, regardless of in which index option market they participate.

The Exchange initially listed certain options that were p.m.-settled, including SPX and XSP options, that expire on Expiration Fridays and with Nonstandard Expirations pursuant to

pilot programs,<sup>19</sup> so the Commission could monitor the impact of p.m.-settlement of cash-settled index derivatives on the underlying cash markets. When permanently approving these programs, the Commission recognized that listing p.m.-settled SPX and XSP options that expire on Expiration Fridays and with Nonstandard Expirations were consistent with the Act.<sup>20</sup> The Commission noted that these p.m.-settled index options had “benefitted investors and other market participants by providing more flexible trading and hedging opportunities while also having no disruptive impact on the market.”<sup>21</sup> The Exchange believes p.m.-settled SPEQF and SPEQX options will provide the same benefits to investors and other market participants with respect to these products.

As noted above, the S&P 500 Equal Weight Index is comprised of the same underlying components as the S&P 500 Index (which underlies SPX and XSP options). While the Commission’s prior determination was based on data specific to SPX options, the Exchange believes it is appropriate to extrapolate the data to apply to p.m.-settled SPEQF and SPEQX options with the same expirations.<sup>22</sup> Therefore, the Exchange believes extrapolating the data results (in combination with ongoing review of the data the Exchange will provide to the Commission, as discussed above) to an index comprised of the same components is more than

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<sup>19</sup> While QIXs were not part of these pilot programs, we believe any conclusions applicable to Nonstandard Expirations, which include EOMs, would apply to QIXs, as the last calendar days of quarters represent a subset of the last calendar days of months.

<sup>20</sup> See SPXPM and XSPPM Pilot Approval Orders (the Commission also recognized that these risks may have been mitigated given enhanced closing procedures in use in the primary equity markets); SPXPM and XSPPM and MRUTPM Permanent Approval Orders; and Securities Exchange Act Release No. 98456 (September 20, 2023), 88 FR 66091 (September 26, 2023) (SR-CBOE-2023-020) (“Nonstandard Permanent Approval Order”).

<sup>21</sup> See SPXPM Permanent Approval Order at 66106; XSPPM and MRUTPM Permanent Approval Order at 66076; and Nonstandard Approval Order at 66094 (citing data the Commission reviewed in connection with the pilot programs).

<sup>22</sup> See XSPPM and MRUTPM Permanent Approval at n. 31; and Nonstandard Permanent Approval Order at n. 37 (at the time of that approval order, the Exchange had listed Nonstandard Expirations for RUT and MRUT options) (“The Commission agrees it is appropriate to extrapolate the data to [p.m.-settled third Friday-of-the-month XSP and MRUT options], as the Exchange’s analysis examines liquidity and volatility dynamics around the market close, which may be associated with typical hedging activities tied to expiring p.m.-settled index options.”) Ultimately, the Commission found that the Exchange’s filing, pilot data, and analysis demonstrated these p.m.-settled products had no significant economic impact on the respective underlying indexes or other products. See *id.*

appropriate, as the Commission has already considered the impact of p.m.-settled options on futures overlying an index with the same components, another index with the same components, and the exact index components, concluding p.m.-settled options had minimal economic impact on that future, index, and constituents.<sup>23</sup> Overall, the Commission concluded that the “analysis of pilot data did not identify any significant economic impact on the underlying component securities surrounding the close as a result of expiring p.m.-settled options, nor did it indicate a deterioration in market quality . . . for an existing product when a new p.m.-settled expiration was introduced. Further significant changes in closing procedures in the decades since index options moved to a.m. settlement may also serve to mitigate the potential impact of p.m.-settled index options on the underlying cash markets.”<sup>24</sup>

With respect to markets linked to these options, such as instruments investors may use to hedge SPEQF and SPEQX options (e.g., securities underlying the index, futures overlying the same index, and ETFs designed to track the same index), the Exchange believes these markets can withstand any additional pressure on [sic] derivatives products may place on these markets. The securities underlying SPEQF and SPEQX options must be significantly liquid to satisfy the Exchange’s listing and maintenance criteria in Rule 4.10(f) and (g).<sup>25</sup> The Exchange believes these requirements demonstrate the constituents would not be materially impacted by any additional pressure resulting from the listing of these options given their significant market capitalization and liquidity. The Exchange understands that investors may use other instruments (such as futures overlying the same index and ETFs designed to track the same index) to hedge their positions in options overlying this index given potential investment challenges and risk, as

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<sup>23</sup> See XSPPM and MRUTPM Permanent Approval at 66075; and Nonstandard Permanent Approval Order at 66093 – 66094.

<sup>24</sup> See XSPPM and MRUTPM Permanent Approval at 66076; and Nonstandard Permanent Approval Order at 66094.

<sup>25</sup> These listing and maintenance criteria include: (1) component securities that account for at least 95% of the weight of the index have a market capitalization of at least \$75 million, except that component securities that account for at least 65% of the weight of the index have a market capitalization of at least \$100 million; and (2) each component security that accounts for at least 1% of the weight of the index has an average daily trading volume of at least 90,000 shares during the last six-month period.

well as cost, of hedging with the underlying constituents (which would entail obtaining positions in each of the over 500 individual stocks that comprise the index). The corresponding futures trade on the same market as the futures often used to hedge SPX options.<sup>26</sup> As there are currently no options overlying the S&P 500 Equal Weight Index,<sup>27</sup> the Exchange believes the established futures market trading on the same market in the same manner as the futures overlying the S&P 500 Equal Weight Index can withstand any additional pressure the listing of SPEQF and SPEQX options may have. Similarly, RSP has significant assets under management (approximately \$70 billion as of April 15) and trading volume (average daily trading volume of over 13 million shares in the previous 30 days). The Exchange believes this market is more than sufficient to withstand any additional pressure that may result from the listing of these options. The Exchange has identified no reason why the difference in weighting of the S&P 500 Index and the S&P 500 Equal Weight Index would cause p.m.-settled options overlying the S&P 500 Equal Weight Index to have a measurable impact on the same underlying cash markets or linked markets when p.m.-settled options overlying the S&P 500 Index did not. Therefore, the Exchange believes permitting p.m.-settled series of SPEQF and SPEQX options will offer investors the same opportunities as those offered by p.m.-settled SPX and XSP options with the same lack of material impact on the market and the component securities.

The Exchange further 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 protect investors, because it will provide investors with additional means for additional index options to manage their risk exposures and carry out their investment objectives. By offering SPEQF and SPEQX p.m.-settled options that expire on Expiration Fridays, with Nonstandard Expirations, and QIXs, the proposed rule change will allow market participants to purchase options on an

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<sup>26</sup> CME launched the futures over a year ago, making it an established product on that market.

<sup>27</sup> The Exchange understands it is possible investors may use the futures for hedging other products, such as options overlying ETFs designed to track the same index (e.g., the Invesco S&P 500 Equal Weight ETF (“RSP”).

additional index option [sic] available for trading on the Exchange in a manner more aligned with specific timing needs and more effectively tailor their investment and hedging strategies related to the S&P 500 Equal Weight Index and manage their portfolios. In particular, the proposed rule change will allow market participants to roll their positions in SPEQF and SPEQX options with regularity, thus with more precision, to spread risk across trading days, and to incorporate daily, weekly, monthly, and quarterly changes in the markets, which may reduce the premium cost of hedging.

In addition, the Exchange believes that the proposal to end trading at 4:00 p.m. on the last trading day for transactions in expiring SPEQF and SPEQX P.M.-settled options that expire on Expiration Fridays will prevent continued trading in a product after the exercise settlement value has been fixed, thereby mitigating potential investor confusion and the potential for increased costs to investors as a result of potential pricing divergence at the end of the trading day. This is consistent with the trading hours on the last trading day for transactions in other p.m.-settled options, including SPX and XSP options.<sup>28</sup>

The Exchange represents that it has the necessary systems capacity to support the proposed new option series given [sic]. The Exchange believes that its existing surveillance and reporting safeguards (including with respect to p.m.-settled index option series) in place are adequate to deter and detect possible manipulative behavior which might arise from listing and trading p.m.-settled SPEQF and SPEQX options (as the Exchange currently applies to other p.m.-settled broad-based index options, including SPX and XSP options with the same expirations) and will support the protection of investors and the public interest.<sup>29</sup> Additionally, the Exchange is a member of the Intermarket Surveillance Group (“ISG”) under the Intermarket

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<sup>28</sup> As noted above, while the proposed rule change amends this Rule only with respect to p.m.-settled SPEQF and SPEQF options that expire on Expiration Friday, on their last trading [sic], Regular Trading Hours for all expiring p.m.-settled SPEQF and SPEQX options with all permissible expirations (including Nonstandard Weekly and End-of-Month Expirations and QIXs) will end at 4:00 p.m.

<sup>29</sup> The surveillance program includes surveillance patterns for price and volume movements as well as patterns for potential manipulation (e.g., spoofing and marking the close).

Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition to obtaining information from its affiliated markets, the Exchange would be able to obtain information from other markets through ISG. In addition, Cboe has a Regulatory Services Agreement with the Financial Industry Regulatory Authority (“FINRA”) for certain market surveillance, investigation and examinations functions. Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate amongst themselves and FINRA responsibilities to conduct certain options-related market surveillance that are common to rules of all options exchanges.<sup>30</sup> The Exchange further notes that current Exchange Rules that apply to the trading of other p.m.-settled index options traded on the Exchange, such as SPX and XSP options, would also apply to the trading of p.m.-settled SPEQF and SPEQX options, such as, for example, Exchange Rules governing customer accounts, margin requirements, position and exercise limits,<sup>31</sup> and trading halt procedures, which are designed to prevent fraudulent and manipulative acts.

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

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<sup>30</sup> 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.

<sup>31</sup> As noted above, pursuant to current Rules, the position and exercise limits for SPEQF and SPEQX options are 25,000 contracts. The Exchange has a separate rule filing pending to eliminate position limits for SPEQF and SPEQX options (other broad-based index options, including SPX and XSP options, currently have no position limits). See Securities Exchange Act Release No. 102720 (March 25, 2025), 90 FR 14297 (March 31, 2025) (SR-CBOE-2025-020). If the Commission separately approves that filing, then SPEQF and SPEQX options (including those proposed in this rule filing) would have no position limits. Other rules regarding position and exercise limits would continue to apply. For example, Rule 8.35(b) requires Trading Permit Holders to report certain information regarding FLEX positions in FLEX index options that are subject to no position limits if they maintain in excess of 100,000 contracts in those options. Additionally, Rule 8.43 imposes various reporting obligations with respect to options (including index options), even for index options subject to no position limits.

Exchange does not believe the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because p.m.-settled SPEQF and SPEQX options that expire on Expiration Fridays, with Nonstandard Expirations, and QIXs will be equally available to all market participants via Cboe Trading Permit Holders who wish to trade such options. Additionally, the proposed trading hours for expiring options on their expiration dates will be the same for all market participants. 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 p.m.-settlement with these expirations (and the trading hours for expiring options on their expiration dates) are consistent with those of similar index products, such as SPX and XSP options (which overlie an index comprised of the same components) and competitive products.<sup>32</sup> Additionally, options on equities, including options on certain ETFs that track the S&P 500 Index and the S&P 500 Equal Weight Index, are p.m.-settled. To the extent that the advent of p.m.-settled SPEQF and SPEQX options trading on the Exchange makes the Exchange a more attractive marketplace to market participants at other exchanges, such market participants are free to elect to become market participants on the Exchange.

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.

IV. Discussion and Commission Findings

After careful review, the Commission finds that the Exchange’s proposal, as modified and superseded by Amendment No. 1 (“Amended Proposal”), is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>33</sup>

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<sup>32</sup> See, e.g., Nasdaq PHLX, LLC Options 4A, Section 12(a)(6) (permitting p.m. settlement for options on the Nasdaq-100 and Nasdaq-100 Micro Indexes that expire on Expiration Fridays).

<sup>33</sup> In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

In particular, the Commission finds that the Amended Proposal is consistent with Section 6(b)(1) of the Act,<sup>34</sup> which requires, among other things, that the Exchange be so organized and have the capacity to be able to carry out the purposes of the Act and to enforce compliance by its members and persons associated with its members with the provisions of the Act, Commission rules and regulations thereunder, and its own rules; and Section 6(b)(5) of the Act,<sup>35</sup> which requires that the proposal be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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.

The Amended Proposal does not raise unique regulatory concerns. Options on broad-based indexes with p.m. settlement and third Friday-of-the-month, nonstandard, and quarterly expirations are not novel. The Exchange's rules already permit, for certain broad-based index options, including SPX and XSP options, the listing of p.m.-settled series with third Friday-of-the-month, nonstandard, and quarterly expirations, as well as trading days and hours that are the same as would apply to p.m.-settled SPEQF and SPEQX options.<sup>36</sup> P.M.-settled SPEQF and SPEQX options with third Friday-of-the-month, nonstandard, and quarterly expirations also would be subject to the same rules that presently govern the trading of all index options on the Exchange, including, among others, rules governing customer accounts, sales practices, margin requirements, and trading practices, which are designed to protect investors and prevent fraudulent and manipulative acts.<sup>37</sup> In addition, the constituents of the S&P 500 Index and S&P

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<sup>34</sup> 15 U.S.C. 78f(b)(1).

<sup>35</sup> 15 U.S.C. 78f(b)(5).

<sup>36</sup> See *supra* Section III. The generic listing standards for broad-based index options require a.m. settlement. See, e.g., Exchange Rule 4.10(f). Accordingly, the listing of a class of broad-based index options with nonstandard expirations and p.m. settlement pursuant to Exchange Rule 4.13(e) requires the filing of a proposed rule change to that effect for the specific broad-based index option, which proposed rule change must be approved by the Commission under Section 19(b) of the Act. See *supra* note 8.

<sup>37</sup> *Id.*

500 Equal Weight Index are the same.<sup>38</sup> As such, the Amended Proposal would not expose any index constituents to options trading with p.m. settlement and third Friday-of-the-month, nonstandard, and quarterly expirations that are not already exposed to such settlement and expirations in the SPX and XSP classes. Moreover, other options exchanges permit the listing and trading of certain broad-based index options with p.m. settlement and third Friday-of-the-month, nonstandard, and quarterly expirations.<sup>39</sup> Further, already available in the marketplace are futures contracts overlying the S&P 500 Equal Weight Index and an ETF (RSP) that is designed to track the S&P 500 Equal Weight Index, which could be important hedging instruments for market makers and other market participants that establish positions in p.m.-settled SPEQF and SPEQX options.<sup>40</sup>

Permitting the trading of options on an index of securities enables investors to participate in the price movements of the index's underlying securities and allows investors holding positions in some or all such securities to hedge the risks associated with their portfolios. The Exchange's proposal to permit the listing and trading of SPEQF and SPEQX options with p.m. settlement and third Friday-of-the-month, nonstandard, and quarterly expirations could benefit investors by providing them with additional investment and hedging alternatives on a broad-based index that offers exposure to the U.S. equities market.

Specifically, each constituent in the S&P 500 Equal Weight Index is allocated a fixed weight rather than, as is the case for S&P 500 Index constituents, a capitalization weight.<sup>41</sup> In light of this difference, the Amended Proposal could provide market participants with alternative tools to manage their risk and diversify their exposure to the stocks comprising the S&P 500

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<sup>38</sup> Id.

<sup>39</sup> See, e.g., Nasdaq ISE, LLC Options 4A, Section 12 and Supplementary Material (Nasdaq-100 Index options); MIAX Rule 1809 and Interpretation and Policies (Bloomberg 500 Index options).

<sup>40</sup> See supra Section III. According to the Exchange, the Chicago Mercantile Exchange launched the S&P 500 Equal Weight Index futures product over a year ago, and it is an established product on that exchange. The Exchange also points out that the futures product often used to hedge SPX options trades on that same market. Id.

<sup>41</sup> Id.

Index. P.M.-settled SPEQF and SPEQX options with the expirations set forth in the Amended Proposal could permit market participants to gain broad exposure to S&P 500 Index component stocks using options that would be less impacted by a shift in concentration and market momentum. Because capitalization-weighted indexes such as the S&P 500 Index are more impacted by larger capitalized stocks, options overlying an equal-weighted index, such as SPEQX and SPEQF options, could enable investors to hedge against potential price swings in the largest stocks comprising the S&P 500 Index while maintaining the ability to hedge across the entire span of S&P 500 constituent securities.

Furthermore, the availability of p.m.-settled SPEQF and SPEQX options with third Friday-of-the-month, nonstandard, and quarterly expirations could benefit investors and remove impediments to a free and open market by allowing market participants to establish option positions in a manner more aligned with each individual participant's specific timing needs and to roll a participant's positions on more trading days, which may enable the market participant to more precisely spread risk across more trading days and incorporate daily changes in the markets. Because the proposed p.m. settlement feature would permit trading in SPEQF and SPEQX options throughout the expiration day, market participants should be able to trade out of their positions up until the time the contract settles, which could permit market participants to more effectively manage overnight risk and reduce residual risk on the day of expiration.

The Commission has considered the potential for adverse market impact presented by the Amended Proposal in the underlying cash markets as well as the markets for linked products, including in light of the fact that the constituent securities of the S&P 500 Equal Weight Index and S&P 500 Index are the same. The Commission believes that the significant liquidity of these constituent securities should help mitigate against such potential for adverse market impact. The constituent securities underlying SPEQF and SPEQX options (as well as SPX and XSP options) must be significantly liquid to satisfy the Exchange's listing and maintenance criteria in

Exchange Rule 4.10(f) and (g).<sup>42</sup> The Commission believes that the satisfaction of these requirements helps demonstrate that the constituent securities and linked products, such as E-mini S&P 500 Equal Weight Index futures and RSP, would not be materially impacted by additional derivative pressure resulting from the listing of SPEQF and SPEQX options as proposed in the Amended Proposal.<sup>43</sup>

Relatedly, and importantly, the Exchange has committed to providing specific data on an annual basis for five years following the initial listing of p.m.-settled SPEQF and SPEQX options series.<sup>44</sup> This data will be coupled with analysis by the Exchange, and the Exchange represents that it will provide the Commission with any additional data and analysis that the Commission requests during this five-year period if the Commission deems such data to be necessary for purposes of its evaluation of any potential impact the listing of the proposed options has on the market.<sup>45</sup> The Exchange also has committed to make all of this data analysis available in machine-readable format and publicly on its website.<sup>46</sup> These Exchange commitments are designed to protect investors and the public interest, as they should provide the Commission with data and analysis that sheds light on the development of the market for p.m.-settled SPEQF and SPEQX options and enables the Commission to monitor for and assess any potential adverse market effects arising from the trading of such options.

The Commission also believes that the potential risks of trading p.m.-settled SPEQF and SPEQX options with third Friday-of-the-month, nonstandard, and quarterly expirations are mitigated by the Exchange's surveillances mechanisms, consistent with Sections 6(b)(1) and 6(b)(5) of the Act.<sup>47</sup> The Exchange represents that its existing surveillance and reporting

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<sup>42</sup> Id.

<sup>43</sup> Id.

<sup>44</sup> Id.

<sup>45</sup> Id.

<sup>46</sup> Id.

<sup>47</sup> 15 U.S.C. 78f(b)(1), 78f(b)(5).

safeguards (including with respect to p.m.-settled index option series) in place are adequate to deter and detect possible manipulative behavior which might arise from listing and trading p.m.-settled SPEQF and SPEQX options and will support the protection of investors and the public interest.<sup>48</sup> Additionally, the Exchange is a member of ISG, whose members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets.<sup>49</sup> Further, the Exchange has a Regulatory Services Agreement with FINRA for certain market surveillance, investigation and examinations functions.<sup>50</sup> And pursuant to a multi-party Rule 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.<sup>51</sup>

In light of the foregoing, the Commission believes that the Amended Proposal is consistent with Sections 6(b)(1) and 6(b)(5) of the Act.<sup>52</sup>

#### V. Solicitation of Comments on Amendment No. 1 to the Proposed Rule Change

Interested persons are invited to submit written data, views, and arguments concerning whether Amendment No. 1 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](mailto:rule-comments@sec.gov). Please include file number SR-CBOE-2025-022 on the subject line.

##### Paper comments:

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<sup>48</sup> Id.

<sup>49</sup> Id.

<sup>50</sup> Id.

<sup>51</sup> Id.

<sup>52</sup> 15 U.S.C. 78f(b)(1), 78f(b)(5).

- 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-2025-022 on the subject line. 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 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, DC 20549 on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also 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-2025-022 on the subject line, and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

VI. Accelerated Approval of Proposed Rule Change, as Modified and Superseded by Amendment No. 1

The Commission finds good cause to approve the Amended Proposal prior to the 30th day after the date of publication of Amendment No. 1 in the Federal Register. Amendment No. 1 does not change the original purpose of the proposal, which was, and remains under Amendment No. 1, to permit the Exchange to list and trade p.m.-settled SPEQF and SPEQX options with third Friday-of-the-month, nonstandard and quarterly expirations. In addition, the original proposal has been subject to public comment and no comments have been received.

Amendment No. 1 sets forth additional support for and detail regarding the original filing, and clarifies certain rule text provisions.<sup>53</sup> Among other things, Amendment No. 1 clarifies that p.m.-settled SPEQF and SPEQX options will trade in the same manner as and be subject to the same Exchange Rules that apply to other p.m.-settled index options that trade on the Exchange. In addition, Amendment No. 1 includes the Exchange's commitment to provide data and accompanying analysis of such data, annually or upon Commission request, for a period of five years following the initial listing of p.m.-settled SPEQF and SPEQX options series to permit evaluation of any impact of these options on the component securities that comprise the underlying index, as well as other linked markets. The Commission believes that Amendment No. 1, without altering the purpose of the original proposal, strengthens the original proposal by providing additional clarity, support, and data commitments, as explained above and set forth fully in Sections II and III above.

The Commission therefore finds that Amendment No. 1 raises no novel regulatory issues that have not previously been subject to comment and is reasonably designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. Accordingly, pursuant to Section 19(b)(2) of the Act,<sup>54</sup> the Commission finds good cause to approve the Amended Proposal on an accelerated basis prior to the 30th day after publication of notice of the filing of Amendment No. 1 in the Federal Register.

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<sup>53</sup> Amendment No. 1 corrects a prior, inadvertent deletion of language from Exchange Rule 4.13, Interpretation and Policy .13, by clarifying that that provision applies specifically to p.m.-settled index options that expire on the third Friday-of-the-month. See supra note 6.

<sup>54</sup> 15 U.S.C. 78s(b)(2).

VII. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>55</sup> that the proposed rule change (SR-CBOE-2025-022), as modified and superseded by Amendment No. 1, be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>56</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>55</sup> 15 U.S.C. 78s(b)(2).

<sup>56</sup> 17 CFR 200.30-3(a)(12).