



Regulatory Circular 20-032

Date: April 15, 2020

Exchanges: Cboe Options

Markets: Options

To: Trading Permit Holders

Re: Cboe Options Rule 6.9 – In-Kind Exchange of Options Positions and ETF Shares

Cboe Exchange, Inc. (the “Exchange”) is issuing this Regulatory Circular to advise Trading Permit Holders (“TPHs”) of the procedures for effecting transfers under Rule 6.9, which allows for certain off-floor transfers of options positions associated with in-kind exchanges of options and ETF shares.

In-Kind Exchanges

Pursuant to Rule 6.9, positions in options listed on the Exchange may be transferred off the Exchange by a TPH in connection with transactions to purchase or redeem creation units of ETF shares between an authorized participant¹ and the issuer of such ETF shares,² which transfer would occur at the price(s) used to calculate the net asset value (NAV) of such ETF shares.

Rule 6.9 permits issuers of ETF shares that hold options listed on the Exchange to effect creation and redemption transactions with authorized participants on an “in-kind” basis (along with any cash balancing amount). In other words, ETF shares would be exchanged for a basket of options of equivalent value.

Transfer Processing

The option position component of an in-kind exchange transfer effected pursuant to Rule 6.9 must occur in accordance with the rules of The Options Clearing Corporation (“OCC”). In this regard, Clearing TPHs are to directly report the transfer to OCC using OCC’s position adjustment/transfer procedures (and the CMTA Transfer procedure should not be used).

Please note that in-kind transfers of option positions may also be subject to other applicable laws, rules and regulations, including rules of other self-regulatory organizations. Additionally, please note that the ETF share position component of an in-kind transfer is subject to other applicable laws, rules and regulations, including equity market and clearing agency related rules, not Exchange Rule 6.9 or OCC Rules.

¹ An “authorized participant” is defined in Rule 6.9(a) as “an entity that has a written agreement with the issuer of ETF shares or one of its service providers, which allows the authorized participant to place orders for the purchase and redemption of creation units (i.e., specified numbers of ETF shares)[.]”

² An “issuer of ETF shares” is defined in Rule 6.9(b) as “an entity registered with the [SEC] as an open-end management investment company under the Investment Company Act of 1940.”

Additional Information

Please refer to [Rule 6.9](#) and Rule Filing [SR-CBOE-2019-048](#) for additional information. Any further questions regarding this Regulatory Circular may be referred to Regulatory Interpretations at RegInterps@cboe.com or 312.786.8141.