

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 24

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

File No. \* SR 2026 - \* 003

Amendment No. (req. for Amendments \*)

Filing by Cboe C2 Exchange, Inc.

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

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

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

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

Section 806(e)(1) \*

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Section 806(e)(2) \*

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

Section 3C(b)(2) \*

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Exhibit 2 Sent As Paper Document

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Exhibit 3 Sent As Paper Document

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### Description

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

The Exchange proposes to amend Rule 5.34 with respect to its Risk Monitor Mechanism, to provide Trading Permit Holders with additional flexibility in establishing how their trading activity counts towards certain risk parameters.

### 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 *	Sarah	Last Name *	Williams
Title *	Senior Counsel		
E-mail *	swilliams@cboe.com		
Telephone *	(224) 461-6793	Fax	

### Signature

Pursuant to the requirements of the Securities Exchange of 1934, Cboe C2 Exchange, Inc. has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 01/14/2026

(Title \*)

By Laura G. Dickman

(Name \*)

VP, Associate General Counsel

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

Laura Dickman

Date: 2026.01.14  
15:50:05 -06'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

Add Remove View

26-003 (C2 Risk Controls) 19b4.docx

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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26-003 (C2 Risk Controls) Exhibit 1.docx

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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26-003 (C2 Risk Controls) Exhibit 5.docx

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

**Partial Amendment**

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

**Item 1.      Text of the Proposed Rule Change**

(a)      Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) proposes to amend Rule 5.34(c) with respect to its Risk Monitor Mechanism, to provide Trading Permit Holders (“TPHs”) with additional flexibility in establishing how their trading activity counts towards certain risk parameters. 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 January 7, 2026. The Exchange will announce via Exchange Notice the implementation date of the proposed rule change no later than 30 days after the operative date of this rule filing.

(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 Sarah Williams, (224) 461-6793, Cboe C2 Exchange, Inc., 433 West Van Buren Street, Chicago, Illinois 60607.

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

(a)      Purpose

The Exchange proposes to amend Rule 5.34(c), Order and Quote Price Protection Mechanisms and Risk Controls (All Orders). Specifically, the Exchange proposes changes to the Risk Monitor Mechanism to provide TPHs with additional flexibility in establishing how their trading activity counts towards certain risk parameters.

By way of background, the Risk Monitor Mechanism provides TPHs with the ability to manage their order and execution risk. Each TPH may establish limits for various parameters in the Exchange's counting program. The System<sup>1</sup> counts each of the following within an underlying for an EFID<sup>2</sup> ("underlying limit") and across all underlyings for an EFID ("EFID limit") and/or across all underlyings for a group of EFIDs ("EFID Group") ("EFID Group limit"), over a TPH-established time period ("interval") and on an absolute basis for a trading day ("absolute limits"): (i) number of contracts executed ("volume"); (ii) notional value of executions ("notional"); (iii) number of executions ("count"); (iv) number of contracts executed as a percentage of number of contracts outstanding within an Exchange-designated time period or during the trading day, as applicable ("percentage"), which the System determines by calculating the percentage of a TPH's outstanding contracts that executed on each side of the market during the time period or trading day, as applicable, and then summing the series percentages on each side in the underlying; and (v) number of times the limits established by the parameters (i) through (iv) are reached ("risk trips") (collectively, "risk parameters"). Additionally, when the System determines a risk parameter exceeds a TPH's underlying limit within the interval or the absolute limit for the underlying, the Risk Monitor Mechanism cancels or rejects such TPH's orders or quotes in all series of the underlying and cancels or rejects any additional orders or quotes from the TPH in the underlying until the counting program resets. Similarly, when the System determines a risk parameter exceeds a TPH's EFID limit within the interval or the absolute limit for the EFID, the Risk Monitor Mechanism cancels or rejects such TPH's orders or quotes in all underlyings

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<sup>1</sup> The term "System" means the automated trading system the Exchange uses for the trading of option contracts. See Rule 1.1.

<sup>2</sup> The term "EFID" means an Executing Firm ID. See Rule 1.1.

and cancels or rejects any additional orders or quotes from the EFID in all underlyings until the counting program resets. Finally, when the System determines a risk parameter exceeds a TPH's EFID Group limit within the interval or the absolute limit for the EFID Group, the Risk Monitor Mechanism cancels or rejects such TPH's orders or quotes in all underlyings and cancels or rejects any additional orders or quotes from any EFID within the EFID Group in all underlyings until the counting program resets.

The Exchange proposes to amend Rule 5.34(c) to enhance the Risk Monitor Mechanism to provide TPHs with additional flexibility in establishing how their trading activity counts towards certain risk parameters.

First, the Exchange proposes to add new Rule 5.34(c)(4)(B)(i)<sup>3</sup> to allow TPHs the option to exclude certain options auction-executed volume from certain of the Risk Monitor Mechanism risk parameters, namely the volume parameter in Rule 5.34(c)(4)(A)(i) and the count parameter in Rule 5.34(c)(4)(A)(iii). Under the proposed change, a TPH may specify whether volume or executions in Complex Order Auctions ("COA") count toward the TPH's underlying, EFID, or EFID Group limit (on both an interval or absolute basis).

The Exchange also proposes to add new Rule 5.34(c)(4)(B)(ii) to allow TPHs the option to establish the volume or count parameters on a contra-party capacity basis. Under the proposed change, a TPH may specify a percentage (up to 100%) of volume or executions to count toward the TPH's underlying, EFID, or EFID Group limit based on contra-party capacity (on both an interval or absolute basis). For example, under the proposed rule change, a TPH could specify that only 20% of the quantity on each trade with a Capacity "C"

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<sup>3</sup> As part of the proposed change, the Exchange proposes to renumber current Rules 5.34(c)(4)(B), (C), (D), (E), and (F) as Rules 5.34(c)(4)(C), (D), (E), (F), and (G), respectively.

(i.e., Public Customer)<sup>4</sup> contra-party would be counted towards the TPH's underlying, EFID, or EFID Group limit (on an interval or absolute basis).

The proposed changes allow the TPH to more precisely tailor the volume and count parameters within the Risk Monitor Mechanism. The Exchange notes that use of the proposed enhancements is optional, and TPHs are free to utilize them or not, at their discretion.

(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.<sup>5</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>6</sup> 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)<sup>7</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

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<sup>4</sup> See Rule 1.1 (definition of "Capacity").

<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> Id.

In particular, the Exchange believes the proposed change would remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest by providing TPHs with enhanced abilities to manage their risk with respect to orders on the Exchange. The Exchange believes that allowing TPHs to tailor volume and count parameters promotes risk management processes that better reflect the risks of different types of trading activity. The Exchange believes that the proposed rule change will protect investors and the public interest because the proposed enhancements will assist TPHs in minimizing their risk exposure, thereby reducing the potential for disruptive, market-wide events.

The Exchange believes the proposed change to allow TPHs to specify whether volume or executions in COA count toward the TPH's underlying, EFID, or EFID Group limit (on both an interval or absolute basis) is reasonable because orders executed through these auction mechanisms are subject to different protections (i.e., price improvement requirements and exposure periods) as compared to other order types. As a result, these orders have different risk considerations. Allowing TPHs to differentiate between these execution types in their Risk Monitor Mechanism settings enables them to establish risk parameters that more accurately reflect their risk management tolerances. The Exchange again notes that this functionality is optional, and TPHs may continue to include executions resulting from these exchange auctions in their risk parameters (as is the case today) if they prefer.

The Exchange also believes its proposal to allow TPHs to establish volume or count parameters on a contra-party capacity basis is reasonable, as different contra-party types present different risk profiles. For example, this enhancement may be beneficial for

Market-Makers or other liquidity providers who may wish to establish lower limits for when providing liquidity to Customer orders while establishing stricter parameters for trades against other institutional contra-parties which may involve different risk considerations. The Exchange believes allowing TPHs the option to adjust their risk tolerance based on contra-party capacity provides the opportunity for a more precise risk management approach.

Finally, the Exchange believes the proposed changes are not unfairly discriminatory, as the proposed enhancements are available to all TPHs and apply uniformly to all TPHs who may choose to utilize the enhanced risk parameter settings. As noted above, use of the proposed enhancements is optional and TPHs are free to utilize them or not, at their discretion.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the proposed enhancements are available to all TPHs and apply uniformly to all TPHs who may choose to utilize the enhanced risk parameter settings. As noted above, use of the proposed enhancements is optional and TPHs are free to utilize them or not, at their discretion.

Additionally, the Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed enhancements apply only to



trading on the Exchange. Again, the Exchange notes that it is voluntary for the TPHs to determine whether to make use of the new enhancements of the Risk Monitor Mechanism. To the extent that the proposed changes may make the Exchange a more attractive trading venue for market participants on other exchanges, such market participants may elect to become Exchange market participants.

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

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

**Item 6. Extension of Time Period for Commission Action**

Not applicable.

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

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act<sup>8</sup> and Rule 19b-4(f)(6)<sup>9</sup> thereunder.

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

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(6).

change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

The Exchange believes the proposed rule change will not significantly affect the protection of investors or the public interest. As noted above, the proposed change is designed to provide TPHs with enhanced abilities to manage their risk with respect to orders on the Exchange. The Exchange believes that allowing TPHs to tailor volume and count parameters promotes risk management processes that better reflect the risks of different types of trading activity. The Exchange believes that the proposed rule change will protect investors and the public interest because the proposed enhancements will assist TPHs in minimizing their risk exposure, thereby reducing the potential for disruptive, market-wide events.

As noted above, orders executed through COA are subject to different protections (i.e., price improvement requirements and exposure periods) as compared to other order types. As a result, these orders have different risk considerations. Allowing TPHs to differentiate between these execution types in their Risk Monitor Mechanism settings enables them to establish risk parameters that more accurately reflect their risk management tolerances, to the benefit of investors and the public interest.

Also, as noted above in regards to its proposal to allow TPHs to establish volume or count parameters on a contra-party capacity basis, different contra-party types present different risk profiles. For example, this enhancement may be beneficial for Market-Makers or other liquidity providers who may wish to establish lower limits for when providing liquidity to Customer orders while establishing stricter parameters for trades against other institutional contra-parties which may involve different risk considerations.

The Exchange believes allowing TPHs the option to adjust their risk tolerance based on contra-party capacity provides the opportunity for a more precise risk management approach, to the benefit of investors and the public interest.

Finally, the Exchange believes the proposed changes are not unfairly discriminatory, as the proposed enhancements are available to all TPHs and apply uniformly to all TPHs who may choose to utilize the enhanced risk parameter settings. As noted above, use of the proposed enhancements is optional and TPHs are free to utilize them or not, at their discretion. TPHs who elect to not use these enhancements will simply continue to have the Risk Monitor Mechanism apply the volume and count limits as it does today.

As noted above, the Exchange believes the proposed rule change does not impose any significant burden on competition, because the proposed enhancements are available to all TPHs and apply uniformly to all TPHs who may choose to utilize the enhanced risk parameter settings. As noted above, use of the proposed enhancements is optional and TPHs are free to utilize them or not, at their discretion. Further, the proposed enhancements apply only to trading on the Exchange. To the extent that the proposed changes may make the Exchange a more attractive trading venue for market participants on other exchanges, such market participants may elect to become Exchange market participants.

For the foregoing reasons, this rule filing qualifies as a “non-controversial” rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for

the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved. (c) Not applicable.

(d) Not applicable.

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

The proposed rule change is 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 5. Proposed rule text.

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-       ; File No. SR-C2-2026-003]

[Insert date]

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 5.34(c) with Respect to its Risk Monitor Mechanism, to Provide Trading Permit Holders (“TPHs”) with Additional Flexibility in Establishing how their Trading Activity Counts Towards Certain Risk Parameters

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on [insert date], Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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 C2 Exchange, Inc. (the “Exchange” or “C2”) proposes to amend Rule 5.34(c) with respect to its Risk Monitor Mechanism, to provide Trading Permit Holders (“TPHs”) with additional flexibility in establishing how their trading activity counts towards certain risk parameters. The text of the proposed rule change is provided in Exhibit 5.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

The text of the proposed rule change is also available on the Commission’s website (<https://www.sec.gov/rules/sro.shtml>), the Exchange’s website ([https://www.cboe.com/us/options/regulation/rule\\_filings/bzx/](https://www.cboe.com/us/options/regulation/rule_filings/bzx/)), and at the principal office of the Exchange.

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

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

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

#### **1. Purpose**

The Exchange proposes to amend Rule 5.34(c), Order and Quote Price Protection Mechanisms and Risk Controls (All Orders). Specifically, the Exchange proposes changes to the Risk Monitor Mechanism to provide TPHs with additional flexibility in establishing how their trading activity counts towards certain risk parameters.

By way of background, the Risk Monitor Mechanism provides TPHs with the ability to manage their order and execution risk. Each TPH may establish limits for various parameters in the Exchange’s counting program. The System<sup>5</sup> counts each of the following within an underlying for an EFID<sup>6</sup> (“underlying limit”) and across all underlyings for an EFID

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<sup>5</sup> The term “System” means the automated trading system the Exchange uses for the trading of option contracts. See Rule 1.1.

<sup>6</sup> The term “EFID” means an Executing Firm ID. See Rule 1.1.

(“EFID limit”) and/or across all underlyings for a group of EFIDs (“EFID Group”) (“EFID Group limit”), over a TPH-established time period (“interval”) and on an absolute basis for a trading day (“absolute limits”): (i) number of contracts executed (“volume”); (ii) notional value of executions (“notional”); (iii) number of executions (“count”); (iv) number of contracts executed as a percentage of number of contracts outstanding within an Exchange-designated time period or during the trading day, as applicable (“percentage”), which the System determines by calculating the percentage of a TPH’s outstanding contracts that executed on each side of the market during the time period or trading day, as applicable, and then summing the series percentages on each side in the underlying; and (v) number of times the limits established by the parameters (i) through (iv) are reached (“risk trips”) (collectively, “risk parameters”). Additionally, when the System determines a risk parameter exceeds a TPH’s underlying limit within the interval or the absolute limit for the underlying, the Risk Monitor Mechanism cancels or rejects such TPH’s orders or quotes in all series of the underlying and cancels or rejects any additional orders or quotes from the TPH in the underlying until the counting program resets. Similarly, when the System determines a risk parameter exceeds a TPH’s EFID limit within the interval or the absolute limit for the EFID, the Risk Monitor Mechanism cancels or rejects such TPH’s orders or quotes in all underlyings and cancels or rejects any additional orders or quotes from the EFID in all underlyings until the counting program resets. Finally, when the System determines a risk parameter exceeds a TPH’s EFID Group limit within the interval or the absolute limit for the EFID Group, the Risk Monitor Mechanism cancels or rejects such TPH’s orders or quotes in all underlyings and cancels or rejects any additional orders or quotes from any EFID within the EFID Group in all underlyings until the counting program resets.

The Exchange proposes to amend Rule 5.34(c) to enhance the Risk Monitor Mechanism to provide TPHs with additional flexibility in establishing how their trading activity counts towards certain risk parameters.

First, the Exchange proposes to add new Rule 5.34(c)(4)(B)(i)<sup>7</sup> to allow TPHs the option to exclude certain options auction-executed volume from certain of the Risk Monitor Mechanism risk parameters, namely the volume parameter in Rule 5.34(c)(4)(A)(i) and the count parameter in Rule 5.34(c)(4)(A)(iii). Under the proposed change, a TPH may specify whether volume or executions in Complex Order Auctions (“COA”) count toward the TPH’s underlying, EFID, or EFID Group limit (on both an interval or absolute basis).

The Exchange also proposes to add new Rule 5.34(c)(4)(B)(ii) to allow TPHs the option to establish the volume or count parameters on a contra-party capacity basis. Under the proposed change, a TPH may specify a percentage (up to 100%) of volume or executions to count toward the TPH’s underlying, EFID, or EFID Group limit based on contra-party capacity (on both an interval or absolute basis). For example, under the proposed rule change, a TPH could specify that only 20% of the quantity on each trade with a Capacity “C” (i.e., Public Customer)<sup>8</sup> contra-party would be counted towards the TPH’s underlying, EFID, or EFID Group limit (on an interval or absolute basis).

The proposed changes allow the TPH to more precisely tailor the volume and count parameters within the Risk Monitor Mechanism. The Exchange notes that use of the proposed enhancements is optional, and TPHs are free to utilize them or not, at their discretion.

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<sup>7</sup> As part of the proposed change, the Exchange proposes to renumber current Rules 5.34(c)(4)(B), (C), (D), (E), and (F) as Rules 5.34(c)(4)(C), (D), (E), (F), and (G), respectively.

<sup>8</sup> See Rule 1.1 (definition of “Capacity”).



## 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.<sup>9</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>10</sup> 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)<sup>11</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed change would remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest by providing TPHs with enhanced abilities to manage their risk with respect to orders on the Exchange. The Exchange believes that allowing TPHs to tailor volume and count parameters promotes risk management processes that better reflect the risks of different types of trading activity. The

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<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>11</sup> Id.

Exchange believes that the proposed rule change will protect investors and the public interest because the proposed enhancements will assist TPHs in minimizing their risk exposure, thereby reducing the potential for disruptive, market-wide events.

The Exchange believes the proposed change to allow TPHs to specify whether volume or executions in COA count toward the TPH's underlying, EFID, or EFID Group limit (on both an interval or absolute basis) is reasonable because orders executed through these auction mechanisms are subject to different protections (i.e., price improvement requirements and exposure periods) as compared to other order types. As a result, these orders have different risk considerations. Allowing TPHs to differentiate between these execution types in their Risk Monitor Mechanism settings enables them to establish risk parameters that more accurately reflect their risk management tolerances. The Exchange again notes that this functionality is optional, and TPHs may continue to include executions resulting from these exchange auctions in their risk parameters (as is the case today) if they prefer.

The Exchange also believes its proposal to allow TPHs to establish volume or count parameters on a contra-party capacity basis is reasonable, as different contra-party types present different risk profiles. For example, this enhancement may be beneficial for Market-Makers or other liquidity providers who may wish to establish lower limits for when providing liquidity to Customer orders while establishing stricter parameters for trades against other institutional contra-parties which may involve different risk considerations. The Exchange believes allowing TPHs the option to adjust their risk tolerance based on contra-party capacity provides the opportunity for a more precise risk management approach.

Finally, the Exchange believes the proposed changes are not unfairly discriminatory, as the proposed enhancements are available to all TPHs and apply uniformly to all TPHs who may choose to utilize the enhanced risk parameter settings. As noted above, use of the proposed enhancements is optional and TPHs are free to utilize them or not, at their discretion.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the proposed enhancements are available to all TPHs and apply uniformly to all TPHs who may choose to utilize the enhanced risk parameter settings. As noted above, use of the proposed enhancements is optional and TPHs are free to utilize them or not, at their discretion.

Additionally, the Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed enhancements apply only to trading on the Exchange. Again, the Exchange notes that it is voluntary for the TPHs to determine whether to make use of the new enhancements of the Risk Monitor Mechanism. To the extent that the proposed changes may make the Exchange a more attractive trading venue for market participants on other exchanges, such market participants may elect to become Exchange market participants.

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

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

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

Because the foregoing proposed rule change does not:

- A. significantly affect the protection of investors or the public interest;
- B. impose any significant burden on competition; and
- C. become operative for 30 days from the date on which it was filed, or such

shorter time as the Commission may designate,

it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6)<sup>13</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

**IV. Solicitation of Comments**

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

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6).

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](mailto:rule-comments@sec.gov). Please include file number SR-C2-2026-003 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-C2-206-003. 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 filing 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-C2-2026-003 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.<sup>14</sup>

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<sup>14</sup> 17 CFR 200.30-3(a)(12).

**Sherry R. Haywood,**

*Assistant Secretary.*

Secretary

## EXHIBIT 5

(additions are underlined; deletions are [bracketed])

\* \* \* \* \*

Rules of Cboe C2 Exchange, Inc.

\* \* \* \* \*

**Rule 5.34. Order and Quote Price Protection Mechanisms and Risk Controls**

\* \* \* \* \*

(c) *All Orders.*

(1) – (3) No changes.

(4) *Risk Monitor Mechanism.* If a TPH enables this functionality:

(A) Each TPH may establish limits for the following parameters in the Exchange’s counting program. The System counts each of the following within an underlying for an EFID (“underlying limit”), across all underlyings for an EFID (“EFID limit”), and/or across all underlyings for a group of EFIDs (“EFID Group”) (“EFID Group limit”), over a TPH-established time period (“interval”) and on an absolute basis for a trading day (“absolute limits”):

(i) number of contracts executed (“volume”);

(ii) notional value of executions (“notional”);

(iii) number of executions (“count”);

(iv) number of contracts executed as a percentage of number of contracts outstanding within an Exchange-designated time period or during the trading day, as applicable (“percentage”), which the System determines by calculating the percentage of a TPH’s outstanding contracts that executed on each side of the market during the time period or trading day, as applicable, and then summing the series percentages on each side in the underlying; and

(v) number of times the limits established by the parameters under (A)(i)-(iv) above are reached (“risk trips”).

(B) For volume and count limits established under subparagraph (A)(i) and (iii), a TPH may:

(i) specify whether volume or executions in COAs count toward the TPH's underlying, EFID, or EFID Group limit (on both an interval or absolute basis); or

(ii) specify a percentage (up to 100%) of volume or executions to count toward the TPH's underlying, EFID, or EFID Group limit based on contra-party capacity (on both an interval or absolute basis).

([B]C) When the System determines that the volume, notional, count, percentage, or risk trips limits have been reached:

\* \* \* \* \*

([C]D) The System will execute any marketable orders or quotes that are executable against a TPH's order or quote and received prior to the time the Risk Monitor Mechanism is triggered at the price up to the size of the TPH's order or quote, even if such execution results in executions in excess of the TPH's parameters.

([D]E) *Counting Program Reset.*

\* \* \* \* \*

([E]F) *Complex Orders.* The System counts individual trades executed as part of a complex order (or COA response) when determining whether the volume, notional, count, or risk trips limit has been reached. The System counts the percentage executed of a complex order (or COA response) when determining whether the percentage limit has been reached.

([F]G) A TPH may also engage the Risk Monitor Mechanism to cancel resting bids and offers, as well as subsequent orders as set forth in Rule 5.34(c)(6).

\* \* \* \* \*