



Cash-Settled FLEX ETF Options on the BOX Trading Floor

TO: BOX Options Market Participants
FROM: BOX Exchange LLC
SUBJECT: Cash-Settled FLEX ETF Options on the BOX Trading Floor
DATE: June 2, 2025

BOX Exchange LLC (the "Exchange") is issuing this Notice to inform Floor Participants of certain Exchange requirements regarding the trading of cash-settled FLEX Equity Options where the underlying security is an Exchange-Traded Fund (referred to in this circular as "cash-settled FLEX ETF Options").¹

Introduction

The introduction of cash-settled FLEX ETF Options is described in Rule 5055 (FLEX Equity Options). The Exchange notes that cash-settled FLEX ETF Options will be subject to the same trading rules and procedures that currently govern the trading of other FLEX Equity Options on BOX, with the exception of the rules to accommodate the cash-settlement feature proposed in Rule 5055(e) and (i). Cash-settled FLEX ETF Options will trade only as FLEX Open Outcry ("FOO") Orders on the BOX Trading Floor.²

Pursuant to Rule 5055(e)(1), a FLEX Equity Option overlying an ETF (cash- or physically settled) may not be the same type (put or call) and may not have the same exercise style, expiration date, and exercise price as a non-FLEX Equity Option overlying the same ETF.

Position and Exercise Limits

Pursuant to Rule 5055(i)(3), cash-settled FLEX ETF Options shall be subject to the position limits set forth in Rule 3120 and the exercise limits set forth in Rule 3140. Positions in cash-settled FLEX ETF Options shall be aggregated with positions in both physically settled FLEX and

¹ For more information, please see [SR-BOX-2025-07](#).

² For more information on the trading of FOO Orders generally, please see [Notice 2023-396](#).

the comparable non-FLEX Options on the same underlying ETF for position limit and exercise limit purposes utilizing the applicable non-FLEX Options position and exercise limits.

Eligibility

BOX may list up to 50 cash-settled FLEX ETF products. These products shall be FLEX Equity Options with an ETF underlying security having an average daily notional value of \$500 million or more and a national average daily volume (ADV) of at least 4,680,000 shares, measured over the prior six-month period.

- Twice per year the Exchange will determine the underlying ETFs satisfying the notional value and trading volume requirements of this rule using trading statistics for the previous six-month period.
- The Exchange will permit cash settlement as a contract term on no more than 50 underlying ETFs meeting the criteria of this rule.
- If more than 50 ETFs satisfy the notional value and trading volume requirements, the Exchange will select the top 50 ETFs with the highest average daily volume.
- If the Exchange determines, pursuant to the review conducted, that an underlying ETF ceases to satisfy the criteria, any new position entered into overlying such ETF will be required to have exercise settlement by physical delivery and any open cash-settled FLEX ETF Option positions may be traded only to close the position.

The Exchange intends to conduct the bi-annual review on January 1 and July 1 of each year. The results of the bi-annual review will be announced via a Notice and any new securities that qualify would be permitted to have cash settlement as a contract term beginning on February 1 and August 1 of each year.

Other Regulatory Considerations

Cash-settled FLEX ETF options are not fungible with non-FLEX options. This is the same restriction that exists today for physically settled FLEX Equity Options. If a standard option is subsequently listed with the same terms (i.e., same expiration date, exercise price, and exercise style) as a cash-settled FLEX ETF option with open interest, the FLEX option may be traded only as a closing position. Consistent with a Market Maker's duty to maintain fair and orderly markets under Rule 8040, a Market Maker in cash-settled FLEX ETF Options can enter into an opening transaction to facilitate closing only transactions of another market participant in cash-settled FLEX ETF Option series that are restricted to closing-only transactions.

Policies and Procedures

Floor Participants must be FLEX-qualified to trade cash-settled FLEX ETF Options and are further reminded that they must establish, maintain, and enforce written supervisory procedures that are reasonably designed to achieve compliance with applicable securities laws and regulations and with the applicable rules of the Exchange and therefore should make necessary updates related to activities addressed in this Notice.

Rules

For more information, please see [SR-BOX-2025-07](#).

Contact

Please review the information provided herein. If you have any questions regarding this information, please contact BOX Regulation at BOXMRC@boxexchange.com.