Regulatory Circular 26-004

Date: February 9, 2026

Exchanges: Cboe Options and C2 Options

Markets: Options

To: Trading Permit Holders

Re: Disruptive Practices

Cboe Exchange, Inc. ("Cboe Options") and Cboe C2 Exchange, Inc. ("C2 Options") (each an "Exchange" and collectively the "Exchanges") filed Rule Filing SR-CBOE-2026-008 (Release No. 34-104721) with the Securities and Exchange Commission on January 20, 2026 to adopt Rule 8.23, *Disruptive Practices*. The Rule Filing will become operative on February 19, 2026.[1]

The filing adopts Rule 8.23, *Disruptive Practices*, which codifies that disruptive order and quote entry and trading activity are prohibited by the Exchanges' Rules and the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder. The Exchanges previously issued guidance to TPHs that specifies certain behavior that is deemed to be considered a violation of Rule 8.1, *Just and Equitable Principles of Trade*.[2] The descriptions of disruptive quoting and trading activity articulated in Rule 8.23 are consistent with activities that have been identified and described to TPHs.

TPHs are reminded to review their existing written supervisory procedures in light of the new rule. For additional information, please refer to the filing. The text of Rule 8.23 is attached and will be included in the Cboe Options Rulebook on February 19, 2026.

Additional Information

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

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[1] Cboe Options Rule 8.23 Is incorporated by reference into Chapter 8 of the C2 Options Rulebook.

[2] *See*, e.g., Regulatory Circulars RC25-013, *Prohibited Messaging Activity*, RC25-007, *Acceptable Use of IOC Quotes*, RC24-007, *Acceptable Use of IOC Quotes*, and RC22-014, *Prearranged Trading and Signaling of Imminent Orders*.

Rules of Cboe Exchange, Inc.

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Rule 8.23. Disruptive Practices

(a) TPHs, on their own behalf or on behalf of customers, must submit all orders and quotes at any time for the purpose of executing bona fide transactions or in good faith for legitimate purposes. Non-bona fide or nonlegitimate purposes include, but are not limited to:

(1) entering an order or quote with the intent, at the time of entry, to cancel the order or quote before execution or to modify the order or quote to avoid execution;

(2) entering or causing to be entered an actionable or nonactionable message(s) with intent to mislead other market participants;

(3) entering into a transaction or series of transactions, coupled with an agreement, arrangement, or understanding, directly or indirectly to reverse such transaction(s), which is not done for a legitimate economic purpose or is done without subjecting the transaction to market risk;

(4) entering orders or quotes to signal the arrival of an order or otherwise to coordinate order flow with another market participant;

(5) entering or using IOC orders or quotes for purposes other than to remove resting interest in the Book or the excessive use of IOC orders or quotes;

(6) entering or causing to be entered an actionable or nonactionable message(s) with intent to overload or delay the systems of the Exchange or other market participants, including dividing an order or quote into multiple messages;

(7) intentionally or recklessly submitting or causing to be submitted an actionable or nonactionable message(s) that has the potential to disrupt the systems of the Exchange or other market participants;

(8) entering or causing to be entered an actionable or nonactionable message(s) with intent to disrupt, or with reckless disregard for the adverse impact on, the orderly conduct of trading or the fair execution of transactions;

(9) engaging in a pattern and practice of submitting nonactionable messages for the purpose of seeking to reduce latency;

(10) submitting intentionally incomplete, corrupted, or malformed data; and

(11) engaging in a pattern and practice of preventing any message from reaching an Exchange gateway application and being successfully processed.

(b) The Exchange may consider various factors when assessing whether conduct violates this Rule, including, but not limited to:

(1) whether the market participant's intent was to induce others to trade when they otherwise would not;

(2) whether the market participant's intent was to affect a price rather than to change the market participant's position;

(3) whether the market participant's intent was to create misleading market conditions;

(4) the size, number, frequency, and duration of exposure of the market participant's actionable or nonactionable messages, as applicable;

(5) the market participant's current and historical order and quote entry and trading activity on the Exchange and in related markets;

(6) the impact on other market participants, including others' orders and quotes, and market prices;

(7) the impact on Exchange systems including the certification environment;

(8) whether a market participant enters or cancels orders or quotes during the Queuing Period or Opening Rotation (each as described in Rule 5.31(a)), or complex orders or quotes prior to or during the COB Opening Process (as described in Rule 5.33(c)), for the purpose of either manipulating the expected opening price or attempting to identify the order depth in the Book or COB, as applicable, at different price levels;

(9) general market conditions; and

(10) industry standards and best practices, including those related to automated trading systems.

(c) Absent other factors or circumstances, the following activities generally do not constitute a violation of this Rule:

(1) modification or cancellation of an order or quote initially entered with the intent to execute a bona fide transaction in response to market changes;

(2) unintentional or accidental submission of an order or quote;

(3) making a two-sided market with unequal quantities;

(4) submission of orders or quotes during the Queuing Period or Opening Rotation (each as described in Rule 5.31(a)), or complex orders or quotes prior to or during the COB Opening Process (as described in Rule 5.33(c)), for the purpose of executing bona fide transactions upon the opening of the market;

(5) entering orders or quotes at various price levels throughout the Book or COB, as applicable, to gain priority position and subsequently canceling those orders or quotes in response to market changes; and

(6) submitting orders, quotes, and messages in test products for legitimate testing purposes.

Interpretations and Policies

.01 Execution (full or partial) of an order or quote does not automatically cause the order or quote to be considered compliant with the Rule but rather is one factor the Exchange may consider.

.02 For purposes of this Rule, a "message" is any ethernet frame/packet, internet protocol ("IP") packet, transmission control protocol ("TCP") packet, application programming interface ("API") message, or similar message/packet transmitted to the Exchange gateway application. Actionable messages are messages that can be accepted by the Exchange or another party or lead to the execution of a trade or cancellation of an order or quote, including order messages and bulk messages. Nonactionable messages are those messages submitted to the Exchange that relate to a nonactionable event, including, but are not limited to: (a) heartbeat messages transmitted to the System; (b) the entry of orders, quotes, or other messages in test products other than solely for legitimate testing purposes; and (c) messages that are incomplete, partial, corrupt, or otherwise unable to be processed by the Exchange.

.03 The Exchange evaluates whether a market participant intended to disrupt the orderly conduct of trading or the fair execution of transactions or demonstrated a reckless disregard for the orderly conduct of trading or the fair execution of transactions only in the context of the specific instrument, market conditions, and other circumstances present at the time in question. Some factors the Exchange may consider when determining whether there was orderly conduct or the fair execution of transactions include, but are not limited to: (a) a rational relationship between consecutive prices; (b) a strong correlation between price changes and the volume of trades; (c) levels of volatility that do not dramatically reduce liquidity; (d) accurate relationships between the price of a derivative and the underlying financial instrument; (e) reasonable spreads between contracts for near months and for remote months; and (f) the impact to other market participants' ability to trade, engage in price discovery or manage risk. Volatility alone is not presumptively interpreted as disorderly or disruptive, as market volatility can be consistent with markets performing their price discovery function.

.04 Proof of intent is not limited to instances in which a market participant admits the market participant's state of mind. If conduct more likely than not was intended to produce a prohibited disruptive consequence or was reckless, intent may be found. Claims of ignorance, or lack of knowledge, are not acceptable defenses to intentional or reckless conduct. The Exchange generally will find requisite intent if the purpose of the market participant's conduct was, for example, to induce another market participant to engage in market activity.

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