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Page 1 of * 63		SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No. * SR 2025 - * 086 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 checked="" type="checkbox"/>		Section 19(b)(3)(A) * <input type="checkbox"/>		Section 19(b)(3)(B) * <input type="checkbox"/>	
Pilot <input type="checkbox"/>		Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	
		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 type="checkbox"/> 19b-4(f)(6)	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>		
Exhibit 2 Sent As Paper Document <input type="checkbox"/>			Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
Description Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div>The Exchange proposes to amend Rule 11.23.</div>					
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 * Courtney Last Name * Smith Title * Senior Counsel E-mail * csmith@cboe.com Telephone * (913) 222-4652 Fax					
Signature Pursuant to the requirements of the Securities Exchange of 1934, Cboe BZX Exchange, Inc. has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized. Date 07/10/2025 (Title *) By Matthew Iwamaye VP, Associate General Counsel (Name *) <div>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.</div> <div>Matthew Iwamaye Date: 2025.07.10 11:16:50 -05'00'</div>					

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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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25-086 19b-4 (BZX LOC LLOC Cutoff

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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25-086 Exhibit 1 (BZX LOC LLOC Cut

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

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25-086 Exhibit 5 (BZX LOC LLOC Cut

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) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) proposes to (i) amend Rule 11.23(a)(11) to revise how Late-Limit-On-Close orders are priced; (ii) amend Rule 11.23(a)(13) to revise how Limit-on-Close orders are priced in BZX-listed corporate securities between 3:55 p.m. and 3:59 p.m.; and (iii) amend Rule 11.23(c)(1)(A) to revise the entry, modification, and cancellation times applicable to Limit-On-Close and Late-Limit-On-Close orders. 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 March 25, 2025. The Exchange will implement the proposed rule change during the second half of 2025 and will announce the implementation date via Trade Desk Notice.

(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 Courtney Smith, Senior Counsel, (913) 222-4652, Cboe BZX Exchange, Inc., 433 West Van Buren Street, Chicago, Illinois 60607.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

(a) Purpose

As a primary listing market, BZX is responsible for establishing a daily closing price for each of its listed securities. Pursuant to Exchange Rule 11.23(c), the Exchange conducts a Closing Auction in order to establish the BZX Official Closing Price.³ In order to conduct the Closing Auction in an orderly manner, the Exchange has set forth detailed parameters around the ability of Users⁴ to submit and cancel orders prior to conducting the Closing Auction. The Exchange now proposes to (i) amend Rule 11.23(a)(11) to revise how Late-Limit-On-Close (“LLOC”) orders are priced; (ii) amend Rule 11.23(a)(13) to revise how Limit-on-Close (“LOC”) orders are priced in BZX-listed corporate securities between 3:55 p.m. and 3:59 p.m.; and (iii) amend Rule 11.23(c)(1)(A) to revise the entry, modification, and cancellation times applicable to LOC and LLOC orders (LLOC orders and LOC orders are discussed in detail *infra*).

Today, various market participants submit orders to the Exchange ahead of the Closing Auction for various reasons. A review of Exchange data (year-to-date, beginning January 1, 2025) found that market makers accounted for the submission of approximately 69% of LOC orders and approximately 55% of LLOC orders.⁵ Market makers are responsible for assisting in the maintenance of fair and orderly markets in BZX-listed securities through

³ See Rule 11.23(a)(3). The term “BZX Official Closing Price” shall mean the price disseminated to the consolidated tape as the market center closing trade.

⁴ See Exchange Rule 1.5(cc). The term “User” shall mean any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3.

⁵ The Exchange data shows that LOC orders are more frequently utilized than LLOC orders. During the review period, a total of 714,544 LOC orders were submitted to the Exchange, resulting in a total executed volume of 142,159,373 shares. In contrast, a total of 121,659 LLOC orders were submitted to the Exchange, resulting in a total executed volume of 15,877,734 shares.

quoting and pricing obligations, including the requirement to maintain continuous, two-sided quotations.⁶ Lead market makers (“LMMs”) have additional performance standards, including auction participation requirements.⁷ While market makers submitted the highest percentage of LLOC orders by count to the Exchange, agency broker-dealers⁸ had the highest percentage of LLOC orders executed by volume (approximately 68%) on the Exchange. Market makers, on the other hand, had approximately 14% of LLOC orders executed by volume to the Exchange. Agency broker-dealers accounted for approximately 34% of LOC orders executed by volume on the Exchange and market makers accounted for approximately 54% of LOC orders executed by volume on the Exchange. The data shows that market makers and agency broker-dealers utilize LOC orders and LLOC orders in different manners. While market makers submitted the highest number of LLOC orders to the Exchange, agency broker-dealers executed over 4.5X more volume (approximately 68%) in LLOC orders than market makers (approximately 14%) while submitting only 20% of the amount of LLOC orders as market makers. For LOC orders the data shows that agency broker-dealers submitted a significantly lower number (approximately 10%) of the total number of LOC orders to the Exchange than market makers (approximately 69%), but accounted for approximately 34% of all executions in LOC orders (market makers accounted for approximately 54% of all executions in LOC orders on the Exchange).

The Exchange believes that the proposed changes will reduce volatility leading up to the Closing Auction by assisting market makers in meeting Closing Auction quoting

⁶ See Exchange Rule 11.8(a) and Exchange Rule 11.8(d).

⁷ See Exchange Rule 11.8(e) and Exchange Rule 11.8(e)(1)(E)(i)(c).

⁸ An agency broker-dealer is a Member of the Exchange who also has numerous customers of its own.

obligations and providing other Users with additional information about the potential price at which an order designated for execution in the Closing Auction may execute. While those who submit LOC order and LLOC orders may encounter additional restrictions should the Exchange's proposal be approved, the Exchange believes that the additional clarity around the possible closing price and less frequent price updates ahead of the Closing Auction will provide greater benefits than the proposed limitations conferred on those who submit LOC orders and LLOC orders.

Current Closing Auction Orders

The Exchange offers three order types that are designed specifically to participate in the Closing Auction. A Market-On-Close ("MOC")⁹ order is a BZX market order that is designated for execution only in the Closing Auction or Cboe Market Close.¹⁰ An LOC order is a BZX limit order that is designated for execution only in the Closing Auction.¹¹ An LLOC order is a BZX limit order that is designated for execution only in the Closing Auction, but if an LLOC bid or offer has a limit price that is more aggressive than the NBB¹² or NBO,¹³ the price of such bid or offer is adjusted to be equal to the NBB or NBO, respectively, at the time of receipt by the Exchange.¹⁴ Where the NBB or NBO becomes more aggressive, the limit price of the LLOC bid or offer will be adjusted to the more aggressive price, provided that the

⁹ See Exchange Rule 11.23(a)(15).

¹⁰ See Exchange Rule 11.28. Cboe Market Close is a closing match process for non-BZX-listed securities. The proposed changes do not affect the operation of Cboe Market Close.

¹¹ See Exchange Rule 11.23(a)(13).

¹² See Exchange Rule 1.5(o).

¹³ Id.

¹⁴ See Exchange Rule 11.23(a)(11).

more aggressive price is not more aggressive than the original User entered limit price.¹⁵ The limit price of an LLOC order will not be adjusted to a less aggressive price, unless otherwise provided by Exchange Rules.¹⁶ If there is no NBB or NBO, the LLOC bid or offer will assume its entered limit price.¹⁷ Each of the three aforementioned order types is also defined as an Eligible Auction Order under Rule 11.23(a)(8).

Closing Auction Process

The Closing Auction occurs at approximately 4:00 p.m. ET¹⁸ on each day that BZX is open for trading. The Exchange has set forth various rules regarding the ability of Users to submit, modify, and cancel orders in the period leading up to the Closing Auction in order to facilitate the Closing Auction in a deliberate manner and arrive at the BZX Official Closing Price. Users may submit orders to the Exchange in accordance with Rule 11.1 (Hours of Trading and Trading Days). Any order that qualifies as an Eligible Auction Order¹⁹

¹⁵ Id.

¹⁶ Id. For example, assume a short sale LLOC order was entered at a price less than the NBB while a short sale circuit breaker pursuant to Regulation SHO was in effect. Pursuant to Rules 11.9(g)(5) and (6), the LLOC order would be re-priced by the System at one minimum price variation above the NBB. If the NBB then increased, the limit price of the LLOC would again be re-priced by the System to the less aggressive price of one minimum price variation above the new NBB.

¹⁷ Id.

¹⁸ Hereinafter, all times referenced shall be in Eastern Time (ET).

¹⁹ See Exchange Rule 11.23(a)(8). The term “Eligible Auction Order” shall mean any...Market-on-Close, LOC, or LLOC order that is entered in compliance with its respective cutoff for a[n]...Closing Auction[.] The Exchange notes that additional order types qualify as Eligible Auction Orders for the Opening Auction, but as this proposal is limited to the Closing Auction the Exchange did not include or discuss Eligible Auction Orders that are not applicable to the Closing Auction.

designated for the Closing Auction will be queued until 4:00 p.m., at which time those orders will be eligible for execution in the Closing Auction.

Currently, Rule 11.23(c)(1)(A) states that Users may submit LOC orders until 3:59 p.m.²⁰ Users may submit LLOC orders between 3:59 p.m. and 4:00 p.m. Any LLOC orders submitted prior to 3:59 p.m. or after 4:00 p.m. will be rejected. Under Rule 11.23(c)(1)(B), LOC and LLOC orders may not be cancelled or modified between 3:59 p.m. and 4:00 p.m. Orders eligible for execution during Regular Trading Hours²¹ may be cancelled at any time prior to execution pursuant to Rule 11.23(c)(1)(C).

Rule 11.23(c)(2)(B) provides that the Closing Auction price will be established by determining the price level within the Collar Price Range²² that maximizes the number of shares executed between the Continuous Book²³ and Auction Book²⁴ in the Closing Auction. Pursuant to Rule 11.23(c)(2)(B), in the event of a volume based tie at multiple price levels,

²⁰ The Exchange notes that it recently amended the cutoff time for MOC orders from 3:59 p.m. to 3:55 p.m. See Securities Exchange Act Release No. 34-102990 (May 5, 2025), 90 FR 19764 (May 9, 2025), SR-CboeBZX-2025-058 (“MOC Cutoff Time Filing”).

²¹ See Exchange Rule 1.5(w). The term “Regular Trading Hours” means the time between 9:30 a.m. and 4:00 p.m. ET.

²² See Exchange Rule 11.23(a)(6). The term “Collar Price Range” shall mean the range from a set percentage below the Collar Midpoint (as defined below) to above the Collar Midpoint, such set percentage being dependent on the value of the Collar Midpoint at the time of the auction, as described below. The Collar Midpoint will be the Volume Based Tie Breaker for all applicable auctions, except for IPO Auctions in ETPs (as defined in Rule 11.8, Interpretation and Policy .02(d)(2)), for which the Collar Midpoint will be the issue price. Specifically, the Collar Price Range will be determined as follows: where the Collar Midpoint is \$25.00 or less, the Collar Price Range shall be the range from 10% below the Collar Midpoint to 10% above the Collar Midpoint; where the Collar Midpoint is greater than \$25.00 but less than or equal to \$50.00, the Collar Price Range shall be the range from 5% below the Collar Midpoint to 5% above the Collar Midpoint; and where the Collar Midpoint is greater than \$50.00, the Collar Price Range shall be the range from 3% below the Collar Midpoint to 3% above the Collar Midpoint.

²³ See Exchange Rule 11.23(a)(7). The term “Continuous Book” shall mean all orders on the BZX Book that are not Eligible Auction Orders.

²⁴ See Exchange Rule 11.23(a)(1). The term “Auction Book” shall mean all Eligible Auction Orders on the BZX Book.

the Closing Auction price will be the price which results in the minimum total imbalance. In the event of a volume based tie and a tie in minimum total imbalance at multiple price levels, the Closing Auction price will be the price closest to the Volume Based Tie Breaker.²⁵ For a BZX-listed corporate security,²⁶ the Closing Auction price will be the BZX Official Closing Price.²⁷ In the event that there is no Closing Auction for a BZX-listed corporate security, the BZX Official Closing Price will be the price of the Final Last Sale Eligible Trade.^{28,29} For all other BZX-listed securities, the BZX Official Closing Price will be determined as follows:

- Where at least one round lot is executed in the Closing Auction, the Closing Auction price will be the BZX Official Closing Price;³⁰
- In the event that less than a round lot is executed in the Closing Auction, the BZX Official Closing Price for such security will depend on when the last

²⁵ See Exchange Rule 11.23(a)(23). The term “Volume based Tie Breaker” shall mean the midpoint of the NBBO for a particular security where the NBBO is a valid NBBO. A NBBO is a Valid NBBO where: (i) there is both a NBB and NBO for the security; (ii) the NBBO is not crossed; and (iii) the midpoint of the NBBO is less than the Maximum Percentage away from both the NBB and the NBO. The Maximum Percentage will be determined by the Exchange and will be published in a circular distributed to Members with reasonable advance notice prior to initial implementation and any change thereto. Where the NBBO is not a Valid NBBO, the price of the Final Last Sale Eligible Trade will be used. See also Exchange Rule 11.23(c)(2)(B).

²⁶ Infra note 50.

²⁷ Id.

²⁸ Id.

²⁹ See Exchange Rule 11.23(a)(9). The term “Final Last Sale Eligible Trade” shall mean the last round lot trade occurring during Regular Trading Hours on the Exchange if the trade was executed within the last one second prior to either the Closing Auction or, for Halt Auctions, trading in the security being halted. Where the trade was not executed within the last one second, the last round lot trade reported to the consolidated tape received by the Exchange during Regular Trading Hours and, where applicable, prior to trading in the security being halted will be used. If there is no qualifying trade for the current day, the BZX Official Closing Price from the previous trading day will be used.

³⁰ See Exchange Rule 11.23(c)(2)(B)(i).

consolidated last-sale eligible trade occurs. If a trade that would qualify as a Final Last Sale Eligible Trade occurred:

- Within the final five minutes before the end of Regular Trading Hours, the Final Last Sale Eligible Trade will be the BZX Official Closing Price;³¹ or
- Prior to five minutes before the end of Regular Trading Hours, the time-weighted average price of the NBBO midpoint measured over the last 5 minutes before the end of Regular Trading Hours will be the BZX Official Closing Price. For purposes of this paragraph, the Exchange will exclude a quote from the NBBO midpoint calculation if the spread of the quote is greater than 10% of the midpoint price. A Crossed NBBO would also be excluded from the calculation;³² or
- If the BZX Official Closing Price cannot be determined under paragraphs (B)(i) or (B)(ii) of this Rule, the Final Last Sale Eligible Trade will be the BZX Official Closing Price.³³

MOC orders have priority over all other Closing Auction Eligible Orders and to the extent there is executable contra side interest, such MOC orders will be executed at the BZX Official Closing Price according to time priority.³⁴ After the execution of all MOC orders, the remaining orders priced at or more aggressively than the BZX Official Closing

³¹ See Exchange Rule 11.23(c)(2)(B)(ii)(a).

³² See Exchange Rule 11.23(c)(2)(B)(ii)(b).

³³ See Exchange Rule 11.23(c)(2)(B)(iii).

³⁴ See Exchange Rule 11.23(c)(2)(C).

Price on the Auction Book and the Continuous Book will be executed on the basis of price priority.³⁵ Equally priced trading interest shall execute in time priority in the following order: i) the displayed portion of limit orders, LOC orders, LLOC orders, and limit RHO orders³⁶ (all such orders to have equal priority after execution of all orders identified in Rule 11.23(c)(2)(C); (ii) non-displayed orders; and (iii) the reserve portion of limit orders.³⁷ Limit order shares on the Continuous Book that are not executed in the Closing Auction will remain on the Continuous Book during the After Hours Trading Session,³⁸ subject to the User's instructions.³⁹ RHO, LOC, LLOC, and MOC order shares that are not executed in the Closing Auction will be cancelled at the conclusion of the Closing Auction.⁴⁰

Proposed Changes to Closing Auction Orders

The Exchange now proposes to amend Rule 11.23(a)(11) and Rule 11.23(a)(13) to revise how LLOC and LOC orders are priced. Additionally, the Exchange proposes to amend Rule 11.23(c)(1)(A) and Rule 11.23(c)(1)(B) to change the time by which market makers and other Users must submit, modify, or cancel their LLOC and LOC orders. The Exchange believes these proposed changes will help facilitate the completion of an orderly Closing Auction, assist market makers in meeting quoting obligations, and provide market makers and

³⁵ Id.

³⁶ See Exchange Rule 11.9(b)(7). A Regular Hours Only ("RHO") order is a limit or market order that is designated for execution only during Regular Trading Hours, which includes the Opening Auction, Closing Auction, and IPO/Halt Auctions for BZX listed securities and the Opening Process for non-BZX-listed securities (as such terms are defined in Rule 11.23 and 11.24). Any portion of a market RHO order will be cancelled immediately following any auction in which it is not executed.

³⁷ See Exchange Rule 11.23(c)(2)(C)(i) – (iii).

³⁸ See Exchange Rule 1.5(c). The term "After Hours Trading Session" shall mean the time between 4:00 p.m. and 8:00 p.m.

³⁹ See Exchange Rule 11.23(c)(3)(A).

⁴⁰ See Exchange Rule 11.23(c)(3)(B).

Users with additional information about the potential price at which an order designated for execution in the Closing Auction may execute.

Late-Limit-On-Close Orders

As described above, an LLOC order currently has its price adjusted to the NBB or NBO if the limit price of the LLOC order is more aggressive than the NBB or NBO upon the Exchange's receipt of the LLOC order.⁴¹ If the NBB or NBO becomes more aggressive, the price of the LLOC order will be adjusted to the more aggressive price, so long as that price is not more aggressive than the original limit price entered by the User.⁴² The limit price of an LLOC order will not be adjusted to a less aggressive price unless otherwise provided by Exchange Rules.⁴³ The Exchange now proposes to permit an LLOC order to have its limit price adjusted to both more aggressive prices and less aggressive prices, so long as the adjusted price is not priced higher (for buy orders) or lower (for sell orders) than its User-

⁴¹ Supra note 14.

⁴² Id.

⁴³ Id.

entered limit price. To better describe the proposed order functionality, the Exchange has included the following examples:

Example 1

The below example demonstrates an LLOC order to buy with a limit price that is adjusted to the price of the NBB.

- NBBO: \$10.00 x \$10.05
- Order 1 to buy 1000 at \$10.05 LLOC is received by the Exchange.
 - Order 1 is adjusted to a price of \$10.00.⁴⁴
- NBBO adjusts to \$10.03 x \$10.07
 - Order 1 is adjusted to a price of \$10.03.
- NBBO adjusts to \$10.02 x \$10.04. This is the last NBBO change prior to the Closing Auction.
 - Order 1 is adjusted to a price of \$10.02 ahead of the Closing Auction.

When Order 1 is received by the Exchange, its price is adjusted to \$10.00 for purposes of the Closing Auction Feed as Order 1's limit price (\$10.05) is higher than the NBB (\$10.00). When the NBB later adjusts to a price of \$10.03, Order 1's price is also adjusted to \$10.03 as the NBB moved to a higher price. Current Rule 11.23(a)(11) would prohibit the LLOC order from later adjusting from a price of \$10.03 to the lower price of \$10.02 after the NBB declined from \$10.03 to \$10.02. However, the Exchange's proposed amendment to Rule 11.23(a)(11)

⁴⁴ The adjusted price of 1000 shares to buy at \$10.00 is what will be disseminated by the Exchange in its Cboe Auction Feed. The Cboe Auction Feed is an uncompressed data product that provides information regarding the current status of price and size information related to auctions conducted by the Exchange. See Exchange Rule 11.22(i) and Exchange Rule 11.23(c)(2)(A).

permits the LLOC order to buy to adjust to a less aggressive price, which is shown in the above example. Order 1 would be priced at \$10.02 for purposes of executing in the Closing Auction.

Example 2

The below example demonstrates an LLOC order to buy with a limit price that is adjusted to the price of the NBB and subsequently unable to adjust to a more aggressive price due to being constrained by its original, User-entered limit price.

- NBBO: \$10.00 x \$10.05
- Order 1 to buy 1000 at \$10.05 LLOC is received by the Exchange.
 - Order 1 is adjusted to a price of \$10.00.
- NBBO adjusts to \$10.08 x \$10.10.
 - Order 1 is adjusted to a price of \$10.05 (its original limit price).
- NBBO adjusts to \$10.02 x \$10.04. This is the last NBBO change prior to the Closing Auction.
 - Order 1 is adjusted to a price of \$10.02.

When Order 1 is received by the Exchange, its price is adjusted to \$10.00 for purposes of the Closing Auction Feed as Order 1's limit price (\$10.05) is higher than the NBB (\$10.00). The NBB subsequently adjusts to a price of \$10.08, which is higher than Order 1's limit price of \$10.05. As the NBB is priced higher than Order 1's User-entered limit price, Order 1's price is only adjusted to \$10.05, its original User-entered limit price. When the NBB adjusts again to a price that is lower (\$10.02) than the original User-entered limit price of \$10.05, Order 1 has its price adjusted to \$10.02 for purposes of the Closing Auction. Current Rule 11.23(a)(11)

would prohibit the LLOC order from later adjusting from a price of \$10.05 to the lower price of \$10.02 after the NBB declined from \$10.08 to \$10.02. However, the Exchange's proposed amendment to Rule 11.23(a)(11) permits the LLOC order to buy to adjust to a less aggressive price, which is shown in the above example. Order 1 would be priced at \$10.02 for purposes of executing in the Closing Auction.

Example 3

The below example demonstrates an LLOC order to sell with a limit price that is adjusted to the price of the NBO.

- NBBO: \$10.00 x \$10.05
- Order 1 to sell 1000 at \$10.00 LLOC is received by the Exchange.
 - Order 1 is adjusted to a price of \$10.05.
- NBBO adjusts to \$10.03 x \$10.07
 - Order 1 is adjusted to a price of \$10.07.
- NBBO adjusts to \$10.02 x \$10.04. This is the last NBBO change prior to the Closing Auction.
 - Order 1 is adjusted to a price of \$10.04 ahead of the Closing Auction.

When Order 1 is received by the Exchange, its price is adjusted to \$10.05 for purposes of the Closing Auction Feed as Order 1's limit price (\$10.00) is lower than the NBO (\$10.05). When the NBO later adjusts to a price of \$10.07, Order 1's price is also adjusted to \$10.07 as the NBO moved to a higher price. Current Rule 11.23(a)(11) would prohibit the LLOC order from later adjusting from a price of \$10.07 to the lower price of \$10.04 after the NBO declined from \$10.07 to \$10.04. However, the Exchange's proposed amendment to Rule 11.23(a)(11)

permits the LLOC order to sell to adjust to a less aggressive price, which is shown in the above example. Order 1 would be priced at \$10.04 for purposes of executing in the Closing Auction.

Example 4

The below example demonstrates an LLOC order to sell with a limit price that is adjusted to the price of the NBO and subsequently unable to adjust to a less aggressive price due to being constrained by its original, User-entered limit price.

- NBBO: \$10.00 x \$10.05
- Order 1 to sell 1000 at \$10.02 LLOC is received by the Exchange.
 - Order 1 is adjusted to a price of \$10.05.
- NBBO adjusts to \$9.99 x \$10.00.
 - Order 1 is adjusted to a price of \$10.02 (its original limit price).
- NBBO adjusts to \$10.02 x \$10.04. This is the last NBBO change prior to the Closing Auction.
 - Order 1 is adjusted to a price of \$10.04.

When Order 1 is received by the Exchange, its price is adjusted to \$10.05 for purposes of the Closing Auction Feed as Order 1's limit price (\$10.02) is lower than the NBO (\$10.05). The NBO subsequently adjusts to a price of \$10.00, which is lower than Order 1's limit price of \$10.02. As the NBO is priced lower than Order 1's User-entered limit price, Order 1's price is only adjusted to \$10.02, its original User-entered limit price. When the NBO adjusts again to a price that is higher (\$10.04) than the original User-entered limit price of \$10.02, Order 1 has its price adjusted to \$10.04 for purposes of the Closing Auction. Current Rule 11.23(a)(11) would prohibit the LLOC order from later adjusting from a price of \$10.02 to the higher price

of \$10.04 after the NBO declined from \$10.07 to \$10.04. However, the Exchange's proposed amendment to Rule 11.23(a)(11) permits the LLOC order to sell to adjust to a less aggressive price, which is shown in the above example.

The Exchange also proposes to introduce language that better describes the behavior of LLOC orders when the NBB or NBO, respectively, is not available. The Exchange proposes that if there is no NBB or NBO available upon receipt of the LLOC bid or offer by the Exchange, that LLOC bid or offer, respectively, will assume its entered limit price. Additionally, if the NBB or NBO becomes unavailable after the respective LLOC bid or offer has been adjusted to the NBB or NBO before it becomes unavailable, the respective LLOC bid or offer will maintain its most recent adjusted price and would not have its price adjusted until the NBB or NBO, respectively, was available.

LLOC orders contribute to price formation in the Closing Auction. Thus, the Exchange's proposal to permit LLOC orders to adjust to both higher and lower prices so long as the NBB or NBO is not priced higher (for buy orders) or lower (for sell orders) than the LLOC order's limit price will better enable an LLOC order to be more accurately priced ahead of the Closing Auction. As LLOC orders are currently prohibited from being adjusted to a less aggressive price unless otherwise provided by Exchange rules,⁴⁵ there is a chance that once an LLOC order is received by the Exchange that the NBB or NBO will move to a lower price (for buy orders) or higher price (for sell orders) and the LLOC order will remain priced at either its limit price or the price of the NBB or NBO to which it was adjusted prior to the NBB or NBO moving to a lower (for buy orders) or higher (for sell orders) price. This could result in price-forming LLOC orders being priced away from the market price of the security

⁴⁵ Supra note 14.

and the resulting BZX Official Closing Price not accurately reflecting the price of the security. In this regard, the Exchange believes that allowing LLOC orders to move in-line with the NBB and NBO is therefore an important mechanism for accurate price formation ahead of the Closing Auction and will provide investors with more accurate information about where the LLOC order may execute during the Closing Auction. The Exchange does not believe that counterparties will be negatively affected by this proposal but instead would benefit from the more accurate pricing that stems from LLOC orders moving in-line with the NBB and NBO.

In instances where there is no NBB or NBO, respectively, the Exchange believes that it is more appropriate to have the LLOC order retain its limit price (if the NBB or NBO is not available upon the Exchange's receipt of the LLOC order) or maintain its most recent adjusted price if the NBB or NBO becomes unavailable after the LLOC order has had its price adjusted due to movement in the NBB or NBO. LLOC orders are utilized to offset order imbalances ahead of the Closing Auction. Thus, if the price of an LLOC order is adjusted when the NBB or NBO becomes unavailable⁴⁶ then there would be the potential for large order imbalance changes, which would be detrimental to the calculation of the BZX Official Closing Price. Therefore, the Exchange believes that allowing the LLOC order to retain its limit price if the NBB or NBO, respectively, is unavailable upon the Exchange's receipt of the LLOC order or allowing the LLOC order to remain at its most recent adjusted price if the NBB or NBO,

⁴⁶ The NBB or NBO becomes unavailable when there are no limit orders to establish an NBB or NBO.

respectively, becomes unavailable after the price of the LLOC order has been adjusted is appropriate in order for the Exchange to calculate an accurate BZX Official Closing Price.

In addition to permitting LLOC orders to be re-priced to both higher and lower prices as described above, the Exchange also proposes to amend the time at which Users, including those serving as LMMs, may begin to submit LLOC orders to the Exchange. Currently, LLOC orders may not be submitted before 3:59 p.m. and any LLOC order submitted prior to 3:59 p.m. will be rejected. Now, the Exchange proposes to amend Rule 11.23(c)(1)(A) to permit LMMs and other Users to submit LLOC orders to the Exchange beginning at 3:55 p.m. The Exchange also proposes that once entered, Users may not modify or cancel an LLOC order. LLOC orders will continue to be accepted until 4:00 p.m. The Exchange believes that moving the LLOC acceptance time from 3:59 p.m. to 3:55 p.m. will benefit all Users, particularly those serving as LMMs, by providing an additional four minutes to offset any order imbalances that may be present heading into the Closing Auction. The movement of the LLOC order acceptance time from 3:59 p.m. to 3:55 p.m. aligns with the Exchange's previous change to alter the cutoff time for the submission of MOC orders from 3:59 p.m. to 3:55 p.m.⁴⁷ and serves to provide Users, including LMMs, with an additional order type to submit between 3:55 p.m. and 4:00 p.m. that can offset any order imbalance in BZX-listed securities prior to the Closing Auction. The Exchange notes that while LLOC orders may now be entered beginning at the same time as LOC orders (3:55 p.m.), Users will have the ability to enter LLOC orders up until 4:00 p.m., while LOC orders will only be permitted to be entered until 3:59 p.m. Previously, LLOC orders could not be entered until 3:59 p.m., which led to the name "Late-Limit-On-Close" order. As proposed, the distinction between LLOC order

⁴⁷ Supra note 20.

and LOC order will arise from the ability to enter LLOC orders until 4:00 p.m. rather than the 3:59 p.m. cutoff for LOC orders.

Limit-On-Close Orders

As previously discussed, a LOC order is a BZX limit order that is designated for execution only in the Closing Auction.⁴⁸ Today, LOC orders may be entered until 3:59 p.m. for participation in the Closing Auction, with no limits on an LMM or other User's ability to modify or cancel an LOC order prior to 3:59 p.m.⁴⁹ The Exchange now proposes to amend Rule 11.23(c)(1)(A) to limit the ability of LMMs and other Users to modify or cancel LOC orders between 3:55 p.m. and 3:59 p.m. While LMMs and other Users will retain the ability to submit LOC orders until 3:59 p.m., the Exchange proposes that LOC orders cannot be modified or cancelled between 3:55 p.m. and 3:59 p.m., regardless of when the LOC order was received by the Exchange.

In addition, the Exchange proposes to amend Rule 11.23(a)(13) to introduce re-pricing behavior for LOC orders entered in BZX-listed corporate securities (as described in Rule 14.8 and Rule 14.9)⁵⁰. As proposed, an LOC order in a BZX-listed corporate security entered between 3:55 p.m. and 3:59 p.m. will be accepted at its limit price, unless the limit price is higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price.⁵¹ LOC

⁴⁸ Supra note 9.

⁴⁹ See Exchange Rule 11.23(c)(1)(A).

⁵⁰ See Exchange Rule 14.8 (General Listing Requirements – Tier I) and Exchange Rule 14.9 (General Listing Requirements – Tier II). A BZX-listed corporate security includes a Company's Primary Equity Security as well as rights, warrants, preferred and secondary classes of stock, and closed-end management investment companies registered under the Investment Company Act of 1940 ("Closed-End Funds").

⁵¹ See Exchange Rule 11.23(a)(19). The term "Reference Price" shall mean the price within the Reference Price Range that maximizes the number of Eligible Auction Order shares associated with the less of the Reference Buy Shares and the Reference Sell Shares as determined at each price level within the Reference Price Range, that minimizes the absolute difference between

orders in BZX-listed corporate securities that have a limit price that is priced higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price will be re-priced to the 3:55 p.m. Reference Price.⁵² If there is no Reference Price available in a particular security due to a lack of liquidity on the BZX Book, the LOC order will not be re-priced and will maintain its original limit price. The Exchange does not propose to amend the price of LOC orders entered in BZX-listed ETPs. An LOC order entered in a BZX-listed ETP will be accepted at its limit price and will not have its price adjusted by the System.

The Exchange believes that the proposed changes to LOC orders are necessary in order to better ensure that the Closing Auction operates efficiently and provides an accurate BZX Official Closing Price. First, the proposed change that would limit the ability of LMMs and other Users to modify or cancel LOC orders between 3:55 p.m. and 3:59 p.m. is designed to provide LMMs and other Users an appropriate balance between having the ability to control price-forming orders submitted to the Exchange ahead of the Closing Auction while simultaneously seeking to reduce the amount of price volatility ahead of the Closing Auction. As LOC orders are price-forming orders, the Exchange recognizes the need for LMMs and other Users to maintain the ability to submit LOC orders until 3:59 p.m. As discussed in the Exchange's recent proposal to amend the MOC order submission cutoff time from 3:59 p.m. to 3:55 p.m.,⁵³ MOC orders cannot be submitted to the Exchange at 3:55 p.m. or later. As

Reference Buy Shares and Reference Sell Shares, and minimizes the distance from the Volume Based Tie Breaker.

⁵² If the System is not able to ingest the 3:55 p.m. Reference Price due to a technical or systems issue at the Exchange, the LOC order will be re-priced upon receipt of the first available Reference Price after System recovery. If the Closing Auction cannot be completed due to a technical or systems issue at the Exchange, the LOC order will not be re-priced and will maintain its original, User-entered limit price.

⁵³ Supra note 20.

such, the Exchange is ensuring that LMMs and other Users will continue to have four minutes to submit LOC orders to execute in the Closing Auction albeit with the inability to modify or cancel orders between 3:55 p.m. and 3:59 p.m. This change is intended to reduce the amount of price volatility that modifications and cancellations may cause when entered ahead of the Closing Auction.

Second, the proposed change that allows for the re-pricing of LOC orders in BZX-listed corporate securities submitted between 3:55 p.m. and 3:59 p.m. if the limit price is higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price is similarly designed to minimize the amount of price volatility ahead of the Closing Auction. Combined with the previously discussed proposal to prohibit the modification and cancellation of LOC orders between 3:55 p.m. and 3:59 p.m., the Exchange believes that automatically re-pricing those LOC orders with limit prices that are higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price will lessen the frequency with which the Reference Price updates, thus providing additional clarity to Users about the expected price of the Closing Auction in BZX-listed corporate securities. The proposed change is designed to prevent LMMs and other Users from using LOC orders that are priced higher (for buy orders) or lower (for sell orders) as a proxy for MOC orders, which are no longer permitted to be entered after 3:55 p.m.⁵⁴ While LMMs and Users choosing to submit LOC orders between 3:55 p.m. and 3:59 p.m. will be subject to order cancellation and modification restrictions and will have an LOC order re-priced if it is priced higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price, the Exchange believes this tradeoff is necessary in order to provide the marketplace with stability ahead of the Closing Auction. The Exchange does not believe

⁵⁴ Id.

that counterparties are negatively affected by the proposed change, but instead will benefit from having less frequent updates to the Reference Price and additional clarity around the expected price of the Closing Auction in BZX-listed corporate securities.

While the Exchange proposes to introduce this re-pricing behavior only for BZX-listed corporate securities rather than all BZX-listed securities, the Exchange does not believe this segmentation harms either corporate securities or all other securities listed on BZX. In fact, the Exchange notes that segmentation between corporate securities and all other securities already exists under Rule 11.23(c)(2)(B) in that securities other than BZX-listed corporate securities have alternative methods in determining the BZX Official Closing Price that are not available to BZX-listed corporate securities.⁵⁵ The Exchange's proposal seeks to balance feedback from the LMMs and other Users who trade BZX-listed corporate securities that desire less price volatility approaching the Closing Auction with the needs of the LMMs responsible for submitting price-forming LOC orders ahead of the Closing Auction in ETPs, some of which tend to have volatile price swings that are anticipated based on the underlying holdings and makeup of the product.

The Exchange notes that Nasdaq similarly prohibits modifications and cancellations to MOC, LOC, and Imbalance-Only ("IO") orders, but the prohibition of modifications and cancellations begins at 3:50 p.m. rather than the Exchange's proposed time of 3:55 p.m.⁵⁶ Nasdaq also prohibits the entry of MOC, LOC, and IO orders after 3:58 p.m.,⁵⁷ while the Exchange is proposing to allow LOC orders to continue to be entered until 3:59 p.m. and

⁵⁵ Supra notes 30 – 33.

⁵⁶ See Nasdaq Equity 4, Rule 4702(b)(11)(A) ("Market On Close Order"); Nasdaq Equity 4, Rule 4702(b)(12)(A) ("Limit On Close Order"); Nasdaq Equity 4, Rule 4702(13)(A) ("Imbalance Only Order").

⁵⁷ Id.

LLOC orders to be entered until 4:00 p.m. NYSE Arca prohibits modifications and cancellations of MOC and LOC orders at 3:59 p.m., but will continue to accept these order types until the end of its core trading session under certain conditions.⁵⁸ The Exchange believes its proposal to limit the modification and cancellation of LOC orders beginning at 3:55 p.m. while continuing to allow the entry of LOC orders until 3:59 p.m. as well as its proposal to allow LLOC orders to be entered beginning at 3:55 p.m. does not introduce behavior that LMMs and other Users will be unable to accommodate, as LMMs and other Users are already accustomed to having different times related to the entry, modification, and cancellation of auction orders on BZX and on other exchanges. The proposal seeks to strike the appropriate balance of allowing all Users, but in particular LMMs responsible for submitting price forming orders ahead of the Closing Auction, the ability to submit LOC orders until 3:59 p.m. and LLOC orders until 4:00 p.m. while at the same time limiting the amount of price volatility ahead of the Closing Auction.

In total, the proposed changes seek to minimize price volatility ahead of the Closing Auction while also providing LMMs and other Users with additional information about the potential price at which an LOC or LLOC order designated for execution in the Closing Auction may execute. By limiting price movement through the prohibition of order modifications and cancellations during certain time periods ahead of the Closing Auction, extending the time which Users have to submit LLOC orders, and amending how LOC orders and LLOC orders are re-priced under certain circumstances, the Exchange believes it will be

⁵⁸ See NYSE Arca Rule 7.35-E(d)(2)(A)-(B).

better positioned to conduct a Closing Auction that provides the most accurate price as the BZX Official Closing Price, which benefits the market as a whole.

(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 the Exchange and, in particular, the requirements of Section 6(b) of the Act.⁵⁹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁶⁰ 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)⁶¹ 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 that its proposal to (i) revise how LLOC orders are priced; (ii) revise how LOC orders in BZX-listed corporate securities are priced when entered between 3:55 p.m. and 3:59 p.m.; and (iii) amend the times for LMMs and other Users to submit, modify or cancel LLOC orders and LOC orders are designed to promote just

⁵⁹ 15 U.S.C. 78f(b).

⁶⁰ 15 U.S.C. 78f(b)(5).

⁶¹ Id.

and equitable principles of trade, help to facilitate transactions in securities and remove impediments to and perfect the mechanism of a free and open market and national market system by providing Users with additional transparency into the potential price of a security nearing the Closing Auction. The goal of the Closing Auction is to ascertain the BZX Official Closing Price in BZX-listed securities, which is broadly communicated to market participants. As such, by minimizing price volatility ahead of the Closing Auction, the Exchange believes the BZX Official Closing Price will more accurately reflect the market price of the security, which benefits the market as a whole.

In particular, the Exchange's proposal to allow LLOC orders to be re-priced to both higher and lower prices promotes just and equitable principles of trade, helps to facilitate transactions in securities, and removes impediments to and perfects the mechanism of a free and open market and national market system by allowing price forming orders to move in-line with the NBB or NBO rather than only being permitted to move to a higher (for buy orders) or lower (for sell orders) price under the current rule. Allowing LLOC orders to be re-priced as the NBB or NBO moves higher and lower, so long as the NBB or NBO is not priced higher (lower) than the LLOC order's limit price, will ensure that an LLOC order is able to provide support in offsetting imbalances while more accurately reflecting the market price of the security. Similarly, allowing an LLOC order to retain its limit price if the NBB or NBO is not available when the LLOC order is received by the Exchange and allowing an LLOC order to maintain its most recent adjusted price if the NBB or NBO becomes unavailable after the LLOC order has been adjusted will prevent large order imbalance swings ahead of the Closing Auction, which could be detrimental to the calculation of the BZX Official Closing Price.

Accurately priced price forming orders are essential to ensuring that the BZX Official Closing Price is correctly calculated.

Similarly, the Exchange's proposal to revise how LOC orders entered between 3:55 p.m. and 3:59 p.m. are priced in BZX-listed corporate securities by re-pricing the limit price of an LOC order to the 3:55 p.m. Reference Price if the limit price upon entry is higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price promotes just and equitable principles of trade, helps to facilitate transactions in securities, and removes impediments to and perfects the mechanism of a free and open market and national market system because it will lessen the frequency of late arriving, aggressively priced LOC orders, thus providing additional clarity to LMMs and other Users about the expected price and order imbalances of the Closing Auction in BZX-listed corporate securities. The Exchange believes that less frequent updates to the LOC order caused by User modifications and cancellations ahead of the Closing Auction will lead to a smoother Closing Auction process and more certainty to Users about the expected BZX Official Closing Price.

Further, the Exchange's proposal to amend the time when LMMs and other Users may begin submitting LLOC orders from 3:59 p.m. to 3:55 p.m. promotes just and equitable principles of trade, helps to facilitate transactions in securities, and removes impediments to and perfects the mechanism of a free and open market and national market system because it aligns with the Exchange's MOC Cutoff Time Filing that amended the cutoff time for the submission of MOC orders from 3:59 p.m. to 3:55 p.m. As the MOC Cutoff Time Filing limits the ability of Users to submit an Eligible Auction Order ahead of the Closing Auction, the Exchange is now proposing to allow LMMs and other Users an additional order type that may be submitted between 3:55 p.m. and 4:00 p.m. in order to receive an execution at the

closing price as well as potentially assist in offsetting any imbalance created by the presence of MOC orders submitted prior to 3:55 p.m. Providing LMMs and other Users an extra four minutes to submit LLOC orders ahead of the Closing Auction after adjusting the MOC cutoff time from 3:59 p.m. to 3:55 p.m. will help ensure that LMMs and other Users have sufficient opportunities to submit imbalance offsetting orders ahead of the Closing Auction, which will lead to less price volatility immediately ahead of the Closing Auction.

As noted above, the Exchange's proposal to amend the times for LMMs and other Users to submit, modify or cancel LLOC orders and LOC orders is not significantly different than the prohibitions on modifications and cancellations of closing auction orders types imposed by competitor exchanges. For example, Nasdaq prohibits the modification and cancellation of MOC, LOC, and IO orders beginning at 3:50 p.m.⁶² while the Exchange is proposing a time of 3:55 p.m., which grants LMMs and other Users an additional five minutes of control over their price forming orders than is given by Nasdaq. NYSE Arca prohibits the modification and cancellation of closing auction orders beginning at 3:59 p.m., which is more generous than the Exchange's proposal.⁶³ The Exchange believes that its proposed changes regarding the modification and cancellation of LOC and LLOC orders continues to promote just and equitable principles of trade by balancing the ability of LMMs and other Users to control price forming orders with the Exchange's desire to minimize price volatility ahead of its Closing Auction.

The Exchange's proposals to (i) revise how LLOC orders are priced; (ii) revise how LOC orders in BZX-listed corporate securities are priced when entered between 3:55 p.m.

⁶² Supra note 56.

⁶³ Supra note 58.

and 3:59 p.m.; and (iii) amend the times for LMMs and other Users to submit, modify, or cancel LLOC orders and LOC orders are also not unfairly discriminatory. The proposed changes to revise how LLOC orders and LOC orders are priced and the proposed amended times for LMMs and other Users to submit, modify, or cancel LLOC orders and LOC orders apply equally to all LMMs and other Users that submit LOC and LLOC orders, regardless of size or trading volume. While the Exchange is proposing to re-price LOC orders in BZX-listed corporate securities different from how it would re-price LOC orders in all other BZX-listed securities if certain conditions are met, the Exchange does not believe this difference is unfairly discriminatory. In this proposal, the Exchange seeks to balance feedback from the LMMs and other Users who trade BZX-listed corporate securities that desire less price volatility approaching the Closing Auction with the needs of the LMMs responsible for submitting price-forming LOC orders ahead of the Closing Auction in ETPs, some of which tend to have volatile price swings that are anticipated based on the underlying holdings and makeup of the product.

Additionally, as discussed above, BZX-listed ETPs have the ability to utilize different pricing methods in order to arrive at the BZX Official Closing Price that are not available to BZX-listed corporate securities. The Exchange views the segmentation and different re-pricing strategy of LOC orders between BZX-listed corporate securities and all other BZX-listed securities as appropriate given the different composition of ETPs and corporate securities. While price volatility may occur in *any* BZX-listed security, a BZX-listed corporate security is particularly susceptible to movements in the Reference Price because the closing price is directly related to the price-forming orders submitted to the Exchange. An ETP, on the other hand, may be composed of a basket of securities and therefore the closing price of

an ETP is related not just to the price-forming orders submitted to the Exchange, but also the price-forming orders of the underlying securities that comprise an ETP. Given that an ETP may be made up of hundreds of underlying securities, each of which has its own closing price established by its primary listing exchange, there are more data points that Users may rely on when submitting their orders ahead of the Closing Auction and less opportunities for price volatility caused by orders priced significantly away from the market of the ETP.

Furthermore, the Exchange's proposals do not unfairly discriminate against LMMs and other Users. Prior to submitting this proposal, the Exchange spoke with Exchange Users, LMMs, and issuers of BZX-listed ETPs and did not receive feedback that any of the proposed changes were undesirable or that doing so would cause them undue burden. LMMs and other Users are free to submit Continuous Book orders ahead of the Closing Auction that are not subject to the proposed changes.

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. Rather, the Exchange believes that its proposed changes will help to foster competition by further improving BZX's well-functioning Closing Auction process, making BZX a more attractive venue for trading Eligible Auction Orders. By amending how LLOC orders and LOC orders in BZX-listed corporate securities are priced, as well as adjusting the times during which LMMs and other Users may modify or cancel LLOC and LOC orders, the Exchange believes that it will see less price volatility ahead of its Closing Auction, thus providing LMMs and other Users additional clarity into the expected BZX Official Closing Price. The Exchange believes its proposed changes, which are

designed to limit price volatility, will foster competition by encouraging LMMs and other Users to enter their orders destined for execution in the Closing Auction on BZX rather than competitor exchanges.

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) – (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 not based on a rule either of another self-regulatory organization or of the Commission.

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.

Exhibit 2 - 4. Not applicable.

Exhibit 5. Proposed rule text.

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CboeBZX-2025-086]

[Insert date]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Amend Rule 11.23

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 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”) proposes to (i) amend Rule 11.23(a)(11) to revise how Late-Limit-On-Close orders are priced; (ii) amend Rule 11.23(a)(13) to revise how Limit-on-Close orders are priced in BZX-listed corporate securities between 3:55 p.m. and 3:59 p.m.; and (iii) amend Rule 11.23(c)(1)(A) to revise the entry, modification, and cancellation times applicable to Limit-On-Close and Late-Limit-On-Close orders. The text of the proposed rule change is provided in Exhibit 5.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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.

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

As a primary listing market, BZX is responsible for establishing a daily closing price for each of its listed securities. Pursuant to Exchange Rule 11.23(c), the Exchange conducts a Closing Auction in order to establish the BZX Official Closing Price.³ In order to conduct the Closing Auction in an orderly manner, the Exchange has set forth detailed parameters around the ability of Users⁴ to submit and cancel orders prior to conducting the Closing Auction. The Exchange now proposes to (i) amend Rule 11.23(a)(11) to revise how Late-Limit-On-Close ("LLOC") orders are priced; (ii) amend Rule 11.23(a)(13) to revise how Limit-on-Close ("LOC") orders are priced in BZX-listed corporate securities between 3:55 p.m. and 3:59 p.m.; and (iii) amend Rule 11.23(c)(1)(A) to revise the entry, modification, and

³ See Rule 11.23(a)(3). The term "BZX Official Closing Price" shall mean the price disseminated to the consolidated tape as the market center closing trade.

⁴ See Exchange Rule 1.5(cc). The term "User" shall mean any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3.

cancellation times applicable to LOC and LLOC orders (LLOC orders and LOC orders are discussed in detail *infra*).

Today, various market participants submit orders to the Exchange ahead of the Closing Auction for various reasons. A review of Exchange data (year-to-date, beginning January 1, 2025) found that market makers accounted for the submission of approximately 69% of LOC orders and approximately 55% of LLOC orders.⁵ Market makers are responsible for assisting in the maintenance of fair and orderly markets in BZX-listed securities through quoting and pricing obligations, including the requirement to maintain continuous, two-sided quotations.⁶ Lead market makers (“LMMs”) have additional performance standards, including auction participation requirements.⁷ While market makers submitted the highest percentage of LLOC orders by count to the Exchange, agency broker-dealers⁸ had the highest percentage of LLOC orders executed by volume (approximately 68%) on the Exchange. Market makers, on the other hand, had approximately 14% of LLOC orders executed by volume to the Exchange. Agency broker-dealers accounted for approximately 34% of LOC orders executed by volume on the Exchange and market makers accounted for approximately 54% of LOC orders executed by volume on the Exchange. The data shows that market makers and agency broker-dealers utilize LOC orders and LLOC orders in different manners. While market makers submitted the highest number of LLOC orders

⁵ The Exchange data shows that LOC orders are more frequently utilized than LLOC orders. During the review period, a total of 714,544 LOC orders were submitted to the Exchange, resulting in a total executed volume of 142,159,373 shares. In contrast, a total of 121,659 LLOC orders were submitted to the Exchange, resulting in a total executed volume of 15,877,734 shares.

⁶ See Exchange Rule 11.8(a) and Exchange Rule 11.8(d).

⁷ See Exchange Rule 11.8(e) and Exchange Rule 11.8(e)(1)(E)(i)(c).

⁸ An agency broker-dealer is a Member of the Exchange who also has numerous customers of its own.

to the Exchange, agency broker-dealers executed over 4.5X more volume (approximately 68%) in LLOC orders than market makers (approximately 14%) while submitting only 20% of the amount of LLOC orders as market makers. For LOC orders the data shows that agency broker-dealers submitted a significantly lower number (approximately 10%) of the total number of LOC orders to the Exchange than market makers (approximately 69%), but accounted for approximately 34% of all executions in LOC orders (market makers accounted for approximately 54% of all executions in LOC orders on the Exchange).

The Exchange believes that the proposed changes will reduce volatility leading up to the Closing Auction by assisting market makers in meeting Closing Auction quoting obligations and providing other Users with additional information about the potential price at which an order designated for execution in the Closing Auction may execute. While those who submit LOC order and LLOC orders may encounter additional restrictions should the Exchange's proposal be approved, the Exchange believes that the additional clarity around the possible closing price and less frequent price updates ahead of the Closing Auction will provide greater benefits than the proposed limitations conferred on those who submit LOC orders and LLOC orders.

Current Closing Auction Orders

The Exchange offers three order types that are designed specifically to participate in the Closing Auction. A Market-On-Close ("MOC")⁹ order is a BZX market order that is designated for execution only in the Closing Auction or Cboe Market Close.¹⁰ An LOC order

⁹ See Exchange Rule 11.23(a)(15).

¹⁰ See Exchange Rule 11.28. Cboe Market Close is a closing match process for non-BZX-listed securities. The proposed changes do not affect the operation of Cboe Market Close.

is a BZX limit order that is designated for execution only in the Closing Auction.¹¹ An LLOC order is a BZX limit order that is designated for execution only in the Closing Auction, but if an LLOC bid or offer has a limit price that is more aggressive than the NBB¹² or NBO,¹³ the price of such bid or offer is adjusted to be equal to the NBB or NBO, respectively, at the time of receipt by the Exchange.¹⁴ Where the NBB or NBO becomes more aggressive, the limit price of the LLOC bid or offer will be adjusted to the more aggressive price, provided that the more aggressive price is not more aggressive than the original User entered limit price.¹⁵ The limit price of an LLOC order will not be adjusted to a less aggressive price, unless otherwise provided by Exchange Rules.¹⁶ If there is no NBB or NBO, the LLOC bid or offer will assume its entered limit price.¹⁷ Each of the three aforementioned order types is also defined as an Eligible Auction Order under Rule 11.23(a)(8).

Closing Auction Process

The Closing Auction occurs at approximately 4:00 p.m. ET¹⁸ on each day that BZX is open for trading. The Exchange has set forth various rules regarding the ability of Users to submit, modify, and cancel orders in the period leading up to the Closing Auction in order to facilitate the Closing Auction in a deliberate manner and arrive at the BZX Official Closing

¹¹ See Exchange Rule 11.23(a)(13).

¹² See Exchange Rule 1.5(o).

¹³ Id.

¹⁴ See Exchange Rule 11.23(a)(11).

¹⁵ Id.

¹⁶ Id. For example, assume a short sale LLOC order was entered at a price less than the NBB while a short sale circuit breaker pursuant to Regulation SHO was in effect. Pursuant to Rules 11.9(g)(5) and (6), the LLOC order would be re-priced by the System at one minimum price variation above the NBB. If the NBB then increased, the limit price of the LLOC would again be re-priced by the System to the less aggressive price of one minimum price variation above the new NBB.

¹⁷ Id.

¹⁸ Hereinafter, all times referenced shall be in Eastern Time (ET).

Price. Users may submit orders to the Exchange in accordance with Rule 11.1 (Hours of Trading and Trading Days). Any order that qualifies as an Eligible Auction Order¹⁹ designated for the Closing Auction will be queued until 4:00 p.m., at which time those orders will be eligible for execution in the Closing Auction.

Currently, Rule 11.23(c)(1)(A) states that Users may submit LOC orders until 3:59 p.m.²⁰ Users may submit LLOC orders between 3:59 p.m. and 4:00 p.m. Any LLOC orders submitted prior to 3:59 p.m. or after 4:00 p.m. will be rejected. Under Rule 11.23(c)(1)(B), LOC and LLOC orders may not be cancelled or modified between 3:59 p.m. and 4:00 p.m. Orders eligible for execution during Regular Trading Hours²¹ may be cancelled at any time prior to execution pursuant to Rule 11.23(c)(1)(C).

Rule 11.23(c)(2)(B) provides that the Closing Auction price will be established by determining the price level within the Collar Price Range²² that maximizes the number of

¹⁹ See Exchange Rule 11.23(a)(8). The term “Eligible Auction Order” shall mean any...Market-on-Close, LOC, or LLOC order that is entered in compliance with its respective cutoff for a[n]...Closing Auction[.] The Exchange notes that additional order types qualify as Eligible Auction Orders for the Opening Auction, but as this proposal is limited to the Closing Auction the Exchange did not include or discuss Eligible Auction Orders that are not applicable to the Closing Auction.

²⁰ The Exchange notes that it recently amended the cutoff time for MOC orders from 3:59 p.m. to 3:55 p.m. See Securities Exchange Act Release No. 34-102990 (May 5, 2025), 90 FR 19764 (May 9, 2025), SR-CboeBZX-2025-058 (“MOC Cutoff Time Filing”).

²¹ See Exchange Rule 1.5(w). The term “Regular Trading Hours” means the time between 9:30 a.m. and 4:00 p.m. ET.

²² See Exchange Rule 11.23(a)(6). The term “Collar Price Range” shall mean the range from a set percentage below the Collar Midpoint (as defined below) to above the Collar Midpoint, such set percentage being dependent on the value of the Collar Midpoint at the time of the auction, as described below. The Collar Midpoint will be the Volume Based Tie Breaker for all applicable auctions, except for IPO Auctions in ETPs (as defined in Rule 11.8, Interpretation and Policy .02(d)(2)), for which the Collar Midpoint will be the issue price. Specifically, the Collar Price Range will be determined as follows: where the Collar Midpoint is \$25.00 or less, the Collar Price Range shall be the range from 10% below the Collar Midpoint to 10% above the Collar Midpoint; where the Collar Midpoint is greater than \$25.00 but less than or equal to \$50.00, the Collar Price Range shall be the range from 5% below the Collar Midpoint to 5% above the Collar Midpoint; and where the Collar Midpoint is greater than \$50.00, the Collar Price Range shall be the range from 3% below the Collar Midpoint to 3% above the Collar Midpoint.

shares executed between the Continuous Book²³ and Auction Book²⁴ in the Closing Auction. Pursuant to Rule 11.23(c)(2)(B), in the event of a volume based tie at multiple price levels, the Closing Auction price will be the price which results in the minimum total imbalance. In the event of a volume based tie and a tie in minimum total imbalance at multiple price levels, the Closing Auction price will be the price closest to the Volume Based Tie Breaker.²⁵ For a BZX-listed corporate security,²⁶ the Closing Auction price will be the BZX Official Closing Price.²⁷ In the event that there is no Closing Auction for a BZX-listed corporate security, the

²³ See Exchange Rule 11.23(a)(7). The term “Continuous Book” shall mean all orders on the BZX Book that are not Eligible Auction Orders.

²⁴ See Exchange Rule 11.23(a)(1). The term “Auction Book” shall mean all Eligible Auction Orders on the BZX Book.

²⁵ See Exchange Rule 11.23(a)(23). The term “Volume based Tie Breaker” shall mean the midpoint of the NBBO for a particular security where the NBBO is a valid NBBO. A NBBO is a Valid NBBO where: (i) there is both a NBB and NBO for the security; (ii) the NBBO is not crossed; and (iii) the midpoint of the NBBO is less than the Maximum Percentage away from both the NBB and the NBO. The Maximum Percentage will be determined by the Exchange and will be published in a circular distributed to Members with reasonable advance notice prior to initial implementation and any change thereto. Where the NBBO is not a Valid NBBO, the price of the Final Last Sale Eligible Trade will be used. See also Exchange Rule 11.23(c)(2)(B).

²⁶ Infra note 50.

²⁷ Id.

BZX Official Closing Price will be the price of the Final Last Sale Eligible Trade.^{28,29} For all other BZX-listed securities, the BZX Official Closing Price will be determined as follows:

- Where at least one round lot is executed in the Closing Auction, the Closing Auction price will be the BZX Official Closing Price;³⁰
- In the event that less than a round lot is executed in the Closing Auction, the BZX Official Closing Price for such security will depend on when the last consolidated last-sale eligible trade occurs. If a trade that would qualify as a Final Last Sale Eligible Trade occurred:
 - Within the final five minutes before the end of Regular Trading Hours, the Final Last Sale Eligible Trade will be the BZX Official Closing Price;³¹ or
 - Prior to five minutes before the end of Regular Trading Hours, the time-weighted average price of the NBBO midpoint measured over the last 5 minutes before the end of Regular Trading Hours will be the BZX Official Closing Price. For purposes of this paragraph, the Exchange will exclude a quote from the NBBO midpoint calculation

²⁸ Id.

²⁹ See Exchange Rule 11.23(a)(9). The term “Final Last Sale Eligible Trade” shall mean the last round lot trade occurring during Regular Trading Hours on the Exchange if the trade was executed within the last one second prior to either the Closing Auction or, for Halt Auctions, trading in the security being halted. Where the trade was not executed within the last one second, the last round lot trade reported to the consolidated tape received by the Exchange during Regular Trading Hours and, where applicable, prior to trading in the security being halted will be used. If there is no qualifying trade for the current day, the BZX Official Closing Price from the previous trading day will be used.

³⁰ See Exchange Rule 11.23(c)(2)(B)(i).

³¹ See Exchange Rule 11.23(c)(2)(B)(ii)(a).

if the spread of the quote is greater than 10% of the midpoint price. A

Crossed NBBO would also be excluded from the calculation;³² or

- If the BZX Official Closing Price cannot be determined under paragraphs (B)(i) or (B)(ii) of this Rule, the Final Last Sale Eligible Trade will be the BZX Official Closing Price.³³

MOC orders have priority over all other Closing Auction Eligible Orders and to the extent there is executable contra side interest, such MOC orders will be executed at the BZX Official Closing Price according to time priority.³⁴ After the execution of all MOC orders, the remaining orders priced at or more aggressively than the BZX Official Closing Price on the Auction Book and the Continuous Book will be executed on the basis of price priority.³⁵ Equally priced trading interest shall execute in time priority in the following order: i) the displayed portion of limit orders, LOC orders, LLOC orders, and limit RHO orders³⁶ (all such orders to have equal priority after execution of all orders identified in Rule 11.23(c)(2)(C); (ii) non-displayed orders; and (iii) the reserve portion of limit orders.³⁷ Limit order shares on the Continuous Book that are not executed in the Closing Auction will remain on the Continuous Book during the After Hours Trading Session,³⁸ subject to the User's

³² See Exchange Rule 11.23(c)(2)(B)(ii)(b).

³³ See Exchange Rule 11.23(c)(2)(B)(iii).

³⁴ See Exchange Rule 11.23(c)(2)(C).

³⁵ Id.

³⁶ See Exchange Rule 11.9(b)(7). A Regular Hours Only ("RHO") order is a limit or market order that is designated for execution only during Regular Trading Hours, which includes the Opening Auction, Closing Auction, and IPO/Halt Auctions for BZX listed securities and the Opening Process for non-BZX-listed securities (as such terms are defined in Rule 11.23 and 11.24). Any portion of a market RHO order will be cancelled immediately following any auction in which it is not executed.

³⁷ See Exchange Rule 11.23(c)(2)(C)(i) – (iii).

³⁸ See Exchange Rule 1.5(c), The term "After Hours Trading Session" shall mean the time between

instructions.³⁹ RHO, LOC, LLOC, and MOC order shares that are not executed in the Closing Auction will be cancelled at the conclusion of the Closing Auction.⁴⁰

Proposed Changes to Closing Auction Orders

The Exchange now proposes to amend Rule 11.23(a)(11) and Rule 11.23(a)(13) to revise how LLOC and LOC orders are priced. Additionally, the Exchange proposes to amend Rule 11.23(c)(1)(A) and Rule 11.23(c)(1)(B) to change the time by which market makers and other Users must submit, modify, or cancel their LLOC and LOC orders. The Exchange believes these proposed changes will help facilitate the completion of an orderly Closing Auction, assist market makers in meeting quoting obligations, and provide market makers and Users with additional information about the potential price at which an order designated for execution in the Closing Auction may execute.

Late-Limit-On-Close Orders

As described above, an LLOC order currently has its price adjusted to the NBB or NBO if the limit price of the LLOC order is more aggressive than the NBB or NBO upon the Exchange's receipt of the LLOC order.⁴¹ If the NBB or NBO becomes more aggressive, the price of the LLOC order will be adjusted to the more aggressive price, so long as that price is not more aggressive than the original limit price entered by the User.⁴² The limit price of an LLOC order will not be adjusted to a less aggressive price unless otherwise provided by Exchange Rules.⁴³ The Exchange now proposes to permit an LLOC order to have its limit

4:00 p.m. and 8:00 p.m.

³⁹ See Exchange Rule 11.23(c)(3)(A).

⁴⁰ See Exchange Rule 11.23(c)(3)(B).

⁴¹ Supra note 14.

⁴² Id.

⁴³ Id.

price adjusted to both more aggressive prices and less aggressive prices, so long as the adjusted price is not priced higher (for buy orders) or lower (for sell orders) than its User-entered limit price. To better describe the proposed order functionality, the Exchange has included the following examples:

Example 1

The below example demonstrates an LLOC order to buy with a limit price that is adjusted to the price of the NBB.

- NBBO: \$10.00 x \$10.05
- Order 1 to buy 1000 at \$10.05 LLOC is received by the Exchange.
 - Order 1 is adjusted to a price of \$10.00.⁴⁴
- NBBO adjusts to \$10.03 x \$10.07
 - Order 1 is adjusted to a price of \$10.03.
- NBBO adjusts to \$10.02 x \$10.04. This is the last NBBO change prior to the Closing Auction.
 - Order 1 is adjusted to a price of \$10.02 ahead of the Closing Auction.

When Order 1 is received by the Exchange, its price is adjusted to \$10.00 for purposes of the Closing Auction Feed as Order 1's limit price (\$10.05) is higher than the NBB (\$10.00). When the NBB later adjusts to a price of \$10.03, Order 1's price is also adjusted to \$10.03 as the NBB moved to a higher price. Current Rule 11.23(a)(11) would prohibit the LLOC order from later adjusting from a price of \$10.03 to the lower price of \$10.02 after the NBB declined

⁴⁴ The adjusted price of 1000 shares to buy at \$10.00 is what will be disseminated by the Exchange in its Cboe Auction Feed. The Cboe Auction Feed is an uncompressed data product that provides information regarding the current status of price and size information related to auctions conducted by the Exchange. See Exchange Rule 11.22(i) and Exchange Rule 11.23(c)(2)(A).

from \$10.03 to \$10.02. However, the Exchange's proposed amendment to Rule 11.23(a)(11) permits the LLOC order to buy to adjust to a less aggressive price, which is shown in the above example. Order 1 would be priced at \$10.02 for purposes of executing in the Closing Auction.

Example 2

The below example demonstrates an LLOC order to buy with a limit price that is adjusted to the price of the NBB and subsequently unable to adjust to a more aggressive price due to being constrained by its original, User-entered limit price.

- NBBO: \$10.00 x \$10.05
- Order 1 to buy 1000 at \$10.05 LLOC is received by the Exchange.
 - Order 1 is adjusted to a price of \$10.00.
- NBBO adjusts to \$10.08 x \$10.10.
 - Order 1 is adjusted to a price of \$10.05 (its original limit price).
- NBBO adjusts to \$10.02 x \$10.04. This is the last NBBO change prior to the Closing Auction.
 - Order 1 is adjusted to a price of \$10.02.

When Order 1 is received by the Exchange, its price is adjusted to \$10.00 for purposes of the Closing Auction Feed as Order 1's limit price (\$10.05) is higher than the NBB (\$10.00). The NBB subsequently adjusts to a price of \$10.08, which is higher than Order 1's limit price of \$10.05. As the NBB is priced higher than Order 1's User-entered limit price, Order 1's price is only adjusted to \$10.05, its original User-entered limit price. When the NBB adjusts again to a price that is lower (\$10.02) than the original User-entered limit price of \$10.05, Order 1

has its price adjusted to \$10.02 for purposes of the Closing Auction. Current Rule 11.23(a)(11) would prohibit the LLOC order from later adjusting from a price of \$10.05 to the lower price of \$10.02 after the NBB declined from \$10.08 to \$10.02. However, the Exchange's proposed amendment to Rule 11.23(a)(11) permits the LLOC order to buy to adjust to a less aggressive price, which is shown in the above example. Order 1 would be priced at \$10.02 for purposes of executing in the Closing Auction.

Example 3

The below example demonstrates an LLOC order to sell with a limit price that is adjusted to the price of the NBO.

- NBBO: \$10.00 x \$10.05
- Order 1 to sell 1000 at \$10.00 LLOC is received by the Exchange.
 - Order 1 is adjusted to a price of \$10.05.
- NBBO adjusts to \$10.03 x \$10.07
 - Order 1 is adjusted to a price of \$10.07.
- NBBO adjusts to \$10.02 x \$10.04. This is the last NBBO change prior to the Closing Auction.
 - Order 1 is adjusted to a price of \$10.04 ahead of the Closing Auction.

When Order 1 is received by the Exchange, its price is adjusted to \$10.05 for purposes of the Closing Auction Feed as Order 1's limit price (\$10.00) is lower than the NBO (\$10.05). When the NBO later adjusts to a price of \$10.07, Order 1's price is also adjusted to \$10.07 as the NBO moved to a higher price. Current Rule 11.23(a)(11) would prohibit the LLOC order from later adjusting from a price of \$10.07 to the lower price of \$10.04 after the NBO declined

from \$10.07 to \$10.04. However, the Exchange's proposed amendment to Rule 11.23(a)(11) permits the LLOC order to sell to adjust to a less aggressive price, which is shown in the above example. Order 1 would be priced at \$10.04 for purposes of executing in the Closing Auction.

Example 4

The below example demonstrates an LLOC order to sell with a limit price that is adjusted to the price of the NBO and subsequently unable to adjust to a less aggressive price due to being constrained by its original, User-entered limit price.

- NBBO: \$10.00 x \$10.05
- Order 1 to sell 1000 at \$10.02 LLOC is received by the Exchange.
 - Order 1 is adjusted to a price of \$10.05.
- NBBO adjusts to \$9.99 x \$10.00.
 - Order 1 is adjusted to a price of \$10.02 (its original limit price).
- NBBO adjusts to \$10.02 x \$10.04. This is the last NBBO change prior to the Closing Auction.
 - Order 1 is adjusted to a price of \$10.04.

When Order 1 is received by the Exchange, its price is adjusted to \$10.05 for purposes of the Closing Auction Feed as Order 1's limit price (\$10.02) is lower than the NBO (\$10.05). The NBO subsequently adjusts to a price of \$10.00, which is lower than Order 1's limit price of \$10.02. As the NBO is priced lower than Order 1's User-entered limit price, Order 1's price is only adjusted to \$10.02, its original User-entered limit price. When the NBO adjusts again to a price that is higher (\$10.04) than the original User-entered limit price of \$10.02, Order 1 has its price adjusted to \$10.04 for purposes of the Closing Auction. Current Rule 11.23(a)(11)

would prohibit the LLOC order from later adjusting from a price of \$10.02 to the higher price of \$10.04 after the NBO declined from \$10.07 to \$10.04. However, the Exchange's proposed amendment to Rule 11.23(a)(11) permits the LLOC order to sell to adjust to a less aggressive price, which is shown in the above example.

The Exchange also proposes to introduce language that better describes the behavior of LLOC orders when the NBB or NBO, respectively, is not available. The Exchange proposes that if there is no NBB or NBO available upon receipt of the LLOC bid or offer by the Exchange, that LLOC bid or offer, respectively, will assume its entered limit price. Additionally, if the NBB or NBO becomes unavailable after the respective LLOC bid or offer has been adjusted to the NBB or NBO before it becomes unavailable, the respective LLOC bid or offer will maintain its most recent adjusted price and would not have its price adjusted until the NBB or NBO, respectively, was available.

LLOC orders contribute to price formation in the Closing Auction. Thus, the Exchange's proposal to permit LLOC orders to adjust to both higher and lower prices so long as the NBB or NBO is not priced higher (for buy orders) or lower (for sell orders) than the LLOC order's limit price will better enable an LLOC order to be more accurately priced ahead of the Closing Auction. As LLOC orders are currently prohibited from being adjusted to a less aggressive price unless otherwise provided by Exchange rules,⁴⁵ there is a chance that once an LLOC order is received by the Exchange that the NBB or NBO will move to a lower price (for buy orders) or higher price (for sell orders) and the LLOC order will remain priced at either its limit price or the price of the NBB or NBO to which it was adjusted prior to the NBB or NBO moving to a lower (for buy orders) or higher (for sell orders) price. This could

⁴⁵ Supra note 14.

result in price-forming LLOC orders being priced away from the market price of the security and the resulting BZX Official Closing Price not accurately reflecting the price of the security. In this regard, the Exchange believes that allowing LLOC orders to move in-line with the NBB and NBO is therefore an important mechanism for accurate price formation ahead of the Closing Auction and will provide investors with more accurate information about where the LLOC order may execute during the Closing Auction. The Exchange does not believe that counterparties will be negatively affected by this proposal but instead would benefit from the more accurate pricing that stems from LLOC orders moving in-line with the NBB and NBO.

In instances where there is no NBB or NBO, respectively, the Exchange believes that it is more appropriate to have the LLOC order retain its limit price (if the NBB or NBO is not available upon the Exchange's receipt of the LLOC order) or maintain its most recent adjusted price if the NBB or NBO becomes unavailable after the LLOC order has had its price adjusted due to movement in the NBB or NBO. LLOC orders are utilized to offset order imbalances ahead of the Closing Auction. Thus, if the price of an LLOC order is adjusted when the NBB or NBO becomes unavailable⁴⁶ then there would be the potential for large order imbalance changes, which would be detrimental to the calculation of the BZX Official Closing Price. Therefore, the Exchange believes that allowing the LLOC order to retain its limit price if the NBB or NBO, respectively, is unavailable upon the Exchange's receipt of the LLOC order or allowing the LLOC order to remain at its most recent adjusted price if the NBB or NBO,

⁴⁶ The NBB or NBO becomes unavailable when there are no limit orders to establish an NBB or NBO.

respectively, becomes unavailable after the price of the LLOC order has been adjusted is appropriate in order for the Exchange to calculate an accurate BZX Official Closing Price.

In addition to permitting LLOC orders to be re-priced to both higher and lower prices as described above, the Exchange also proposes to amend the time at which Users, including those serving as LMMs, may begin to submit LLOC orders to the Exchange. Currently, LLOC orders may not be submitted before 3:59 p.m. and any LLOC order submitted prior to 3:59 p.m. will be rejected. Now, the Exchange proposes to amend Rule 11.23(c)(1)(A) to permit LMMs and other Users to submit LLOC orders to the Exchange beginning at 3:55 p.m. The Exchange also proposes that once entered, Users may not modify or cancel an LLOC order. LLOC orders will continue to be accepted until 4:00 p.m. The Exchange believes that moving the LLOC acceptance time from 3:59 p.m. to 3:55 p.m. will benefit all Users, particularly those serving as LMMs, by providing an additional four minutes to offset any order imbalances that may be present heading into the Closing Auction. The movement of the LLOC order acceptance time from 3:59 p.m. to 3:55 p.m. aligns with the Exchange's previous change to alter the cutoff time for the submission of MOC orders from 3:59 p.m. to 3:55 p.m.⁴⁷ and serves to provide Users, including LMMs, with an additional order type to submit between 3:55 p.m. and 4:00 p.m. that can offset any order imbalance in BZX-listed securities prior to the Closing Auction. The Exchange notes that while LLOC orders may now be entered beginning at the same time as LOC orders (3:55 p.m.), Users will have the ability to enter LLOC orders up until 4:00 p.m., while LOC orders will only be permitted to be entered until 3:59 p.m. Previously, LLOC orders could not be entered until 3:59 p.m., which led to the name "Late-Limit-On-Close" order. As proposed, the distinction between LLOC order

⁴⁷Supra note 20.

and LOC order will arise from the ability to enter LLOC orders until 4:00 p.m. rather than the 3:59 p.m. cutoff for LOC orders.

Limit-On-Close Orders

As previously discussed, a LOC order is a BZX limit order that is designated for execution only in the Closing Auction.⁴⁸ Today, LOC orders may be entered until 3:59 p.m. for participation in the Closing Auction, with no limits on an LMM or other User's ability to modify or cancel an LOC order prior to 3:59 p.m.⁴⁹ The Exchange now proposes to amend Rule 11.23(c)(1)(A) to limit the ability of LMMs and other Users to modify or cancel LOC orders between 3:55 p.m. and 3:59 p.m. While LMMs and other Users will retain the ability to submit LOC orders until 3:59 p.m., the Exchange proposes that LOC orders cannot be modified or cancelled between 3:55 p.m. and 3:59 p.m., regardless of when the LOC order was received by the Exchange.

In addition, the Exchange proposes to amend Rule 11.23(a)(13) to introduce re-pricing behavior for LOC orders entered in BZX-listed corporate securities (as described in Rule 14.8 and Rule 14.9)⁵⁰. As proposed, an LOC order in a BZX-listed corporate security entered between 3:55 p.m. and 3:59 p.m. will be accepted at its limit price, unless the limit price is higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price.⁵¹ LOC

⁴⁸ Supra note 9.

⁴⁹ See Exchange Rule 11.23(c)(1)(A).

⁵⁰ See Exchange Rule 14.8 (General Listing Requirements – Tier I) and Exchange Rule 14.9 (General Listing Requirements – Tier II). A BZX-listed corporate security includes a Company's Primary Equity Security as well as rights, warrants, preferred and secondary classes of stock, and closed-end management investment companies registered under the Investment Company Act of 1940 ("Closed-End Funds").

⁵¹ See Exchange Rule 11.23(a)(19). The term "Reference Price" shall mean the price within the Reference Price Range that maximizes the number of Eligible Auction Order shares associated with the less of the Reference Buy Shares and the Reference Sell Shares as determined at each price level within the Reference Price Range, that minimizes the absolute difference between Reference Buy Shares and Reference Sell Shares, and minimizes the distance from the Volume Based Tie Breaker.

orders in BZX-listed corporate securities that have a limit price that is priced higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price will be re-priced to the 3:55 p.m. Reference Price.⁵² If there is no Reference Price available in a particular security due to a lack of liquidity on the BZX Book, the LOC order will not be re-priced and will maintain its original limit price. The Exchange does not propose to amend the price of LOC orders entered in BZX-listed ETPs. An LOC order entered in a BZX-listed ETP will be accepted at its limit price and will not have its price adjusted by the System.

The Exchange believes that the proposed changes to LOC orders are necessary in order to better ensure that the Closing Auction operates efficiently and provides an accurate BZX Official Closing Price. First, the proposed change that would limit the ability of LMMs and other Users to modify or cancel LOC orders between 3:55 p.m. and 3:59 p.m. is designed to provide LMMs and other Users an appropriate balance between having the ability to control price-forming orders submitted to the Exchange ahead of the Closing Auction while simultaneously seeking to reduce the amount of price volatility ahead of the Closing Auction. As LOC orders are price-forming orders, the Exchange recognizes the need for LMMs and other Users to maintain the ability to submit LOC orders until 3:59 p.m. As discussed in the Exchange's recent proposal to amend the MOC order submission cutoff time from 3:59 p.m. to 3:55 p.m.,⁵³ MOC orders cannot be submitted to the Exchange at 3:55 p.m. or later. As such, the Exchange is ensuring that LMMs and other Users will continue to have four minutes to submit LOC orders to execute in the Closing Auction albeit with the inability to modify or

⁵² If the System is not able to ingest the 3:55 p.m. Reference Price due to a technical or systems issue at the Exchange, the LOC order will be re-priced upon receipt of the first available Reference Price after System recovery. If the Closing Auction cannot be completed due to a technical or systems issue at the Exchange, the LOC order will not be re-priced and will maintain its original, User-entered limit price.

⁵³ Supra note 20.

cancel orders between 3:55 p.m. and 3:59 p.m. This change is intended to reduce the amount of price volatility that modifications and cancellations may cause when entered ahead of the Closing Auction.

Second, the proposed change that allows for the re-pricing of LOC orders in BZX-listed corporate securities submitted between 3:55 p.m. and 3:59 p.m. if the limit price is higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price is similarly designed to minimize the amount of price volatility ahead of the Closing Auction. Combined with the previously discussed proposal to prohibit the modification and cancellation of LOC orders between 3:55 p.m. and 3:59 p.m., the Exchange believes that automatically re-pricing those LOC orders with limit prices that are higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price will lessen the frequency with which the Reference Price updates, thus providing additional clarity to Users about the expected price of the Closing Auction in BZX-listed corporate securities. The proposed change is designed to prevent LMMs and other Users from using LOC orders that are priced higher (for buy orders) or lower (for sell orders) as a proxy for MOC orders, which are no longer permitted to be entered after 3:55 p.m.⁵⁴ While LMMs and Users choosing to submit LOC orders between 3:55 p.m. and 3:59 p.m. will be subject to order cancellation and modification restrictions and will have an LOC order re-priced if it is priced higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price, the Exchange believes this tradeoff is necessary in order to provide the marketplace with stability ahead of the Closing Auction. The Exchange does not believe that counterparties are negatively affected by the proposed change, but instead will benefit

⁵⁴ Id.

from having less frequent updates to the Reference Price and additional clarity around the expected price of the Closing Auction in BZX-listed corporate securities.

While the Exchange proposes to introduce this re-pricing behavior only for BZX-listed corporate securities rather than all BZX-listed securities, the Exchange does not believe this segmentation harms either corporate securities or all other securities listed on BZX. In fact, the Exchange notes that segmentation between corporate securities and all other securities already exists under Rule 11.23(c)(2)(B) in that securities other than BZX-listed corporate securities have alternative methods in determining the BZX Official Closing Price that are not available to BZX-listed corporate securities.⁵⁵ The Exchange's proposal seeks to balance feedback from the LMMs and other Users who trade BZX-listed corporate securities that desire less price volatility approaching the Closing Auction with the needs of the LMMs responsible for submitting price-forming LOC orders ahead of the Closing Auction in ETPs, some of which tend to have volatile price swings that are anticipated based on the underlying holdings and makeup of the product.

The Exchange notes that Nasdaq similarly prohibits modifications and cancellations to MOC, LOC, and Imbalance-Only ("IO") orders, but the prohibition of modifications and cancellations begins at 3:50 p.m. rather than the Exchange's proposed time of 3:55 p.m.⁵⁶ Nasdaq also prohibits the entry of MOC, LOC, and IO orders after 3:58 p.m.,⁵⁷ while the Exchange is proposing to allow LOC orders to continue to be entered until 3:59 p.m. and LLOC orders to be entered until 4:00 p.m. NYSE Arca prohibits modifications and

⁵⁵ Supra notes 30 – 33.

⁵⁶ See Nasdaq Equity 4, Rule 4702(b)(11)(A) ("Market On Close Order"); Nasdaq Equity 4, Rule 4702(b)(12)(A) ("Limit On Close Order"); Nasdaq Equity 4, Rule 4702(13)(A) ("Imbalance Only Order").

⁵⁷ Id.

cancellations of MOC and LOC orders at 3:59 p.m., but will continue to accept these order types until the end of its core trading session under certain conditions.⁵⁸ The Exchange believes its proposal to limit the modification and cancellation of LOC orders beginning at 3:55 p.m. while continuing to allow the entry of LOC orders until 3:59 p.m. as well as its proposal to allow LLOC orders to be entered beginning at 3:55 p.m. does not introduce behavior that LMMs and other Users will be unable to accommodate, as LMMs and other Users are already accustomed to having different times related to the entry, modification, and cancellation of auction orders on BZX and on other exchanges. The proposal seeks to strike the appropriate balance of allowing all Users, but in particular LMMs responsible for submitting price forming orders ahead of the Closing Auction, the ability to submit LOC orders until 3:59 p.m. and LLOC orders until 4:00 p.m. while at the same time limiting the amount of price volatility ahead of the Closing Auction.

In total, the proposed changes seek to minimize price volatility ahead of the Closing Auction while also providing LMMs and other Users with additional information about the potential price at which an LOC or LLOC order designated for execution in the Closing Auction may execute. By limiting price movement through the prohibition of order modifications and cancellations during certain time periods ahead of the Closing Auction, extending the time which Users have to submit LLOC orders, and amending how LOC orders and LLOC orders are re-priced under certain circumstances, the Exchange believes it will be

⁵⁸ See NYSE Arca Rule 7.35-E(d)(2)(A)-(B).

better positioned to conduct a Closing Auction that provides the most accurate price as the BZX Official Closing Price, which benefits the market as a whole.

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.⁵⁹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁶⁰ 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)⁶¹ 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 that its proposal to (i) revise how LLOC orders are priced; (ii) revise how LOC orders in BZX-listed corporate securities are priced when entered between 3:55 p.m. and 3:59 p.m.; and (iii) amend the times for LMMs and other Users to submit, modify or cancel LLOC orders and LOC orders are designed to promote just and equitable principles of trade, help to facilitate transactions in securities and remove

⁵⁹ 15 U.S.C. 78f(b).

⁶⁰ 15 U.S.C. 78f(b)(5).

⁶¹ Id.

impediments to and perfect the mechanism of a free and open market and national market system by providing Users with additional transparency into the potential price of a security nearing the Closing Auction. The goal of the Closing Auction is to ascertain the BZX Official Closing Price in BZX-listed securities, which is broadly communicated to market participants. As such, by minimizing price volatility ahead of the Closing Auction, the Exchange believes the BZX Official Closing Price will more accurately reflect the market price of the security, which benefits the market as a whole.

In particular, the Exchange's proposal to allow LLOC orders to be re-priced to both higher and lower prices promotes just and equitable principles of trade, helps to facilitate transactions in securities, and removes impediments to and perfects the mechanism of a free and open market and national market system by allowing price forming orders to move in-line with the NBB or NBO rather than only being permitted to move to a higher (for buy orders) or lower (for sell orders) price under the current rule. Allowing LLOC orders to be re-priced as the NBB or NBO moves higher and lower, so long as the NBB or NBO is not priced higher (lower) than the LLOC order's limit price, will ensure that an LLOC order is able to provide support in offsetting imbalances while more accurately reflecting the market price of the security. Similarly, allowing an LLOC order to retain its limit price if the NBB or NBO is not available when the LLOC order is received by the Exchange and allowing an LLOC order to maintain its most recent adjusted price if the NBB or NBO becomes unavailable after the LLOC order has been adjusted will prevent large order imbalance swings ahead of the Closing Auction, which could be detrimental to the calculation of the BZX Official Closing Price. Accurately priced price forming orders are essential to ensuring that the BZX Official Closing Price is correctly calculated.

Similarly, the Exchange's proposal to revise how LOC orders entered between 3:55 p.m. and 3:59 p.m. are priced in BZX-listed corporate securities by re-pricing the limit price of an LOC order to the 3:55 p.m. Reference Price if the limit price upon entry is higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price promotes just and equitable principles of trade, helps to facilitate transactions in securities, and removes impediments to and perfects the mechanism of a free and open market and national market system because it will lessen the frequency of late arriving, aggressively priced LOC orders, thus providing additional clarity to LMMs and other Users about the expected price and order imbalances of the Closing Auction in BZX-listed corporate securities. The Exchange believes that less frequent updates to the LOC order caused by User modifications and cancellations ahead of the Closing Auction will lead to a smoother Closing Auction process and more certainty to Users about the expected BZX Official Closing Price.

Further, the Exchange's proposal to amend the time when LMMs and other Users may begin submitting LLOC orders from 3:59 p.m. to 3:55 p.m. promotes just and equitable principles of trade, helps to facilitate transactions in securities, and removes impediments to and perfects the mechanism of a free and open market and national market system because it aligns with the Exchange's MOC Cutoff Time Filing that amended the cutoff time for the submission of MOC orders from 3:59 p.m. to 3:55 p.m. As the MOC Cutoff Time Filing limits the ability of Users to submit an Eligible Auction Order ahead of the Closing Auction, the Exchange is now proposing to allow LMMs and other Users an additional order type that may be submitted between 3:55 p.m. and 4:00 p.m. in order to receive an execution at the closing price as well as potentially assist in offsetting any imbalance created by the presence of MOC orders submitted prior to 3:55 p.m. Providing LMMs and other Users an extra four

minutes to submit LLOC orders ahead of the Closing Auction after adjusting the MOC cutoff time from 3:59 p.m. to 3:55 p.m. will help ensure that LMMs and other Users have sufficient opportunities to submit imbalance offsetting orders ahead of the Closing Auction, which will lead to less price volatility immediately ahead of the Closing Auction.

As noted above, the Exchange's proposal to amend the times for LMMs and other Users to submit, modify or cancel LLOC orders and LOC orders is not significantly different than the prohibitions on modifications and cancellations of closing auction orders types imposed by competitor exchanges. For example, Nasdaq prohibits the modification and cancellation of MOC, LOC, and IO orders beginning at 3:50 p.m.⁶² while the Exchange is proposing a time of 3:55 p.m., which grants LMMs and other Users an additional five minutes of control over their price forming orders than is given by Nasdaq. NYSE Arca prohibits the modification and cancellation of closing auction orders beginning at 3:59 p.m., which is more generous than the Exchange's proposal.⁶³ The Exchange believes that its proposed changes regarding the modification and cancellation of LOC and LLOC orders continues to promote just and equitable principles of trade by balancing the ability of LMMs and other Users to control price forming orders with the Exchange's desire to minimize price volatility ahead of its Closing Auction.

The Exchange's proposals to (i) revise how LLOC orders are priced; (ii) revise how LOC orders in BZX-listed corporate securities are priced when entered between 3:55 p.m. and 3:59 p.m.; and (iii) amend the times for LMMs and other Users to submit, modify, or cancel LLOC orders and LOC orders are also not unfairly discriminatory. The proposed

⁶² Supra note 56.

⁶³ Supra note 58.

changes to revise how LLOC orders and LOC orders are priced and the proposed amended times for LMMs and other Users to submit, modify, or cancel LLOC orders and LOC orders apply equally to all LMMs and other Users that submit LOC and LLOC orders, regardless of size or trading volume. While the Exchange is proposing to re-price LOC orders in BZX-listed corporate securities different from how it would re-price LOC orders in all other BZX-listed securities if certain conditions are met, the Exchange does not believe this difference is unfairly discriminatory. In this proposal, the Exchange seeks to balance feedback from the LMMs and other Users who trade BZX-listed corporate securities that desire less price volatility approaching the Closing Auction with the needs of the LMMs responsible for submitting price-forming LOC orders ahead of the Closing Auction in ETPs, some of which tend to have volatile price swings that are anticipated based on the underlying holdings and makeup of the product.

Additionally, as discussed above, BZX-listed ETPs have the ability to utilize different pricing methods in order to arrive at the BZX Official Closing Price that are not available to BZX-listed corporate securities. The Exchange views the segmentation and different re-pricing strategy of LOC orders between BZX-listed corporate securities and all other BZX-listed securities as appropriate given the different composition of ETPs and corporate securities. While price volatility may occur in *any* BZX-listed security, a BZX-listed corporate security is particularly susceptible to movements in the Reference Price because the closing price is directly related to the price-forming orders submitted to the Exchange. An ETP, on the other hand, may be composed of a basket of securities and therefore the closing price of an ETP is related not just to the price-forming orders submitted to the Exchange, but also the price-forming orders of the underlying securities that comprise an ETP. Given that an ETP

may be made up of hundreds of underlying securities, each of which has its own closing price established by its primary listing exchange, there are more data points that Users may rely on when submitting their orders ahead of the Closing Auction and less opportunities for price volatility caused by orders priced significantly away from the market of the ETP.

Furthermore, the Exchange's proposals do not unfairly discriminate against LMMs and other Users. Prior to submitting this proposal, the Exchange spoke with Exchange Users, LMMs, and issuers of BZX-listed ETPs and did not receive feedback that any of the proposed changes were undesirable or that doing so would cause them undue burden. LMMs and other Users are free to submit Continuous Book orders ahead of the Closing Auction that are not subject to the proposed changes.

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. Rather, the Exchange believes that its proposed changes will help to foster competition by further improving BZX's well-functioning Closing Auction process, making BZX a more attractive venue for trading Eligible Auction Orders. By amending how LLOC orders and LOC orders in BZX-listed corporate securities are priced, as well as adjusting the times during which LMMs and other Users may modify or cancel LLOC and LOC orders, the Exchange believes that it will see less price volatility ahead of its Closing Auction, thus providing LMMs and other Users additional clarity into the expected BZX Official Closing Price. The Exchange believes its proposed changes, which are designed to limit price volatility, will foster competition by encouraging LMMs and other Users to enter their orders destined for execution in the Closing Auction on BZX rather than competitor exchanges.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

- A. by order approve or disapprove such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be 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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-CboeBZX-2025-086 on the subject line.

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-2025-086. This file number should be included on the subject line if email 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 (<https://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, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-CboeBZX-2025-086 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁶⁴

Sherry R. Haywood,

Assistant Secretary.

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17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

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Rules of Cboe BZX Exchange, Inc.

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Rule 11.23. Auctions

(a) Definitions

(1) – (10) No change.

(11) The term “Late-Limit-On-Close” or “LLOC” shall mean a BZX limit order that is designated for execution only in the Closing Auction. To the extent a LLOC bid or offer [received by the Exchange]has a limit price that is [more aggressive] higher (for buy orders) or lower (for sell orders) than the NBB (for buy orders) or NBO (for sell orders), the price of such bid or offer is adjusted to be equal to the NBB or NBO, respectively[, at the time of receipt by the Exchange. Where the NBB or NBO becomes more aggressive, the limit price of the LLOC bid or offer will be adjusted to the more aggressive price, only to the extent that the more aggressive price is not more aggressive than the original User entered limit price. The limit price will not be adjusted to a less aggressive price, unless otherwise provided by Exchange Rules]. If there is no NBB or NBO upon receipt of the LLOC bid or offer by the Exchange, the LLOC bid or offer, respectively, will assume its entered limit price. If the NBB or NBO becomes unavailable after the respective LLOC bid or offer has been adjusted to the NBB or NBO, the respective LLOC bid or offer will maintain its most recent adjusted price and would not have its price adjusted until the NBB or NBO, respectively, was available. An LLOC order to buy (sell) will not be priced higher (lower) than its limit price.

(12) No change.

(13) The term “Limit-On-Close” or “LOC” shall mean a BZX limit order that is designated for execution only in the Closing Auction. LOCs entered in BZX-listed corporate securities (as described in Rule 14.8 and Rule 14.9) between 3:55 p.m. and 3:59 p.m. will be accepted at their limit prices, unless the limit price is higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price. LOCs in BZX-listed corporate securities with a limit price that is higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price will be re-priced to the 3:55 p.m. Reference Price. LOCs entered in BZX-listed ETPs will be accepted at their limit prices and not subject to any adjustment based on the Reference Price.

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(b) No change.

(c) *Closing Auction.*

(1) Order Entry and Cancellation Before Closing Auction.

(A) Users may submit orders to the Exchange as set forth in Rule 11.1. Any Eligible Auction Orders designated for the Closing Auction will be queued until 4:00 p.m. at which time they will be eligible to be executed in the Closing Auction. Users may submit LOC orders until 3:59 p.m., at which point any additional LOC orders submitted will be rejected. While Users may submit LOC orders until 3:59 p.m., Users may only modify or cancel LOC orders until 3:55 p.m. LOC orders entered between 3:55 p.m. and 3:59 p.m. cannot be modified or canceled, unless otherwise provided by Rule 11.23(a)(13). Users may submit MOC orders until 3:55 p.m., at which point any additional MOC orders submitted will be rejected. Unlike in the Opening Auction, User submitted Market RHO orders will be accepted immediately prior to the Closing Auction. Users may submit LLOC orders between 3:55[9] p.m. and 4:00 p.m. Users may not modify or cancel LLOC orders once entered. Any LLOC orders submitted before 3:55[9] p.m. or after 4:00 p.m. will be rejected.

(B) MOC orders may not be cancelled or modified after 3:55 p.m. LOC and LLOC orders may not be cancelled or modified between 3:55[9] p.m. and 4:00 p.m.

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