



Regulatory Circular 25-003

Date: January 15, 2025

Exchanges: BZX Equities, BYX Equities, EDGA Equities and EDGX Equities

Markets: Equities

To: Members

Re: End of Day Trading Activity

BZX Equities, BYX Equities, EDGA Equities and EDGX Equities (each an “Exchange” and collectively the “Exchanges”) are issuing this Regulatory Circular as a reminder to Members of certain rules and policies related to the close, and that certain end of day trading activity may be a violation of, among other things, the Exchanges’ Rules 3.1, *Business Conduct of Members*, and 12.1, *Market Manipulation*, and may result in disciplinary action. Members are also reminded of their requirement pursuant to the Exchanges’ Rule 5.1, [*Supervision*] *Written Procedures*, to maintain and enforce written policies and procedures to ensure compliance with applicable securities laws, rules, regulations and Exchange Rules. For additional information please see the Exchanges’ Rulebooks: [BZX Exchange](#), [BYX Exchange](#), [EDGA Exchange](#), and [EDGX Exchange](#).

Closing Rules and Policies

Members should be mindful of rules and policies of the primary listing exchange and other exchanges that apply to closing orders (e.g., MOC/LOC), closing auctions, closing prices, and other such activity at or near the close. For example, for BZX-listed securities, BZX Equities Rule 11.23(c), *Closing Auction*, sets forth the process for order entry and cancellation before the closing auction and the closing auction process (including the publication of BZX auction information, the determination of the BZX official closing price and execution priority).¹

Beyond consideration of operational mechanics for trading at or near the close, Members also have an obligation to not artificially impact closing prices. The Exchanges’ Rule 12.1 states:

No Member shall execute or cause to be executed or participate in an account for which there are executed purchases of any security at successively higher prices, or sales of any security at successively lower prices, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security on the Exchange or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

¹ Refer to the [Cboe US Equities Auction Process Specification](#) for more information. In addition, BZX Equities Rule 11.28, *Cboe Market Close, a Closing Matching Process for Non-BZX-Listed Securities*, also sets out a process where the System will seek to match all buy and sell MOC orders designated for participated in Cboe Market Close at the official closing prices for such security published by the primary listing market. As noted in the rule, the Exchange plans to implement this provision no later than January 31, 2025 or another date announced by Exchange notice.

Additionally, the Exchanges' Rule 3.1 states, "A Member, in the conduct of [its] business, shall observe high standards of commercial honor and just and equitable principles of trade."

Members are cautioned that trading which is not done for a legitimate economic purpose or without subjecting transactions to market risk, including those that have the effect of marking the close or marking the value of a position, would violate Exchange Rules and may be inconsistent with the Securities Exchange Act of 1934 and the rules thereunder. Members are reminded that certain orders and order entry practices may have the potential to cause price dislocation before the close or to distort the closing price in a security due to prevailing market conditions at the time the order is entered. Concerns regarding manipulation and disruptive trading may also be heightened when trading occurs at or near the close in a security, such as due to the condensed timeframe between the publication of a closing imbalance and the initiation of a closing auction. These concerns may be particularly heightened when the resultant closing prices are used to set benchmarks, such as on quarterly expiration and index rebalancing days.

Generally, order activity that is done in a manner that does not effectively expose an order to market risk or the execution of orders without providing an opportunity for potential contra side interest to develop and/or react to the activity near the close may raise regulatory concerns that the activity is done with the intent to influence the closing price of the security and may violate, among other things, the Exchanges' Rules 3.1 and 12.1. This includes, for example, executions just before the close that are concentrated on one side of the market that drive the continuous market price up (down) through multiple price levels. Additionally, activity that impacts or would potentially impact the closing price of a security in the continuous market while having a pending MOC/LOC order in the security on the listing exchange for the security may raise significant concerns regarding an intent to improperly influence the closing price of the security to one's benefit.

Firm Operations and Supervision

Exchange Rule 5.1 requires Members to maintain and enforce written procedures that enable them to effectively supervise the activities of their associated persons and to assure compliance with applicable securities laws, rules, regulations and Exchange Rules. Members have also an obligation to have adequate systems and controls related to their customers. In that regard, Members providing sponsored access to their customers (referred to as "Sponsored Participants") on any of the Exchanges under the Exchanges' Rule 11.3 are responsible for any and all actions taken by their Sponsored Participants and any person acting on behalf of or in the name such a Sponsored Participant.²

Members should review their procedures utilized in connection with order activity to be executed at or near the close with their traders and order-entry personnel. Firms should review manual and systemic order entry functions (e.g., algorithms and "smart servers"). As noted above, Members should be mindful of applicable rules and policies that apply to activity at or near the close and the obligation to not artificially impact closing prices. As such, Members should ensure their applicable policies and procedures and controls are adequate to monitor and process order activity at or near the close, and are designed to mitigate the risk of potentially manipulative and disruptive trading activity at or near the close. Members should also ensure that trading strategies have a legitimate economic purpose and do not have the effect of marking the close or marking the valuation of a position.

² Please consult the applicable rule provisions for more information. See BYX Equities Rule 11.3(b)(2)(B)(2), BZX Equities Rule 11.3(b)(2)(B)(ii), EDGA Equities Rule 11.3(b)(2)(B)(ii) and EDGX Equities 11.3(b)(2)(B)(2).

Additional Information

For additional information, please refer to the referenced rules. Members are reminded that failure to comply with any of these requirements may result in disciplinary action.

Any questions regarding this Regulatory Circular may be referred to Regulatory Interpretations at reginterps@cboe.com or 312.786.8141.