



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105239; File No. SR-CBOE-2026-034]

**Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Definition of “Exercise Settlement Amount” Applicable to Binary Options**

April 15, 2026

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 9, 2026, 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 and II 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 the definition of “exercise settlement amount” applicable to binary options. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Commission’s website (<https://www.sec.gov/rules/sro.shtml>), the Exchange’s website ([https://www.cboe.com/us/options/regulation/rule\\_filings/bzx/](https://www.cboe.com/us/options/regulation/rule_filings/bzx/)), and at the principal office of the Exchange.

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

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

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

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

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

1. Purpose

The Exchange proposes to amend its Rules related to binary options.<sup>3</sup> Binary options are based on the same framework as traditional, standardized options traded on the Exchange, except the payout of a binary option is an amount contingent upon the occurrence of the option being in- or at-the-money rather than the degree to which the option is in-the-money. As a result, payout at expiration of a binary option is an all-or-nothing occurrence. Current Rule 4.16 permits the Exchange to list binary options on broad-based indexes.<sup>4</sup> Rule 4.16(b) defines a binary option as a European-style option contract having an exercise settlement amount that is established at the creation of the option. The exercise settlement amount for a binary option is the amount of cash that a holder will receive upon exercise of the contract. The exercise settlement amount is a set amount equal to the exercise settlement value multiplied by the contract multiplier. The exercise settlement value will be an amount determined by the Exchange on a class-by-class basis and shall be equal to \$10 or \$1,000 or a value between those values, unless otherwise adjusted per Rule 4.6.<sup>5</sup> The contract multiplier is the multiple applied to the exercise settlement value to

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<sup>3</sup> The Exchange does not currently list binary options but intends to begin listing binary options in upcoming months.

<sup>4</sup> Pursuant to Rule 4.16(a), Rule 4.16 applies to binary options only, and all Rules apply to the trading of binary options, except as otherwise provided or the context otherwise requires.

<sup>5</sup> Pursuant to Rule 4.16(f), binary option contracts are subject to adjustment only in accordance with and to the extent specified in the By-Laws and Rules of The Options Clearing Corporation ("OCC").

arrive at the total exercise settlement amount per contract, which is established on a class-by-class basis and shall be at least one.<sup>6</sup> Binary options are paid out if the settlement value<sup>7</sup> of the underlying broad-based index equals, exceeds, or is less than the exercise price, depending on the type of option (i.e., call or put). A call binary option is an option contract that returns an exercise settlement amount if the settlement value of the underlying broad-based index is at or above the exercise price<sup>8</sup> at expiration (i.e., in- or at-the-money), while a put binary option is an option contract that returns an exercise settlement amount if the settlement value of the underlying broad-based index is below the exercise price at expiration (i.e., in-the-money).<sup>9</sup> The Exchange designates binary options as to expiration date, exercise price, exercise settlement amount, contract multiplier, and underlying broad-based index.<sup>10</sup>

As noted above, current Rule 4.16(b) permits the exercise settlement value for a binary option to be an amount determined by the Exchange on a class-by-class basis equal to between \$10 and \$1,000. Given the exercise settlement amount for a binary option equals the exercise settlement value multiplied by the contract multiplier (which must be at least 1), the current minimum permissible exercise settlement amount for a binary option is therefore \$10 (if the multiplier for a binary option was 1 and the Exchange determined the exercise settlement value to be \$10). The Exchange proposes to reduce the minimum exercise settlement value for a

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<sup>6</sup> See Rule 4.16(b) (definition of “contract multiplier”).

<sup>7</sup> The settlement value for a binary option is the value of the underlying broad-based index that is used to determine whether a binary option is in, at, or out of the money. For binary options on a broad-based index on which traditional options on the same broad-based index are A.M.-settled, the “settlement value” is the reported opening level of such index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index. For binary options on a broad-based index on which traditional options on the same broad-based index are P.M.-settled, the “settlement value” is the reported closing level of such index as derived from the prices of the underlying securities on such day and as reported by the Reporting Authority for the index. See current Rule 4.16(b) (definition of “settlement value”). Binary options that are “at-the-money,” “in-the-money,” or “out-of-the-money” are a function of the settlement value of the underlying broad-based index in relation to the type of binary option (i.e., put or call) and the exercise price. See current Rule 4.16(e).

<sup>8</sup> With respect to a binary option, the exercise price is the value to which the settlement value of the underlying broad-based index is compared to determine whether the holder of a binary option is entitled to have the option be paid out. See Rule 4.16(b) (definition of “exercise price”).

<sup>9</sup> See Rule 4.16(b) (definitions of “call binary option” and “put binary option”).

<sup>10</sup> See Rule 4.16(c)(2).

binary option to be \$1, making the minimum permissible exercise settlement amount for a binary option to be \$1 (if the multiplier for a binary option was 1 and the Exchange determined the exercise settlement value to be \$1). As the standard multiplier for traditional options is 100, the proposed rule change would permit the Exchange to list a binary option with the typical multiplier of 100 to have an exercise settlement amount of \$100 (i.e., 100 multiplier and exercise settlement value of \$1).

## 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>11</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>12</sup> 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)<sup>13</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 promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest because it expands the range of permissible payout amounts for binary options, notably

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<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(5).

<sup>13</sup> Id.

for binary options with the standard multiplier for traditional options is 100. Currently, if the Exchange listed a binary option with a 100 multiplier, the lowest permissible exercise settlement amount would be \$1,000 (i.e., 100 multiplier times \$10 exercise settlement value). The proposed rule change would permit the Exchange to apply a standard 100 multiplier to a binary option so the exercise settlement amount could be as low as \$100. The Exchange believes it would benefit investors to slightly increase the range of permissible exercise settlement values (and thus exercise settlement amounts) for binary options with a 100 multiplier given investors' familiarity with that multiplier.<sup>14</sup> The proposed rule change would merely reduce the permissible lowest possible exercise settlement amount for a binary option from \$10 to \$1, which is a minor change in a range that currently has no maximum, as the Rules apply no maximum multiplier.

Additionally, as the purpose of the proposed rule change is to permit a \$100 exercise settlement amount for binary options with the standard 100 multiplier, the Exchange notes current Rules of the Exchange already permit an exercise settlement amount of \$100 (e.g., a binary option could have a multiplier of 1 and an exercise settlement value of \$100, or a multiplier of 10 and an exercise settlement value of \$10,). The proposed rule change merely permits the Exchange to determine such an exercise settlement amount using a more common multiplier with which investors are generally more familiar. As is the case for any binary option, the exercise settlement amount will be known to investors in advance, and they can determine whether to trade a binary option with that exercise settlement amount.

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

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

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<sup>14</sup> Investors are familiar with options with a multiplier of 100 because that is the multiplier for all equity and index options listed on the Exchange (except for nanos). See Product Specifications, [available at https://www.cboe.com/tradable-products/product-list](https://www.cboe.com/tradable-products/product-list).

because any exercise settlement value amount determined by the Exchange for a binary option will apply to all Trading Permit Holders in the same manner (as the exercise settlement amount based on that exercise settlement value paid to any holder of that binary option upon exercise of the contract will be the same amount). The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition because the rules of other exchanges currently permit an exercise settlement amount of \$100 for binary options with multipliers of 100,<sup>15</sup> and the proposed rule change will permit the Exchange to list binary options with the same multiplier and exercise settlement amount. Further, other exchanges that permit the listing of binary options on indexes may amend their rules to permit the same exercise settlement value if they choose.<sup>16</sup>

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

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

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>17</sup> and Rule 19b-4(f)(6)<sup>18</sup> thereunder. Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was

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<sup>15</sup> See NYSE American, LLC (“NYSE American”) Section 17, Rule 900 (definitions of “Finish High” and “Finish Low”, which provide that an options contract returns \$100 if it is in-the-money). While this rule applies to binary options on equities and the Exchange’s Rules apply to binary options on indexes, binary equity options function in substantially the same manner as binary index options and result in a payout of a settlement amount if the option is in-the-money, and the Exchange believes it is appropriate to permit the Exchange to designate similar payout amounts for binary options with the same common multiplier of 100 despite the difference in the underlying.

<sup>16</sup> The Exchange notes this payout amount is the same as the payout amount for products structured in substantively the same manner as binary options that are listed on other market platforms not registered as national securities exchanges.

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f)(6).

filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>19</sup> and Rule 19b-4(f)(6)<sup>20</sup> thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

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

##### Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-CBOE-2026-034 on the subject line.

##### Paper Comments:

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

All submissions should refer to file number SR-CBOE-2026-034. 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

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<sup>19</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>20</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>).

Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-CBOE-2026-034 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>21</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>21</sup> 17 CFR 200.30-3(a)(12).