

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-101197; File No. SR-CBOE-2024-034)

September 26, 2024

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 Adopt Rules to List P.M.-Settled Russell 2000 Index Options with Expirations on the Third Friday-of-the-Month

I. Introduction

On August 2, 2024, Cboe Exchange, Inc. (“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 p.m.-settled broad-based Index options with expirations on the third Friday-of-the-month. The proposed rule change was published for comment in the Federal Register on August 14, 2024.<sup>3</sup> On September 13, 2024, the Exchange filed Amendment No. 1 to the proposed rule change, described in Item II below, which Item has been prepared by the Exchange.<sup>4</sup>

Amendment No. 1 superseded the original proposed rule change in its entirety.

The Commission is publishing this notice and order to solicit comments on the proposed rule change, as modified by Amendment No. 1, from interested persons and is approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

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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. 100671 (August 8, 2024), 89 FR 66163. The Commission has not received any comments.

<sup>4</sup> The full text of Amendment No. 1 is available on the Commission’s website at: <https://www.sec.gov/comments/sr-cboe-2024-034/srcboe2024034.htm>.

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 to permit the listing of P.M.-settled<sup>5</sup> options on the Russell 2000 Index (“RUT”) that expire on the standard third Friday-of-the-month (“Expiration Friday”). Currently, pursuant to Rule 4.13, Interpretations and Policies .13 and .14, the Exchange is permitted to list P.M.-settled options on the S&P 500 Index (“SPX options”), the Mini-S&P 500 Index (“XSP options”), and the Mini-Russell 2000 Index (“MRUT options”) that expire on Expiration Fridays.<sup>6</sup> Additionally, pursuant to Rule 4.13(e), the Exchange may list P.M.-settled options on any broad-based index eligible for standard options trading — including RUT — that expire on any Monday, Tuesday, Wednesday, Thursday, or Friday (other than Expiration Friday or days that coincide with an EOM Expiration (as defined below)) (“Weekly Expirations”) or that expire on the last trading day of the month (“EOM Expirations” and,

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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> The proposed rule change deletes Interpretation .14 and moves XSP and MRUT to Interpretation .13 so that all indexes on which the Exchange may list P.M.-settled third-Friday-of-the-month options series are included within the same rule provision. This is a nonsubstantive, administrative change, and the proposed rule change makes no changes to how XSP or MRUT P.M.-settled third-Friday-of-the-month option series trade.

combined with Weekly Expirations, “Nonstandard Expirations”). As a result, currently, the Exchange may list P.M.-settled SPX, XSP, and MRUT options with expirations on any day of the week, including all Fridays, while the Exchange may list P.M.-settled options on RUT with expirations on any day of the week, including all Fridays except Expiration Fridays.

The proposed rule change would permit the Exchange to list RUT P.M.-settled options that expire on Expiration Fridays. Specifically, the proposed rule change amends Rule 4.13, Interpretation and Policy .13 to state that in addition to A.M.-settled options on SPX, XSP, and MRUT<sup>7</sup> pursuant to Rule 4.13, the Exchange may also list options on RUT whose exercise settlement value is derived from closing prices on their expiration dates (“P.M.-Settled”).<sup>8</sup> The Exchange notes that permitting RUT options that are P.M.-Settled that expire on Expiration Friday, as proposed, would be in addition to the RUT P.M.-settled options with expirations on all Fridays other than Expiration Fridays that the Exchange may already list on those indexes as Weekly Expirations pursuant to Rule 4.13(e)(1). Current Rule 4.13, Interpretations and Policies .13 and .14 together with Rule 4.13(e)(1) permit the Exchange to list P.M.-settled SPX, XSP, and MRUT options on all Fridays (including Expiration and non-Expiration Fridays). The proposal merely expands this same ability to RUT options.

RUT options that are P.M.-Settled and expire on Expiration Friday are subject to all provisions of Rule 4.13 and treated the same as A.M.-settled RUT options (which expire on Expiration Fridays), except they are P.M.-settled. RUT options that are P.M.-Settled that expire

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<sup>7</sup> The Exchange notes that the index underlying MRUT options is the same as the index underlying RUT options but are just based on a reduced value of that index.

<sup>8</sup> The Exchange corrects outdated language in Rule 4.13, Interpretation and Policy .13 by updating the definition of P.M.-settled. The exercise settlement value of a P.M.-settled option is derived from closing prices on the expiration date, rather than the last trading day prior to expiration (which would have been Friday when options settled on Saturdays; however, options now settle on Fridays). This is consistent with the fact that expiring P.M.-settled options trade on their expiration dates, as set forth in Rule 5.1(b)(2)(C).

on Expiration Fridays have the same exercise style, same number of permissible expirations, same exercise interval prices and limitations, and same position and exercise limits, and will trade in the same minimum price increment, as A.M.-settled RUT options.

The Exchange believes expanding the availability of P.M.-Settled options that expire on Expiration Friday to RUT will expand hedging tools available to market participants while also providing greater trading opportunities, regardless of in which index option market they participate. By expanding the availability of P.M.-Settled options that expire on Expiration Friday, the proposed rule change (together with currently available Weekly Expirations for RUT) will provide market participants with opportunities to purchase RUT options in a manner more aligned with specific timing needs and more effectively tailor their investment and hedging strategies related to the Russell 2000 Index and manage their portfolios. In particular, the proposed rule change will allow market participants to roll their positions in RUT options on more trading days, thus with more precision, spread risk across more trading days and incorporate daily changes in the markets, which may reduce the premium cost of buying protection.

The Exchange believes there is sufficient investor interest in and demand for RUT P.M.-Settled options that expire on Expiration Friday to warrant adding these expirations and that RUT P.M.-Settled options that expire on Expiration Friday will provide investors with additional means of managing their risk exposures and carrying out their investment objectives. For example, from January 2 through August 30, 2024, the total trading volume on the Exchange of A.M.-settled RUT options (which expire on Expiration Fridays) was over 7 million contracts, which is comparable to the total trading volume on the Exchange of P.M.-settled RUT options (which expire on any day of the month, including Fridays, other than Expiration Fridays) of just

over 10 million contracts. The Exchange believes this demonstrates strong customer demand for both A.M.-settled RUT options as well as P.M.-settled RUT options (across various expirations). This RUT options volume (A.M.-settled and P.M.-settled combined) over 17 million contracts is also comparable to the total trading volume on the Exchange during that timeframe of XSP options (all of which are P.M.-settled, including on Expiration Fridays) of approximately 23.5 million contracts. Further, RUT options total trading volume on the Exchange during this timeframe was significantly larger than the total trading volume on the Exchange of MRUT options of approximately 139,000 contracts. The Exchange believes the comparable volume of RUT options to XSP options and the similar volume between A.M.-settled and P.M.-settled RUT options, as well the significantly larger volume of RUT options compared to MRUT options, for which the Exchange may currently list P.M.-settled series that expire on Expiration Fridays, demonstrates that customers would benefit from the availability of P.M.-settled RUT options that expire on Expiration Friday. Overall, the Exchange believes that permitting the trading of P.M.-Settled options that expire on Expiration Fridays in an additional index option will encourage greater trading in this index option. The Exchange believes the proposed rule change will provide opportunities for market participants to benefit from exposure to the market for an additional index option with further P.M.-settlement flexibility.

The Exchange also proposes to amend Rule 5.1, which governs trading days and hours, in conjunction with the proposed addition of RUT 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, and MRUT options, as well as Index Options with Nonstandard Expirations, 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 RUT P.M.-Settled options. The primary listing markets for the component securities that comprise broad-based indexes close trading in those securities at 4:00 p.m., just as the primary listing markets for the component securities that comprise the SPX, XSP, and MRUT Indexes close trading at 4:00 p.m. (the Exchange notes the components of the RUT Index are identical to the components of MRUT Index). The primary listing exchanges for the component securities disseminate closing prices for the component securities, which are used to 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 RUT 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>10</sup> Therefore, in order to mitigate potential investor confusion and the potential for increased costs to investors as a result of potential pricing

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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> Further, the Exchange expects that RUT P.M.-Settled options that expire on Expiration Friday (as the Exchange understands is the case for P.M.-settled SPX, XSP and MRUT options that expire on Expiration Friday and all broad-based index options with Nonstandard Expirations) will typically be priced in the market based on corresponding futures values. If trading expiring RUT 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 RUT P.M.-Settled options series that expire on 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 RUT 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.

divergence at the end of the trading day, the Exchange believes that it is appropriate to cease trading in the expiring RUT P.M.-Settled options that expire on Expiration Fridays at 4:00 p.m., as it already does for expiring P.M.-settled SPX, XSP, 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>11</sup> The Exchange does not believe that the proposed rule change will impact volatility on the underlying cash market 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. (such as P.M.-settled SPX, XSP, and MRUT options that expire on Expiration Fridays and broad-based index options with Nonstandard Expirations), 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.<sup>12</sup>

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it believes that the Exchange and OPRA have the necessary systems capacity to handle any potential additional traffic associated with trading of RUT P.M.-Settled options that expire on Expiration Fridays. The Exchange does not believe that its Trading Permit Holders (“TPHs”) will experience any capacity issues as a result of this proposal and represents that it will monitor the trading volume associated with any possible additional options series listed as a result of this proposal and the effect (if any) of these additional series on market fragmentation and on the capacity of the Exchange’s automated systems.

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<sup>11</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”); and 91067 (February 5, 2021), 86 FR 9108 (February 11, 2021) (SR-CBOE-2020-116) (“MRUTPM Pilot Approval Order”).

<sup>12</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”).

In addition to this, the Exchange believes that its existing surveillance and reporting safeguards in place are adequate to deter and detect possible manipulative behavior which might arise from listing and trading RUT P.M.-Settled options that expire on Expiration Fridays on all broad-based index options and will support the protection of investors and the public interest. Furthermore, the trading of RUT P.M.-Settled options that expire on Expiration Fridays will be subject to Exchange Rules governing customer accounts, position and exercise limits, margin requirements and trading halt procedures, among other Rules, which are designed to prevent fraudulent and manipulative acts and practices.

## 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>13</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>14</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>15</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

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<sup>13</sup> 15 U.S.C. 78f(b).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

<sup>15</sup> Id.



In particular, the Exchange believes that the proposed rule change will 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 Exchange believes that expanding the availability of P.M.-Settled options that expire on Expiration Fridays to RUT (in addition to SPX, XSP, and MRUT (which options overly the same index as RUT options but merely with a reduced value) will provide investors with expanded hedging tools and greater trading opportunities and flexibility for an additional index option. As a result, investors will have additional means for an additional index option to manage their risk exposures and carry out their investment objectives. By offering RUT P.M.-Settled options that expire on Expiration Fridays along with Weekly Expirations (including expirations on Fridays other than Expiration Friday), the proposed rule change will allow market participants to purchase options on an additional index option 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 Russell 2000 Index and manage their portfolios. For example, the proposed rule change will allow market participants to roll their positions in RUT options on more trading days, thus with more precision, spread risk across more trading days and incorporate daily changes in the markets, which may reduce the premium cost of buying protection. The Exchange represents that it believes that it has the necessary systems capacity to support any additional traffic associated with trading of RUT P.M.-Settled that expire on Expiration Fridays and does not believe that its TPHs will experience any capacity issues as a result of this proposal.

The Commission previously recognized that listing P.M.-Settled SPX, XSP, and MRUT options that expire on Expiration Fridays was consistent with the Act.<sup>16</sup> The Exchange notes that

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<sup>16</sup> See SPXPM, XSPPM, and MRUTPM Pilot Approval Orders (the Exchange initially listed P.M.-Settled SPX, XSP, and MRUT options that expire on Expiration Fridays pursuant to pilot programs, so the Commission

MRUT options overlie a reduced-value version of the same index underlying RUT options. The Commission noted that P.M.-Settled options that expire on Expiration Fridays in these index options “has benefitted investors and other market participants by providing more flexible trading and hedging opportunities while also having no disruptive impact on the market.”<sup>17</sup> The proposed rule change is consistent with these findings, as it will benefit investors and other market participants that participate in the market for RUT options that expire on Expiration Fridays do by providing investors with more flexible trading and hedging opportunities in this index option. Additionally, the Exchange does not believe listing of RUT P.M.-Settled options that expire on Expiration Fridays will have any significant economic impact on the underlying component securities surrounding the close as a result of expiring p.m.-settled options or impact market quality, based on the data provided to and reviewed by the Commission (and the Commission’s own conclusions based on that review, as noted above) and due to the significant changes in closing procedures in the decades since index options moved to a.m.-settlement.<sup>18</sup> This is particularly true given that RUT options overlie the same index as MRUT options (for which the Exchange may list P.M.-Settled options that expire on Expiration Fridays), but just the full-value of that underlying index.

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 RUT P.M.-Settled options that expire on Expiration Fridays will prevent continued trading on a product after the exercise settlement value has been

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could monitor the impact of P.M. settlement of cash-settled index derivatives on the underlying cash markets (while recognizing that these risks may have been mitigated given enhanced closing procedures in use in the primary equity markets); and SPXPM, XSPPM, and MRUTPM Permanent Approval Orders.

<sup>17</sup> See SPXPM Permanent Approval Order at 66106; and XSPPM and MRUTPM Permanent Approval Order at 66076 (citing data the Commission reviewed in connection with the pilot programs).

<sup>18</sup> See id.

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.

Finally, the proposed rule change to correct the definition of P.M.-Settled in Rule 4.13, Interpretation and Policy .13 will benefit investors, as it will mitigate potential confusion of having an outdated definition in the Exchange's Rules. This proposed rule change will have no impact on trading, as the proposed definition of P.M.-Settled is consistent with how P.M.-Settled options currently settle.

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 because RUT P.M.-Settled options that expire on Expiration Fridays will be available to all market participants. By permitting RUT P.M.-Settled options that expire on Expiration Fridays, the proposed rule change will provide all investors that participate in the market for RUT options with greater trading and hedging opportunities and flexibility to meet their investment and hedging needs, which are already available for SPX, XSP, and MRUT options. Additionally, RUT P.M.-Settled options that expire on Expiration Fridays will trade in the same manner as RUT A.M.-settled options. Further, the proposed 4:00 p.m. closing time on Expiration Fridays will apply equally to all market participants trading in RUT P.M.-Settled options that expire on Expiration Fridays.

The Exchange does not believe that the proposal to list RUT P.M.-Settled options that expire on Expiration Fridays will impose any burden on intermarket competition that is not

necessary or appropriate in furtherance of the purposes of the Act because these options are proprietary Exchange products. Other exchanges offer P.M.-settlement on Expiration Fridays for other broad-based index options.<sup>19</sup> Additionally, options on equity options (including options on certain exchange-traded funds (“ETFs”) that track the Russell 2000 Index) are P.M.-settled, and exchanges offer short-term options programs for certain equity options,<sup>20</sup> making options on certain ETFs that track the Russell 2000 Index available with expirations on all Fridays. To the extent that the addition of RUT P.M.-Settled options that expire on Expiration Fridays available for 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.

The Exchange does not believe the proposed rule change to correct the definition of P.M.-Settled in Rule 4.13, Interpretation and Policy .13 will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as it is not a competitive change. This proposed change merely updates an outdated definition in the Exchange’s Rules and will have no impact on trading, as the proposed definition of p.m.-settled is consistent with how P.M.-Settled options currently settle.

B. 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.

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<sup>19</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>20</sup> See, e.g., Nasdaq PHLX, LLC Options 4A, Section 12 (permitting nonstandard expirations, including expirations on Tuesdays and Thursdays, for Nasdaq-100 index options and Nasdaq 100-Micro index options); and Nasdaq ISE, LLC Options 4, Section 5, Supplementary Material .03 (permitting short-term options series with daily expirations for SPY and QQQ options). [update] [sic]

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>21</sup> In particular, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with Section 6(b)(5) of the Act,<sup>22</sup> which requires, among other things, that the Exchange's rules 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.

In support of its proposal, the Exchange states that the Commission approved trading of MRUT options that expire on Expiration Fridays, which options overly the same index as RUT options but with a reduced value.<sup>23</sup> In addition, the Commission approved other P.M.-Settled broad-based index options that expire on Expiration Fridays including SPX and XSP.<sup>24</sup> The Exchange states that expanding the availability of P.M.-Settled options that expire on Expiration Fridays to RUT will provide investors with expanded hedging tools and greater trading opportunities and flexibility for an additional index option. Further, the Exchange also states there is sufficient investor interest in and demand for RUT P.M.-Settled options that expire on Expiration Friday to warrant adding these expirations.<sup>25</sup>

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<sup>21</sup> In approving this proposed rule change, as modified by Amendment No. 1, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>22</sup> 15 U.S.C. 78f(b)(5).

<sup>23</sup> See supra Item II.A.1, at note 12 (citing XSPPM and MRUTPM Permanent Approval Order).

<sup>24</sup> See id.

<sup>25</sup> See supra Item II.A.1. In support of this statement, the Exchange examined trading volumes of a.m.-settled RUT options and P.M.-Settled RUT options as well XSP and MRUT options (all of which are P.M.-Settled). Based on the total trading volumes, the Exchange concludes that there is strong customer demand for both a.m.-settled RUT options and P.M.-Settled RUT options and that trading volume in all RUT

In addition, the Exchange further believes that listing P.M.-Settled RUT options that expire on Expiration Friday will not have any significant economic impact on the underlying component securities surrounding the close as a result of expiring P.M.-Settled options or impact market quality.<sup>26</sup> The Exchange represents that it has the necessary systems capacity to support any additional traffic associated with trading of RUT P.M.-Settled options that expire on Expiration Fridays and does not believe that its TPHs will experience any capacity issues as a result of this proposal.<sup>27</sup> Finally, the Exchange states that it believes that its existing surveillance and reporting safeguards in place are adequate to deter and detect possible manipulative behavior which might arise from listing and trading RUT P.M.-Settled options that expire on Expiration Fridays.<sup>28</sup>

The Commission has had concerns about the adverse effects and impact of p.m.-settlement upon market volatility and the operation of fair and orderly markets on the underlying cash market at or near the close of trading on expiration days.<sup>29</sup> However, the Commission recently approved proposals from several exchanges, including the Exchange, to permanently establish programs permitting the listing and trading of certain P.M.-Settled broad-based index options.<sup>30</sup> In approving these proposals, the Commission reviewed data provided by the

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options is comparable to that of XSP options and significantly larger than MRUT options. See id.

<sup>26</sup> See supra Item II.A.2. at text accompanying note 18.

<sup>27</sup> See supra Item II.A.1 and II.A.2.

<sup>28</sup> See supra Item II.A.1.

<sup>29</sup> See Securities Exchange Act Release No. 65256 (September 2, 2011), 76 FR 55969, at 55972 (September 9, 2011) (SR-C2-2011-008) (Order approving proposed rule change to establish a pilot program to list and trade SPXPM options on the C2 Options Exchange, Incorporated).

<sup>30</sup> See e.g., SPXPM Permanent Approval Order; XSPPM and MRUTPM Permanent Approval Order; Securities Exchange Act Release Nos. 98450 (September 20, 2023), 88 FR 66111 (September 26, 2023) (SR-ISE-2023-08) (Order Granting Approval of a Proposed Rule Change, as Modified by Amendment No. 1, to Make Permanent Certain P.M.-Settled Pilots); and 98451 (September 20, 2023), 88 FR 66088 (September 26, 2023) (SR-Phlx-203-07) (Order approving a nonstandard expirations pilot program and p.m.-settled XND options). See also Securities Exchange Act Release Nos. 98935 (November 14, 2023), 88 FR 80792 (November 20, 2023) (SR-ISE-2023-20) (Order approving the listing and trading of p.m.-settled

exchanges in their filings, the exchanges' pilot data and reports, as well as an analysis conducted at the direction of Staff from the Commission's Division of Economic and Risk Analysis and concluded that analysis of the 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.<sup>31</sup> Further, the Commission stated that 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>32</sup>

As noted above, the Exchange may currently trade Expiration Friday MRUT options, in addition to P.M.-Settled index options on XSP and SPX that expire on Expiration Fridays.<sup>33</sup> The Exchange's proposal, which would permit P.M.-Settled RUT options to expire on Expiration Fridays, is reasonably designed as a limited expansion of existing P.M.-Settled broad-based index option programs and may provide the investing public and other market participants more flexibility to closely tailor their investment and hedging decisions. The Exchange has represented that it has an adequate surveillance program in place to monitor trading in the P.M.-Settled RUT options that expire on Expiration Fridays and has the necessary systems capacity to support the new options series.<sup>34</sup> The Commission expects the Exchange to continue to monitor

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Nasdaq-100 Index Options with a third Friday-of-the-month expiration).

<sup>31</sup> See e.g., XSPPM and MRUTPM Permanent Approval Order, 88 FR at 66075-66076.

<sup>32</sup> See id.

<sup>33</sup> See supra note 13.

<sup>34</sup> See supra note 26 and accompanying text.

any potential risks from large P.M.-Settled positions and take appropriate action on a timely basis if warranted.

Accordingly, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act<sup>35</sup> and the rules and regulations thereunder applicable to a national securities exchange.

#### IV. 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-2024-034 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-2024-034. 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 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

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



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-2024-034 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

V. Accelerated Approval of the Proposed Rule Change, as Modified by Amendment No. 1

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 1, prior to the thirtieth day after the date of publication of notice of the filing of Amendment No. 1 in the Federal Register. In Amendment No. 1, the Exchange narrows the scope of the proposed rule change from all broad-based indexes to the RUT index, provides additional support for the proposed rule change, and does not otherwise alter the substance of the proposed rule change. The changes to the proposal and additional information in Amendment No. 1 do not raise any novel regulatory issues and assist the Commission in evaluating the Exchange's proposal and in determining that it is consistent with the Act. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,<sup>36</sup> to approve the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

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<sup>36</sup> 15 U.S.C. 78s(b)(2).

VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>37</sup> that the proposed rule change (SR-CBOE-2024-034), as modified 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>38</sup>

**Vanessa A. Countryman,**

*Secretary.*

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<sup>37</sup> 15 U.S.C. 78f(b)(2).

<sup>38</sup> 17 CFR 200.30-3(a)(12).