

Required fields are shown with yellow backgrounds and asterisks.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2022 - * 049

Amendment No. (req. for Amendments *)

Filing by Cboe BZX Exchange, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
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Rule

<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *

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Section 806(e)(2) *

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Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) *

☐

Exhibit 2 Sent As Paper Document

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Exhibit 3 Sent As Paper Document

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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

The Exchange proposes to amend its drill-through mechanism and limit order fat finger check.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Laura Last Name * Dickman

Title * VP, Associate General Counsel

E-mail * ldickman@cboe.com

Telephone * (312) 786-7572 Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Cboe BZX Exchange, Inc. has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 10/04/2022

(Title *)

By Laura G. Dickman

VP, Associate General Counsel

(Name *)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Laura Dickman Date: 2022.10.04 12:51:00 -05'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS website.

Form 19b-4 Information *

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BZX-22-049 19b-4 (Fat Finger and Dri

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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BZX-22-049 Exhibit 1 (Fat Finger and

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

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Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

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Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

BZX-22-049 Exhibit 5 (Fat Finger and

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Item 1. Text of the Proposed Rule Change

(a) Cboe BZX Exchange, Inc. (the “Exchange” or “BZX Options”) proposes to amend Rule 21.17. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on September 23, 2022.

(b) Please refer questions and comments on the proposed rule change to Pat Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7467, or Laura G. Dickman, (312) 786-7572, Cboe BZX Exchange, Inc., 433 West Van Buren Street, Chicago, Illinois 60607.

Item 3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The Exchange proposes to amend Rule 21.17. Specifically, the Exchange proposes to amend its drill-through protection mechanism and limit order fat finger check.

The Exchange proposes to amend Rule 21.17(d) to update the drill-through protection mechanism to provide orders with additional execution opportunities. Pursuant to the current drill-through protection, if a buy (sell) order enters the Book at the conclusion of the opening auction process or would execute or post to the Book at the time of order entry, the System executes the order up to a buffer amount (the Exchange determines the buffer amount on a class and premium basis) above (below) the offer (bid) limit of the

opening collar¹ or the national best bid (“NBO”) (national best offer (“NBB”)) that existed at the time of order entry, respectively (the “drill-through price”).² The System enters an order (or unexecuted portion) not executed pursuant to the provision in the immediately preceding sentence in the Book with a displayed equal to the drill-through price.³ The order (or unexecuted portion) rests in the Book at the drill-through price⁴ until the earlier to occur of its full execution and the end of the duration of a number of consecutive time periods (the Exchange determines on a class-by-class basis the number of periods, which may not exceed five, and the length of the time period in milliseconds, which may not exceed three seconds).⁵

The proposed rule change amends Rule 21.17(d)(2)(A) to eliminate the concept that there will be a maximum number of time periods and proposes that the order (or unexecuted portion) will rest in the Book at the drill-through price for the duration of consecutive time periods.⁶ The proposed rule change makes conforming changes to subparagraph (ii) by deleting references to “the final period” and subparagraph (iv) by deleting the reference to “any remaining time period(s),” as there will no longer be an Exchange-determined limited

¹ See Rule 21.7(a) for the definition of Opening Collars.

² See Rule 21.17(d)(1).

³ See Rule 21.17(d)(2).

⁴ The proposed rule change adds “at the drill-through price” in the first sentence of subparagraph (d)(2)(A), which is a nonsubstantive change, as it reflects current functionality and is stated in the introductory paragraph to Rule 21.17(d)(2). The proposed rule change merely includes this detail in the next portion of the rule for additional clarity.

⁵ See Rule 21.17(d)(2)(A).

⁶ The Exchange will continue to determine on a class-by-class basis the length of the time periods in milliseconds, which may continue to not exceed three seconds.

number of time periods. Currently, as set forth in current subparagraph (i), the drill-through mechanism will continue until the earlier to occur of the order's full execution and the end of the duration of the Exchange-determined number of time periods. The Exchange proposes to amend subparagraph (iv) to describe when the drill-through process will conclude. Specifically, proposed Rule 21.17(d)(2)(D) provides that the order continues through the process described in subparagraph (ii) (as proposed to be amended) until the earliest of the following to occur: (a) the order fully executes; (b) the User cancels the order; and (c) the order's limit price equals or is less than (if a buy order) or greater than (if a sell order) the drill-through price at any time during application of the drill-through mechanism, in which case the order rests in the Book at its limit price, subject to a User's instructions. In other words, the order will continue through consecutive time periods until it fully executes (unless it is cancelled by the User or reaches its limit price prior to full execution), compared to today when the order will continue through consecutive time periods until it fully executes or reaches the Exchange-determined final time period, at which time the order would be cancelled (unless it reaches its limit price prior to full execution). The Exchange believes eliminating the limit on the number of time periods may increase execution opportunities for limit orders, which will still continue to be bound by their limit prices and protected by the limit order fat finger check.⁷

⁷ If a limit price is "too far away" from the market, the order will continue to be subject to the limit order fat finger protection set forth in Rule 21.17(b) and thus will still be subject to protection against a potentially erroneous execution due to an order pricing error upon submission.

In addition, the Exchange proposes to amend Rule 21.17(b) to add Limit-on-Close orders⁸ to the list of orders to which the limit order fat finger check does not apply. Pursuant to the limit order fat finger check, if a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount above (below) the NBO (NBB), the System cancels or rejects the order.⁹ Currently, the simple limit order fat finger check does not apply to bulk messages or Stop-Limit Orders.¹⁰ The Exchange proposes to also not apply the limit order fat finger check to Limit-on-Close orders. The limit order fat finger check applies to orders upon entry to the System. However, the limit price of a Limit-on-Close order is intended to relate to the price at the market close, and thus may intentionally be further away from the NBBO at the time the order is entered. This may cause the order to be inadvertently rejected pursuant to this check. The Exchange believes it is not appropriate for this limit order to be subject to the fat finger check, as the check may inadvertently cause rejections for orders with limit prices that are intentionally “far away” from the market at the time of order entry.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to

⁸ A “Limit-on-Close” or “LOC” order is, for an order so designated, a limit order that may not execute on the Exchange until three minutes prior to market close. At that time, the System enters LOC orders into the Book in time sequence (based on the times at which the System initially received them), where they may be processed in accordance with Rule 21.8. The System cancels an LOC order (or unexecuted portion) that does not execute by the market close. Users may not designate bulk messages as LOC. See Rule 21.1(f)(7) (definition of “Limit-on-Close” and “LOC” order).

⁹ Rule 21.17(a).

¹⁰ *Id.*

the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹¹

Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹² requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹³ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change to eliminate the maximum number of time periods for which an order will rest in the Book during application of the drill-through protection mechanism will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors, because it will provide orders with additional execution opportunities. These orders may continue to be available on the Book for execution, at a wider range of prices, as opposed to today when such orders are cancelled after a specified number of time periods (depending on the User's instructions and if the order does not reach its limit price prior to the end of those time periods). The Exchange

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

¹³ Id.

believes these additional execution opportunities will benefit investors that submit such orders and believes such orders will continue to receive protection against potentially erroneous executions, as the limit order fat finger check will continue to apply to them.

Finally, the Exchange believes excluding Limit-on-Close orders from the limit order fat finger check will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors, because it may reduce inadvertent rejections of Limit-on-Close orders, which may be purposely priced further away from the NBBO at the time of entry, as their limit prices are intended to relate to price at the market close. Therefore, this proposed rule change may increase execution opportunities for Users that submit Limit-on-Close orders.

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the amended drill-through protection mechanism and limit order fat finger check will continue to apply in the same manner to orders of all Users and may lead to increased execution opportunities. The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of purposes of the Act, because the proposed rule change relates solely to Exchange risk controls and how the Exchange handles orders subject to those risk controls.

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

Item 6. Extension of Time Period for Commission Action

Not applicable.

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act¹⁴ and Rule 19b-4(f)(6)¹⁵ thereunder.

(b) The Exchange designates that the proposed rule change effects a change that (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Additionally, the Exchange has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

The Exchange believes the proposed rule change does not significantly affect the protection of investors or the public interest because the proposed rule change to

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

eliminate the maximum number of time periods for which an order will rest in the Book during application of the drill-through protection mechanism will provide orders with additional execution opportunities. These orders may continue to be available on the Book for execution, at a wider range of prices, as opposed to today when such orders are cancelled after a specified number of time periods (depending on the User's instructions and if the order does not reach its limit price prior to the end of those time periods). The Exchange believes these additional execution opportunities will benefit investors that submit such orders and believes such orders will continue to receive protection against potentially erroneous executions, as the limit order fat finger check will continue to apply to them. Finally, the Exchange believes excluding Limit-on-Close orders from the limit order fat finger check will protect investors, because it may reduce inadvertent rejections of Limit-on-Close orders, which may be purposely priced further away from the NBBO at the time of entry, as their limit prices are intended to relate to price at the market close, and thus potentially increase execution opportunities for Users that submit Limit-on-Close orders.

The Exchange believes the proposed rule change does not impose any significant burden on competition because the amended drill-through protection mechanism and limit order fat finger check will continue to apply in the same manner to orders of all Users and may lead to increased execution opportunities. The proposed rule change relates solely to Exchange risk controls and how the Exchange handles orders subject to those risk controls.

For the foregoing reasons, this rule filing qualifies as a "non-controversial" rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon

filing with the Commission. At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

(c) Not applicable.

(d) Not applicable.

Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is substantively identical to a recent amendment to Cboe Options Rule 5.34.¹⁶ The proposed rule change excludes references that are inapplicable to the Exchange, such as to manual handling, global trading hours, multi-class spread orders, and complex orders. These exclusions have no impact on the how the proposed rule change will operate.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

¹⁶ Securities Exchange Act Release No. 95870 (September 22, 2022) (SR-CBOE-2022-046).

Exhibit 5. Proposed rule text.

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CboeBZX-2022-049]

[Insert date]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 21.17

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on [insert date], Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

Cboe BZX Exchange, Inc. (the “Exchange” or “BZX Options”) proposes to amend Rule 21.17. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange’s website (http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Rule 21.17. Specifically, the Exchange proposes to amend its drill-through protection mechanism and limit order fat finger check.

The Exchange proposes to amend Rule 21.17(d) to update the drill-through protection mechanism to provide orders with additional execution opportunities. Pursuant to the current drill-through protection, if a buy (sell) order enters the Book at the conclusion of the opening auction process or would execute or post to the Book at the time of order entry, the System executes the order up to a buffer amount (the Exchange determines the buffer amount on a class and premium basis) above (below) the offer (bid) limit of the opening collar⁵ or the national best bid ("NBO") (national best offer ("NBB")) that existed at the time of order entry, respectively (the "drill-through price").⁶ The System enters an order (or unexecuted portion) not executed pursuant to the provision in the immediately

⁵ See Rule 21.7(a) for the definition of Opening Collars.

⁶ See Rule 21.17(d)(1).

preceding sentence in the Book with a displayed equal to the drill-through price.⁷ The order (or unexecuted portion) rests in the Book at the drill-through price⁸ until the earlier to occur of its full execution and the end of the duration of a number of consecutive time periods (the Exchange determines on a class-by-class basis the number of periods, which may not exceed five, and the length of the time period in milliseconds, which may not exceed three seconds).⁹

The proposed rule change amends Rule 21.17(d)(2)(A) to eliminate the concept that there will be a maximum number of time periods and proposes that the order (or unexecuted portion) will rest in the Book at the drill-through price for the duration of consecutive time periods.¹⁰ The proposed rule change makes conforming changes to subparagraph (ii) by deleting references to “the final period” and subparagraph (iv) by deleting the reference to “any remaining time period(s),” as there will no longer be an Exchange-determined limited number of time periods. Currently, as set forth in current subparagraph (i), the drill-through mechanism will continue until the earlier to occur of the order’s full execution and the end of the duration of the Exchange-determined number of time periods. The Exchange proposes to amend subparagraph (iv) to describe when the drill-through process will conclude. Specifically, proposed Rule 21.17(d)(2)(D) provides that the order continues

⁷ See Rule 21.17(d)(2).

⁸ The proposed rule change adds “at the drill-through price” in the first sentence of subparagraph (d)(2)(A), which is a nonsubstantive change, as it reflects current functionality and is stated in the introductory paragraph to Rule 21.17(d)(2). The proposed rule change merely includes this detail in the next portion of the rule for additional clarity.

⁹ See Rule 21.17(d)(2)(A).

¹⁰ The Exchange will continue to determine on a class-by-class basis the length of the time periods in milliseconds, which may continue to not exceed three seconds.

through the process described in subparagraph (ii) (as proposed to be amended) until the earliest of the following to occur: (a) the order fully executes; (b) the User cancels the order; and (c) the order's limit price equals or is less than (if a buy order) or greater than (if a sell order) the drill-through price at any time during application of the drill-through mechanism, in which case the order rests in the Book at its limit price, subject to a User's instructions. In other words, the order will continue through consecutive time periods until it fully executes (unless it is cancelled by the User or reaches its limit price prior to full execution), compared to today when the order will continue through consecutive time periods until it fully executes or reaches the Exchange-determined final time period, at which time the order would be cancelled (unless it reaches its limit price prior to full execution). The Exchange believes eliminating the limit on the number of time periods may increase execution opportunities for limit orders, which will still continue to be bound by their limit prices and protected by the limit order fat finger check.¹¹

In addition, the Exchange proposes to amend Rule 21.17(b) to add Limit-on-Close orders¹² to the list of orders to which the limit order fat finger check does not apply.

Pursuant to the limit order fat finger check, if a User submits a buy (sell) limit order to

¹¹ If a limit price is "too far away" from the market, the order will continue to be subject to the limit order fat finger protection set forth in Rule 21.17(b) and thus will still be subject to protection against a potentially erroneous execution due to an order pricing error upon submission.

¹² A "Limit-on-Close" or "LOC" order is, for an order so designated, a limit order that may not execute on the Exchange until three minutes prior to market close. At that time, the System enters LOC orders into the Book in time sequence (based on the times at which the System initially received them), where they may be processed in accordance with Rule 21.8. The System cancels an LOC order (or unexecuted portion) that does not execute by the market close. Users may not designate bulk messages as LOC. See Rule 21.1(f)(7) (definition of "Limit-on-Close" and "LOC" order).

the System with a price that is more than a buffer amount above (below) the NBO (NBB), the System cancels or rejects the order.¹³ Currently, the simple limit order fat finger check does not apply to bulk messages or Stop-Limit Orders.¹⁴ The Exchange proposes to also not apply the limit order fat finger check to Limit-on-Close orders. The limit order fat finger check applies to orders upon entry to the System. However, the limit price of a Limit-on-Close order is intended to relate to the price at the market close, and thus may intentionally be further away from the NBBO at the time the order is entered. This may cause the order to be inadvertently rejected pursuant to this check. The Exchange believes it is not appropriate for this limit order to be subject to the fat finger check, as the check may inadvertently cause rejections for orders with limit prices that are intentionally “far away” from the market at the time of order entry.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹⁵ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁶ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating,

¹³ Rule 21.17(a).

¹⁴ *Id.*

¹⁵ 15 U.S.C. 78f(b).

¹⁶ 15 U.S.C. 78f(b)(5).

clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁷ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change to eliminate the maximum number of time periods for which an order will rest in the Book during application of the drill-through protection mechanism will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors, because it will provide orders with additional execution opportunities. These orders may continue to be available on the Book for execution, at a wider range of prices, as opposed to today when such orders are cancelled after a specified number of time periods (depending on the User's instructions and if the order does not reach its limit price prior to the end of those time periods). The Exchange believes these additional execution opportunities will benefit investors that submit such orders and believes such orders will continue to receive protection against potentially erroneous executions, as the limit order fat finger check will continue to apply to them.

Finally, the Exchange believes excluding Limit-on-Close orders from the limit order fat finger check will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors, because

¹⁷ Id.

it may reduce inadvertent rejections of Limit-on-Close orders, which may be purposely priced further away from the NBBO at the time of entry, as their limit prices are intended to relate to price at the market close. Therefore, this proposed rule change may increase execution opportunities for Users that submit Limit-on-Close orders.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the amended drill-through protection mechanism and limit order fat finger check will continue to apply in the same manner to orders of all Users and may lead to increased execution opportunities. The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of purposes of the Act, because the proposed rule change relates solely to Exchange risk controls and how the Exchange handles orders subject to those risk controls.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not:

- A. significantly affect the protection of investors or the public interest;

B. impose any significant burden on competition; and

C. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁸ and Rule 19b-4(f)(6)¹⁹ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeBZX-2022-049 on the subject line.

¹⁸ 15 U.S.C. 78s(b)(3)(A).

¹⁹ 17 CFR 240.19b-4(f)(6).

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CboeBZX-2022-049. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CboeBZX-2022-049 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to
delegated authority.²⁰

Secretary

²⁰ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

Rules of Cboe BZX Exchange, Inc.

* * * * *

Rule 21.17. Additional Price Protection Mechanisms and Risk Controls

The System's acceptance and execution of orders, quotes, and bulk messages, as applicable, are subject to the price protection mechanisms and risk controls in Rule 21.16, this Rule 21.17 and as otherwise set forth in the Rules. All numeric values established by the Exchange pursuant to this Rule will be maintained by the Exchange in publicly available specifications and/or published in a Regulatory Circular. Unless otherwise specified the price protections set forth in this Rule, including the numeric values established by the Exchange, may not be disabled or adjusted. The Exchange may share any of a User's risk settings with the Clearing Member that clears transactions on behalf of the User

(a) No change.

(b) *Limit Order Fat Finger Check.* If a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount established by the Exchange above (below) the NBO (NBB), or, in the case of an order received prior to 9:30 a.m., above (below) the midpoint of the NBBO at the close of the market on the previous trading day, the System will reject or cancel back to the User the limit order. This check does not apply to bulk messages, Limit-on-Close orders, or Stop-Limit Orders.

(c) No change.

(d) *Drill-Through Price Protection.*

(1) No change.

(2) The System enters an order (or unexecuted portion) not executed pursuant to subparagraph (1) in the BZX Options Book with a displayed price equal to the Drill-Through Price, unless the terms of the order instruct otherwise.

(A) The order (or unexecuted portion) rests in the BZX Options Book at the drill-through price for [until the earlier to occur of its full execution or the end of] the duration of [a number of]consecutive time periods (the Exchange determines on a class-by-class basis [the number of periods, which may not exceed five, and] the length of the time period in milliseconds, which may not exceed three seconds).

(B) Following the end of each period [prior to the final period], the System adds (if a buy order) or subtracts (if a sell order) one buffer amount (the Exchange determines the buffer amount on a class-by-class basis) to the Drill-Through Price displayed

during the preceding period (each new price becomes the “Drill-Through Price”). The order (or unexecuted portion) rests in the Book at that new drill-through price during the subsequent period. [Following the end of the final period, the System cancels the order (or unexecuted portion) not executed during any period.]

(C) No change.

(D) [Notwithstanding the above, if a buy (sell)] The order continues through this process until the earliest of the following to occur: (a) the order fully executes; (b) the User cancels the order; and (c) the buy (sell) order’s limit price equals or is less (greater) than the drill-through price at any time during application of the drill-through mechanism, in which case the order rests in the Book at its limit price, subject to a User’s instructions[, and any remaining time period(s) described above do not occur].

* * * * *