January 26, 2024

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Cboe Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Amend its Rules Relating to Position and Exercise Limits (File No. SR–CBOE–2023–063)

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association ("SIFMA")[1] and SIFMA Asset Management Group (SIFMA AMG")[2] appreciate the opportunity to comment upon the above-referenced rule proposal (the "Proposal") made by Cboe Exchange, Inc. ("Cboe" or "Exchange") with the Securities and Exchange Commission ("SEC" or the "Commission"). In the Proposal, Cboe seeks to adopt new Rules that would add three additional position limit categories: 500,000, 1,000,000 and 2,000,000 option contracts.[3] In submitting the Proposal, Cboe notes that its equity options position limits have not been updated since 2005 (almost 19 years ago) despite significantly higher listed equity options volume and other changes to the listed options market. SIFMA recommends that the Commission approve Cboe's Proposal to increase the position limits for equity options. As discussed below, SIFMA believes that the arguments underlying Cboe's Proposal support its approval by the Commission.

SIFMA agrees with Cboe's analysis that position limits must be balanced between mitigating concerns of any potential manipulation and the cost of inhibiting potential hedging activity that could

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[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly one million employees, we advocate for legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

[2] SIFMA AMG brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG's members represent U.S. and global asset management firms whose combined assets under management exceed $45 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds.

[3] See Cboe Options Rule 8.30. Pursuant to Rule 8.42, the exercise limit for an equity option is the same as the position limit established in Rule 8.30 for that equity option.

be used for legitimate economic purposes.[4] To modernize its position limit rule, Cboe is seeking the addition of three additional position limit categories: 500,000, 1,000,000 and 2,000,000 option contracts on the same side of the market. These increases recognize that there has been a significant increase in the overall volume of equity options and a steady increase in the number of accounts that approach the current highest position limit of 250,000 option contracts. As Cboe highlights in its Proposal, the annual equity options trading volume is nearly seven times the volume amount when the current position limits were adopted in 2005 and has more than doubled since 2017. In addition to the 7x volume growth, equity options are used in other products, including serving as basket components in defined outcome ETFs. The current position limits could be problematic when accounts that are treated as acting in concert, but that have completely different trading strategies, are limited as to their trading activity based on the current position limits. For example, the current position limits could limit hedging in these types of accounts.

As a current best practice, regulatory agencies regularly and continuously review their rules to ensure they still meet their purpose and work as markets change. FINRA does this formally through its retrospective rule review process. Indeed, SEC Chair Gary Gensler has noted in speeches that SEC rules need to keep up with the times. For example, in his prepared remarks entitled "Dynamic Regulation for a Dynamic Society"[5] Chair Gensler outlined his guiding principles when it comes to making regulations dynamic. He stated that the SEC's agenda should "1) continue to drive efficiency in our capital markets and 2) modernize rules for today's economy and technologies," and noted that "[n]o regulation can be static in a dynamic society."

Consistent with this practice, Cboe's Proposal to increase position limits for actively traded equity options is consistent with prior Cboe Proposals that were approved by the Commission to increase position limits for options on highly liquid and actively traded ETPs such as iShares Russell 2000 ETF ("IWM"). In its Proposal, Cboe notes that the outstanding shares of AAPL stock (nearly 16 billion shares) is significantly higher than IWM and other ETPs (ranging between 187 million and 673 million shares) whose position limits increases were approved by the SEC. SIFMA agrees that it is reasonable and appropriate to increase the position limit of options as proposed to similar position limits that apply for these ETPs.

The Proposal would also help address concerns related to situations in which the underlying equity security undergoes a stock split. Currently, position limits for outstanding options are increased at the time of a stock split but revert to the original position limit when the last listed option at the time of the split expires, even though the current shares outstanding for the issuer could have doubled or increased even more based on the split size. The higher position limits under the Proposal would allow for more hedging opportunities by market participants through the use of equity options on such stocks, which would reflect the greater amount of shares outstanding.

SIFMA believes that the increased position limits sought by Cboe will benefit both market participants and investors by creating a more liquid and competitive market for equity options while

[4] See Exchange Act Release No. 88300 (February 28, 2020), 85 FR 13242 (March 6, 2020) (File No. SR-BOX-2019-19).

[5] See (https://www.sec.gov/news/speech/gensler-dynamic-regulation-20220119).

safeguarding against manipulative schemes and an adverse market impact. On this latter point, the Exchange in the Proposal describes the processes and procedures it has in place to identify disruptive and/or manipulative trading activity, as well as the Commission and Exchange financial requirements that limit a member firm's ability to facilitate the establishment of a large unhedged position in equity options. In addition to the exchanges, The Options Clearing Corporation and prime brokers also review for accounts for concentration risk in single securities like equity options, which serves as an additional risk mitigant against large equity options positions. Accordingly, we recommend that the Commission approve Cboe's Proposal to increase its position limits for equity options.

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SIFMA greatly appreciates the Commission's consideration of our comments on File No. SR CBOE-2023-063 and would be pleased to discuss these comments in greater detail with the staff. If you have any questions, please contact Ellen Greene at 212-313-1287 or egreene@sifma.org.

Regards,

Ellen Greene

Ellen Greene
Managing Director
Equity and Options Market Structure