



April 5, 2021

**VIA ELECTRONIC DELIVERY**

Vanessa Countryman, Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Re: SR-CBOE-2020-117 – One multiplier index options (“micro-options”)

Dear Ms. Countryman:

Milliman Financial Risk Management LLC (“Milliman FRM”) appreciates the opportunity to provide comment to the Securities and Exchange Commission (“Commission”) regarding the proposal by Cboe Exchange, Inc. (“Cboe”) to adopt SR-CBOE-2020-117, which would permit one multiplier index options. Milliman FRM is a Commission-registered investment adviser that provides risk management and fund management services. Milliman FRM provides investment advisory, hedging, and consulting services on approximately \$150 billion in global assets as of December 31, 2020. Milliman FRM’s approach relies on the simplest, most liquid assets available, and the firm prides itself on complete transparency with all of its clients.

**Cboe’s Proposal**

The proposed rule change would allow for a much smaller options contract size, with a notional value of 1/100<sup>th</sup> of the value of the current index options. This would improve the ability of investors to precisely construct their trades using micro-options. For example, the proposal could improve the tracking error of a registered fund, thus allowing more precise outcomes for its shareholders. Access to micro-options would increase the accuracy of a hedge or asset purchase to within \$4,000 dollars of an investment objective instead of approximately \$40,000 (assuming an S&P 500 mini contract). Most exchange-traded funds and variable insurance funds that we



have helped design, launch, or operate were seeded with \$1-3 million dollars. Such a fund, with access to a micro S&P 500 FLEX option, would be able to go from approximately 2% (assuming \$40,000 contract size and \$2 million AUM in the fund) invested to 0.2% (\$4000 contract size and \$2 million AUM) invested. This is a 180 basis point move toward becoming fully invested in the options allocation. This increased granularity of option size would have a materially positive impact on investor precision.

Milliman FRM has been playing a leading role in the discussions between ETFs, variable insurance trust sponsors, insurance companies, option market makers, and exchanges, in encouraging trading desks and market makers to enhance liquidity and ease of trading for portfolios of options. The introduction of micro-options would greatly assist in this. Additionally, the ability to bring innovative and useful option based investment strategies to everyday investors' retirement portfolios is dependent upon maximizing the accuracy of the investment objective.

Milliman FRM greatly appreciates the Commission's consideration of the issues raised above and would be pleased to discuss these comments in greater detail. If you have any questions or need any additional information, please contact us.

Sincerely,  
Milliman FRM