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

File No. * SR 2026 - * 024
Amendment No. (req. for Amendments *)

Filing by Cboe C2 Exchange, Inc.

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

Initial * ☑ Amendment * ☐ Withdrawal ☐

Section 19(b)(2) * ☐ Section 19(b)(3)(A) * ☑ Section 19(b)(3)(B) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☑ 19b-4(f)(6)

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

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐ Exhibit 3 Sent As Paper Document ☐

Description

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

The Exchange proposes to adopt a new rule governing the operation of a proposed Step Up Mechanism.

Contact Information

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

First Name * Laura Last Name * Dickman

Title * VP, Associate General Counsel

E-mail * ldickman@cboe.com

Telephone * (312) 786-7572 Fax

Signature

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

Date 08/27/2026

By Laura G. Dickman
(Name *)

(Title *)
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: 2026.08.27 13:19:09 -05'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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26-024 (SUM Auction) 19b-4 Final.doc

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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26-024 (SUM Auction) 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.

☐ 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.

☐ 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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26-024 (SUM Auction) Exhibit 5 (Final)

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. <u>Text of the Proposed Rule Change</u>

(a) Cboe C2 Exchange, Inc. (the "Exchange" or "C2") proposes to adopt a new rule governing the operation of a proposed Step Up Mechanism ("SUM") on the Exchange and to make conforming changes in other rules. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

Item 2. <u>Procedures of the Self-Regulatory Organization</u>

(a) The Exchange's President (or designee) pursuant to delegated authority approved the proposed rule change on August 12, 2026.

(b) Please refer questions and comments on the proposed rule change to Pat Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7467, or Laura G. Dickman, (312) 786-7572, Cboe C2 Exchange, Inc., 433 West Van Buren Street, Chicago, Illinois 60607.

Item 3. <u>Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change</u>

(a) <u>Purpose</u>

The Exchange proposes to adopt Rule 5.35 (Step Up Mechanism ("SUM")), which sets forth the operational framework for SUM, a feature within the System that would provide automated order handling in designated classes for qualifying orders that are not automatically executed by the System. The proposed functionality is substantively identical to the Step Up Mechanism of Cboe Exchange, Inc. ("Cboe Options").[1] The Exchange also proposes to make conforming amendments to Rules 5.21, 5.25,[2] and 5.34.

Proposed Rule 5.35(a) sets forth the eligibility requirements for SUM. Under the proposed rule, the Exchange will determine[3] eligible order size, eligible order type, eligible order Capacity (e.g., Priority Customer orders, non-Market Maker non-Priority Customer orders, and Market Maker orders), and classes in which SUM is activated. Bulk messages are not eligible for SUM, as bulk messages are intended to assist Market-Makers' facilitation of the provision of liquidity on the Exchange. SUM will automatically process upon receipt of: (1) an eligible order that is marketable against the Exchange's BBO[4] that is not the NBBO[5]; or (2) an eligible order that would improve the Exchange's BBO and that is marketable against the ABBO.[6] The proposed rule change also permits a User to opt out of this process.[7] The Exchange will not initiate the SUM process if the NBBO is crossed.

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1 See Cboe Options Rule 5.35; see also, e.g., Cboe EDGX Exchange, Inc. ("Cboe EDGX") Rule 21.18; and Investors Exchange ("IEX") Rule 22.270.

2 As part of the proposed changes, the Exchange proposes to correct a typographical error in Rule 5.25(c), namely to correct "subpargraph" to "subparagraph."

3 The Exchange announces to Trading Permit Holders all determinations it makes pursuant to the Rules via: specifications, Notices, or Regulatory Circulars with appropriate advanced notice, which will be posted on the Exchange's website, or as otherwise provided in the Rules; electronic message; or other communication method as provided in the Rules. See Rule 1.5(a).

4 "BBO" means the best bid or offer disseminated on the Exchange. See Rule 1.1.

5 "NBBO" means the national best bid or offer the Exchange calculates based on market information it receives from OPRA. See Rule 1.1.

6 "ABBO" means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (as defined in Section E of Chapter 5) and calculated by the Exchange based on market information the Exchange receives from OPRA. See Rule 1.1.

7 Users may opt out from SUM on an order-by-order basis or by applying a setting to an order entry port that would opt out all orders submitted by that User through that port.

Proposed Rule 5.35(b) describes the order handling and response process during a SUM exposure period. Upon receipt of a SUM-eligible order, the System electronically exposes the order at the NBBO immediately upon receipt. The order is exposed for a period of time determined by the Exchange[8] on a class-by-class basis, which period of time may not exceed one second. During the exposure period, all Users may submit responses to the exposure message. Responses must be limited to the size of the order being exposed; may be modified, cancelled, or replaced any time during the exposure period; and are cancelled back at the end of the exposure period if unexecuted.

Proposed Rule 5.35(c) describes how exposed orders are allocated following the exposure period.[9] Any responses priced at the prevailing NBBO or better will immediately trade against the order in time priority. If during the exposure period the Exchange receives an unrelated order (or quote) on the opposite side of the market from the exposed order that could trade against the exposed order at the prevailing NBBO price or better, then the orders will trade at the prevailing NBBO price. The exposure period will not terminate if a quantity remains on the exposed order after such trade. Responses that are not immediately executable based on the prevailing NBBO may become executable during the exposure period based on changes to the NBBO. In the event of a change to the NBBO and at the conclusion of the exposure period, the Exchange will evaluate remaining responses as well as the ABBO and execute any remaining portion of the exposed order to the fullest extent possible at the best price(s) by executing against responses and unrelated orders (pursuant to the allocation algorithm in effect for the class). Following the exposure period, the

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8 See Rule 1.5(a).

9 The Exchange intends to set the length of the exposure period to 10 milliseconds for all classes when it activates SUM on the Exchange.

Exchange will route the remaining portion of the exposed order to other exchanges, unless otherwise instructed by the User. Any portion of a routed order that returns unfilled shall trade against the Exchange's best bid/offer unless another exchange is quoting at a better price, in which case new orders shall be generated and routed to trade against such better prices. All executions on the Exchange pursuant to this paragraph will comply with Chapter 5, Section E.[10]

Proposed Rule 5.35(d) describes the circumstances under which the exposure period terminates prior to its expiration. In addition to the receipt of a response or unrelated order or quote to trade the entire exposed order at the NBBO or better, the exposure period also terminates prior to its expiration, and the System processes the exposed order in accordance with proposed paragraph (c), if during the exposure period (1) the NBBO updates such that the exposed order is no longer marketable against the prevailing NBBO; or (2) the Exchange is displaying an unrelated order on the same side of the market as the exposed order and such displayed order is subsequently locked or crossed by another options exchange.

The purpose of the proposed change is to provide all Users with the opportunity to improve their prices and "step up" to meet the NBBO in order to interact with orders sent to the Exchange. This will allow the market participant sending an order to the Exchange to increase its chances of receiving an execution at the Exchange (the market participant's chosen venue) instead of having the order be routed to another exchange. This "step up" process allows market participants to account for factors beyond just disseminated prices,

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[10] Chapter 5, Section E incorporates Cboe Options Rules regarding the Options Order Protection and Locked/Crossed Market Plan (the "Linkage Plan"), including the order protection requirements set forth in Cboe Options Rule 5.66.

such as execution costs, system reliability, and quality of service, when determining the exchange to which to route an order. A market participant that prefers the Exchange due to some combination of these other factors will know that, even if the Exchange is not displaying a price that is the NBBO, the market participant may still receive an execution at the Exchange because another User may "step up" to match the NBBO. Further, SUM and the "step up" process enable Users to add liquidity that is available to interact with orders sent to the Exchange. Indeed, when a User on the Exchange "steps up" to match the NBBO that is displayed on another exchange, more contracts may be executed at this NBBO price on the Exchange than are available at that same price on the other exchange.

In connection with the proposed SUM functionality, the Exchange proposes to amend Rule 5.21(b)(2) to indicate that a description of how SUM will operate during a limit up-limit down state is described in proposed Rule 5.35. Additionally, the Exchange proposes to amend Rule 5.25(c) (Auction Response Processing) to add a reference to SUM. Currently, Rule 5.25(c) provides that at the conclusion of an auction response or exposure period, the System will continue to process any messages in its inbound queue that were received by the System before the end of the auction response or exposure period for up to an Exchange-determined period of time on a class-by-class basis, not to exceed 100 milliseconds, which shall be announced with reasonable advance notice via Exchange Notice. The proposed amendment adds SUM to the list of auction mechanisms to which this provision applies, so that SUM exposure periods receive the same message processing treatment as COA response periods.[11]

The Exchange proposes to amend Rule 5.34(c)(4)(B)(i) (Risk Monitor Mechanism) to add a reference to SUM auctions. Currently, Rule 5.34(c)(4)(B)(i) allows a TPH to specify

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[11] This is similar to Cboe Options Rule 5.25(c).

whether volume or executions in COAs count toward the TPH's underlying, EFID, or EFID Group limit (on both an interval or absolute basis). The proposed amendment adds SUM auctions alongside COAs in this provision, so that TPHs have the same ability to manage their risk exposure from SUM executions as they do for COA executions.[12]

(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.[13] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[14] 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)[15] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change promotes just and equitable principles of trade by providing an additional mechanism for price improvement

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[12] This is similar to Cboe Options Rule 5.34(c)(4)(B)(i).

[13] 15 U.S.C. 78f(b).

[14] 15 U.S.C. 78f(b)(5).

[15] Id.

on qualifying orders. SUM gives market participants the opportunity to compete for order flow at improved prices, which benefits investors by increasing the potential for executions at the NBBO or better. Specifically, the SUM exposure period permits all Users to respond with improved pricing for orders that would otherwise be executed at the Exchange's BBO or routed to another exchange. By creating a competitive exposure period, SUM incentivizes liquidity providers on the Exchange to offer improved pricing to retain order flow, which benefits investors through better execution quality.

The Exchange further believes that SUM removes impediments to and perfects the mechanism of a free and open market and a national market system. SUM complements the national market system framework by providing an intermediate step between local execution and intermarket routing that may result in price improvement for the entering order. Rather than immediately routing an order to an away exchange when the Exchange's BBO is not the NBBO, SUM gives Users the opportunity to match or improve the NBBO, which may result in a better price for the entering order and promotes a more efficient allocation of liquidity across the national market system. As noted above, all executions resulting from SUM must comply with Chapter 5, Section E, which incorporates the intermarket linkage requirements applicable to the Exchange, including the Order Protection requirements set forth in Chapter 5, Section E of the Rulebook, and thus the Exchange believes the proposed rule change is consistent with the national market system's intermarket protections. Orders that are not filled through SUM are routed to away exchanges displaying better prices, consistent with the Exchange's routing obligations. Accordingly, SUM does not impose any burden on the ability of other exchanges to compete for order flow or execute orders at their displayed prices.

The Exchange also believes that SUM protects investors and the public interest because qualifying orders receive the benefit of a competitive exposure period before execution. The one-second maximum exposure period provides a meaningful but brief window for price improvement without unduly delaying execution. The proposed early termination conditions will cause the exposure period to conclude promptly when market conditions change, preventing stale exposures that could disadvantage the entering order. Additionally, the Exchange believes the restriction on initiating a SUM auction when the NBBO is crossed will protect investors from execution during periods of potential pricing uncertainty. SUM would provide eligible Users on the Exchange with the opportunity to improve their prices to match the NBBO to interact with orders sent to the Exchange. This will allow the market participant sending an order to the Exchange to increase its chances of receiving an execution at the Exchange (the market participant's chosen venue) instead of having the order be routed to another exchange. This "step up" process allows market participants to account for factors beyond just disseminated prices, such as execution costs, system reliability, and quality of service, when determining the exchange to which to route an order. A market participant that prefers the Exchange due to some combination of these other factors will know that, even if the Exchange is not displaying a price that is the NBBO, the market participant may still receive an execution at the Exchange because another User may "step up" to match the NBBO. Therefore, the fact that SUM allows a market participant who elects to send an order to the Exchange to have a greater likelihood of achieving execution at this chosen venue without the risk of paying a lower price removes an impediment to and perfects the mechanism for a free and open national market system. The proposed rule change also permits Users to opt out of the step-up process, providing market participants with further flexibility to control where their orders are executed. For Users that opt out of the proposed step-up process, the proposed rule change will have no impact on them, and their orders will continue to be handled in the same manner as they are today (i.e., they will route away to another exchange for execution pursuant to Rule 5.36, subject to User instructions). Further, SUM and the "step up" process would enable Users to add liquidity that is available to interact with orders sent to the Exchange. Indeed, when a User "steps up" to match the NBBO that is displayed on another exchange, more contracts may be executed at this NBBO price on the Exchange than are available at that same price on the other exchange. This increased liquidity would benefit all market participants on the Exchange, and thus would ultimately protect investors and the public interest.

The proposed rule change is substantively the same as the rules of other options markets.[16] Specifically, the proposed SUM auction is based on Cboe Options Rule 5.35. The only differences between the proposed rule change and the Cboe Options rule are: (1) the proposed rule change excludes language from proposed Rule 5.35 regarding all-or-none ("AON") orders, which are not available on the Exchange; and (2) the proposed rule change permits Users to opt out of SUM auctions, which while not in the Cboe Options rules, other auction processes permit Users to opt out of those processes.[17] The proposed opt out has no impact on how the proposed step-up process will function and merely means the proposed rule change will have no impact on the orders of Users that opt out of the functionality. The

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16 See, e.g., Cboe Options Rule 5.35; IEX Rule 22.270; and Cboe EDGX Rule 21.18.

17 See, e.g., Rule 5.33(b)(2) (permits Users to opt out of complex order auctions).

proposed rule change is also substantively the same as the rules of other options exchanges.[18] The Commission has always been clear that honoring better prices on other markets can be accomplished by matching those better prices. The proposed SUM auction would allow participants on the Exchange to do just that.[19]

Item 4. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

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 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. While the Exchange determines eligible order size, type, and Capacity on a class-by-class basis, this flexibility is consistent with the Exchange's existing authority under other rules and is exercised uniformly for all similarly situated participants. All Users, including Priority Customers, non-Market Maker non-Priority Customers, and Market-Makers, may submit responses to the exposure message during the exposure period. The proposed step-up process is also voluntary, and all Users will have the ability to opt out of the process. As a result, for Users that opt out of the proposed step-up process, the proposed rule change will have no impact on them, and their orders will continue to be handled in the same manner as they are today.

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18 <u>See, e.g.</u>, IEX Rule 22.270.

19 For example, in adopting the Order Protection Rule (Rule 611) under Regulation NMS in 2005, the Commission stated: "The Order Protection Rule generally requires that trading centers match the best quoted prices, cancel orders without an execution, or route orders to the trading centers quoting the best prices." <u>See</u> Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005), at 37525.

The Exchange does not believe 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 rule change is substantively the same as rules of other options exchanges.[20] The Exchange believes the proposed rule change will promote competition because the "step-up" feature of the proposed auction allows for execution at the NBBO or price improvement. When such price improvement is achieved via this "stepping up" to meet (or beat) the best quoted price at another exchange, market participants are able to receive the best quoted price while still achieving execution on the Exchange, the exchange to which they elected to send their orders.

The Exchange believes that the proposed rule change will relieve any burden on, or otherwise promote, competition. By offering SUM, the Exchange provides an additional tool for price improvement that is available to all market participants. SUM promotes competition among liquidity providers by creating a brief window in which they can compete to offer improved prices for qualifying orders. This competitive dynamic may benefit orders submitted to the Exchange and ultimately investors by increasing the likelihood of executions of these orders at the NBBO or better. Without SUM, orders on the Exchange that could receive price improvement may instead be routed to away exchanges without the benefit of a local exposure period, potentially reducing the competitive incentives for Exchange participants to provide improved pricing.

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.

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[20] See, e.g., Cboe Options Rule; IEX Rule 22.270; and Cboe EDGX Rule 21.18.

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[21] and Rule 19b-4(f)(6)[22] thereunder.

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

In particular, the proposed rule change is not controversial because it does not raise any novel regulatory issues not previously considered by the Commission. The proposed SUM auction is substantively identical to the rules of other options exchanges,[23] as described above (with relatively minor differences, which have no material impact on how the proposed step-up process will function).

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21 15 U.S.C. 78s(b)(3)(A).

22 17 CFR 240.19b-4(f)(6).

23 See, e.g., Cboe Options Rule 5.35; IEX Rule 22.270; and Cboe EDGX Rule 21.18.

The Exchange believes the proposed rule change will not significantly affect the protection of investors or the public interest because SUM will give market participants the opportunity to compete for order flow at improved prices, which benefits investors by increasing the potential for executions at the NBBO or better. Specifically, the SUM exposure period permits all Users to respond with improved pricing for orders that would otherwise be executed at the Exchange's BBO or routed to another exchange. By creating a competitive exposure period, SUM incentivizes liquidity providers on the Exchange to offer improved pricing to retain order flow, which benefits investors through potentially better execution quality. SUM complements the national market system framework by providing an intermediate step between local execution and intermarket routing that may result in price improvement for the entering order. Rather than immediately routing an order to an away exchange when the Exchange's BBO is not the NBBO, SUM gives Exchange participants the opportunity to match or improve the NBBO, which may result in a better price for the entering order and promotes a more efficient allocation of liquidity across the national market system.

SUM would provide Users on the Exchange with the opportunity to improve their prices to match the NBBO to interact with orders sent to the Exchange. This will allow the market participant sending an order to the Exchange to increase its chances of receiving an execution at the Exchange (the market participant's chosen venue) instead of having the order be routed to another exchange. This "step up" process allows market participants to account for factors beyond just disseminated prices, such as execution costs, system reliability, and quality of service, when determining the exchange to which to route an order. A market participant that prefers the Exchange due to some combination of these other factors will know that, even if the Exchange is not displaying a price that is the NBBO, the market participant may still receive an execution at the Exchange because another User may "step up" to match the NBBO. Therefore, the fact that SUM allows a market participant who elects to send an order to the Exchange to have a greater likelihood of achieving execution at this chosen venue without the risk of paying a lower price removes an impediment to and perfects the mechanism for a free and open national market system.

The proposed rule change also permits Users to opt out of the step-up process, providing market participants with further flexibility to control where their orders are executed. For Users that opt out of the proposed step-up process, the proposed rule change will have no impact on them, and their orders will continue to be handled in the same manner as they are today. Further, SUM and the "step up" process would enable Users to add liquidity that is available to interact with orders sent to the Exchange. Indeed, when a User "steps up" to match the NBBO that is displayed on another exchange, more contracts may be executed at this NBBO price on the Exchange than are available at that same price on the other exchange. This increased liquidity would benefit all market participants on the Exchange, and thus would ultimately protect investors and the public interest.

Moreover, the Exchange believes the proposed rule benefits investors by providing an additional mechanism for price improvement on qualifying orders. SUM gives market participants the opportunity to compete for order flow at improved prices, which benefits investors by increasing the potential for executions at the NBBO or better. Specifically, the SUM exposure period permits all Users to respond with improved pricing for orders that would otherwise be executed at the Exchange's BBO or routed to another exchange. By creating a competitive exposure period, SUM incentivizes liquidity providers on the Exchange to offer improved pricing to retain order flow, which benefits investors through better execution quality.

The Exchange believes the proposed rule change will not impose any significant burden on competition. While the Exchange determines eligible order size, type, and Capacity on a class-by-class basis, this flexibility is consistent with the Exchange's existing authority under other rules and is exercised uniformly for all similarly situated participants. All Users, including Priority Customers, non-Market Maker non-Priority Customers, and Market-Makers, may submit responses to the exposure message during the exposure period. The proposed step-up process is also voluntary, and all Users will have the ability to opt out of the process. As a result, for Users that opt out of the proposed step-up process, the proposed rule change will have no impact on them, and their orders will continue to be handled in the same manner as they are today. The Exchange believes that the proposed rule change will relieve any burden on, or otherwise promote, competition. By offering SUM, the Exchange provides an additional tool for price improvement that is available to all market participants. SUM promotes competition among liquidity providers by creating a brief window in which they can compete to offer improved prices for qualifying orders. This competitive dynamic may benefit orders submitted to the Exchange and ultimately investors by increasing the likelihood of executions of these orders at the NBBO or better. Without SUM, orders on the Exchange that could receive price improvement may instead be routed to away exchanges without the benefit of a local exposure period, potentially reducing the competitive incentives for Exchange participants to provide improved pricing.

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.

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. As noted above, the proposed rule change does not raise any novel regulatory issues, because it is substantially the same as the rules of other options exchanges,[24] which rules the Commission previously approved. The proposed rule change merely adds this same functionality to C2. The relatively minor differences between the proposed step up process and the step up processes of other exchanges have no material impact on how the proposed step-up process will function; further, other auction processes permit Users to opt out of those processes and thus this is not novel.[25] Further, the proposal related to Auction Response Processing and Risk Controls is substantively identical to Cboe Options Rules 5.25(c) and 5.34(c)(4)(B)(i), respectively. and is consistent with the protection of investors and the public interest.

[24] See, e.g., Cboe Options Rule 5.35; IEX Rule 22.270; and Cboe EDGX Rule 21.18.

[25] See, e.g., Rule 5.33(b)(2) (permits Users to opt out of complex order auctions).

Waiver of the operative delay will permit the Exchange to implement this functionality as soon as practical, which will permit investors to receive the benefits of the "step-up" feature, including potential price improvement. When such price improvement is achieved via this "stepping up" to meet (or beat) the best quoted price at another exchange, market participants may receive the best quoted price while still achieving execution on the Exchange, the exchange to which they elected to send their orders. Further, waiver of the operative is necessary and appropriate for competitive purposes given other exchanges currently offer substantially similar functionality.

(c) Not applicable.

(d) Not applicable.

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

The proposed rule change is based on the rules of Cboe Options, specifically Rules 5.21, 5.25(c), 5.34(c)(4)(B)(i), and 5.35. The only differences between the proposed rule change and the Cboe Options rules are: (1) the proposed rule change excludes language from proposed Rule 5.35 regarding all-or-none ("AON") orders, which are not available on the Exchange; and (2) the proposed rule change permits Users to opt out of SUM auctions, which while not in the Cboe Options rules, other auction processes permit Users to opt out of those processes.[26] This has no impact on how the proposed step-up process will function and merely means the proposed rule change will have no impact on the orders of Users that opt out of the functionality. The proposed rule change is also substantively the same as the rules of other options exchanges.[27]

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[26] <u>See, e.g.</u>, Rule 5.33(b)(2) (permits Users to opt out of complex order auctions).

[27] <u>See, e.g.</u>, IEX Rule 22.270.

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-C2-2026-024]

[Insert date]

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt a New Rule Governing the Operation of a Proposed Step Up Mechanism ("SUM") on the Exchange and to Make Conforming Changes in Other Rules

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 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[3] and Rule 19b-4(f)(6) thereunder.[4] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe C2 Exchange, Inc. (the "Exchange" or "C2") proposes to adopt a new rule governing the operation of a proposed Step Up Mechanism ("SUM") on the Exchange and to make conforming changes in other rules. The text of the proposed rule change is provided in Exhibit 5.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A)(iii).

4 17 CFR 240.19b-4(f)(6).

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/ctwo/), 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 adopt Rule 5.35 (Step Up Mechanism ("SUM")), which sets forth the operational framework for SUM, a feature within the System that would provide automated order handling in designated classes for qualifying orders that are not automatically executed by the System. The proposed functionality is substantively identical to the Step Up Mechanism of Cboe Exchange, Inc. ("Cboe Options").[5] The Exchange also proposes to make conforming amendments to Rules 5.21, 5.25,[6] and 5.34.

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5 See Cboe Options Rule 5.35; see also, e.g., Cboe EDGX Exchange, Inc. ("Cboe EDGX") Rule 21.18; and Investors Exchange ("IEX") Rule 22.270.

6 As part of the proposed changes, the Exchange proposes to correct a typographical error in Rule 5.25(c), namely to correct "subpargraph" to "subparagraph."

Proposed Rule 5.35(a) sets forth the eligibility requirements for SUM. Under the proposed rule, the Exchange will determine[7] eligible order size, eligible order type, eligible order Capacity (e.g., Priority Customer orders, non-Market Maker non-Priority Customer orders, and Market Maker orders), and classes in which SUM is activated. Bulk messages are not eligible for SUM, as bulk messages are intended to assist Market-Makers' facilitation of the provision of liquidity on the Exchange. SUM will automatically process upon receipt of: (1) an eligible order that is marketable against the Exchange's BBO[8] that is not the NBBO[9]; or (2) an eligible order that would improve the Exchange's BBO and that is marketable against the ABBO.[10] The proposed rule change also permits a User to opt out of this process.[11] The Exchange will not initiate the SUM process if the NBBO is crossed.

Proposed Rule 5.35(b) describes the order handling and response process during a SUM exposure period. Upon receipt of a SUM-eligible order, the System electronically exposes the order at the NBBO immediately upon receipt. The order is exposed for a period of time determined by the Exchange[12] on a class-by-class basis, which period of time may not exceed one second. During the exposure period, all Users may submit responses to the

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7 The Exchange announces to Trading Permit Holders all determinations it makes pursuant to the Rules via: specifications, Notices, or Regulatory Circulars with appropriate advanced notice, which will be posted on the Exchange's website, or as otherwise provided in the Rules; electronic message; or other communication method as provided in the Rules. See Rule 1.5(a).

8 "BBO" means the best bid or offer disseminated on the Exchange. See Rule 1.1.

9 "NBBO" means the national best bid or offer the Exchange calculates based on market information it receives from OPRA. See Rule 1.1.

10 "ABBO" means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (as defined in Section E of Chapter 5) and calculated by the Exchange based on market information the Exchange receives from OPRA. See Rule 1.1.

11 Users may opt out from SUM on an order-by-order basis or by applying a setting to an order entry port that would opt out all orders submitted by that User through that port.

12 See Rule 1.5(a).

exposure message. Responses must be limited to the size of the order being exposed; may be modified, cancelled, or replaced any time during the exposure period; and are cancelled back at the end of the exposure period if unexecuted.

Proposed Rule 5.35(c) describes how exposed orders are allocated following the exposure period.[13] Any responses priced at the prevailing NBBO or better will immediately trade against the order in time priority. If during the exposure period the Exchange receives an unrelated order (or quote) on the opposite side of the market from the exposed order that could trade against the exposed order at the prevailing NBBO price or better, then the orders will trade at the prevailing NBBO price. The exposure period will not terminate if a quantity remains on the exposed order after such trade. Responses that are not immediately executable based on the prevailing NBBO may become executable during the exposure period based on changes to the NBBO. In the event of a change to the NBBO and at the conclusion of the exposure period, the Exchange will evaluate remaining responses as well as the ABBO and execute any remaining portion of the exposed order to the fullest extent possible at the best price(s) by executing against responses and unrelated orders (pursuant to the allocation algorithm in effect for the class). Following the exposure period, the Exchange will route the remaining portion of the exposed order to other exchanges, unless otherwise instructed by the User. Any portion of a routed order that returns unfilled shall trade against the Exchange's best bid/offer unless another exchange is quoting at a better price, in which case new orders shall be generated and routed to trade against such better

[13] The Exchange intends to set the length of the exposure period to 10 milliseconds for all classes when it activates SUM on the Exchange.

prices. All executions on the Exchange pursuant to this paragraph will comply with Chapter 5, Section E.[14]

Proposed Rule 5.35(d) describes the circumstances under which the exposure period terminates prior to its expiration. In addition to the receipt of a response or unrelated order or quote to trade the entire exposed order at the NBBO or better, the exposure period also terminates prior to its expiration, and the System processes the exposed order in accordance with proposed paragraph (c), if during the exposure period (1) the NBBO updates such that the exposed order is no longer marketable against the prevailing NBBO; or (2) the Exchange is displaying an unrelated order on the same side of the market as the exposed order and such displayed order is subsequently locked or crossed by another options exchange.

The purpose of the proposed change is to provide all Users with the opportunity to improve their prices and "step up" to meet the NBBO in order to interact with orders sent to the Exchange. This will allow the market participant sending an order to the Exchange to increase its chances of receiving an execution at the Exchange (the market participant's chosen venue) instead of having the order be routed to another exchange. This "step up" process allows market participants to account for factors beyond just disseminated prices, such as execution costs, system reliability, and quality of service, when determining the exchange to which to route an order. A market participant that prefers the Exchange due to some combination of these other factors will know that, even if the Exchange is not displaying a price that is the NBBO, the market participant may still receive an execution at the Exchange

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[14] Chapter 5, Section E incorporates Cboe Options Rules regarding the Options Order Protection and Locked/Crossed Market Plan (the "Linkage Plan"), including the order protection requirements set forth in Cboe Options Rule 5.66.

because another User may “step up” to match the NBBO. Further, SUM and the “step up” process enable Users to add liquidity that is available to interact with orders sent to the Exchange. Indeed, when a User on the Exchange “steps up” to match the NBBO that is displayed on another exchange, more contracts may be executed at this NBBO price on the Exchange than are available at that same price on the other exchange.

In connection with the proposed SUM functionality, the Exchange proposes to amend Rule 5.21(b)(2) to indicate that a description of how SUM will operate during a limit up-limit down state is described in proposed Rule 5.35. Additionally, the Exchange proposes to amend Rule 5.25(c) (Auction Response Processing) to add a reference to SUM. Currently, Rule 5.25(c) provides that at the conclusion of an auction response or exposure period, the System will continue to process any messages in its inbound queue that were received by the System before the end of the auction response or exposure period for up to an Exchange-determined period of time on a class-by-class basis, not to exceed 100 milliseconds, which shall be announced with reasonable advance notice via Exchange Notice. The proposed amendment adds SUM to the list of auction mechanisms to which this provision applies, so that SUM exposure periods receive the same message processing treatment as COA response periods.[15]

The Exchange proposes to amend Rule 5.34(c)(4)(B)(i) (Risk Monitor Mechanism) to add a reference to SUM auctions. Currently, Rule 5.34(c)(4)(B)(i) allows a TPH to 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). The proposed amendment adds

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[15] This is similar to Cboe Options Rule 5.25(c).

SUM auctions alongside COAs in this provision, so that TPHs have the same ability to manage their risk exposure from SUM executions as they do for COA executions.[16]

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.[17] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[18] 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)[19] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change promotes just and equitable principles of trade by providing an additional mechanism for price improvement on qualifying orders. SUM gives market participants the opportunity to compete for order flow at improved prices, which benefits investors by increasing the potential for executions

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16 This is similar to Cboe Options Rule 5.34(c)(4)(B)(i).

17 15 U.S.C. 78f(b).

18 15 U.S.C. 78f(b)(5).

19 Id.

at the NBBO or better. Specifically, the SUM exposure period permits all Users to respond with improved pricing for orders that would otherwise be executed at the Exchange's BBO or routed to another exchange. By creating a competitive exposure period, SUM incentivizes liquidity providers on the Exchange to offer improved pricing to retain order flow, which benefits investors through better execution quality.

The Exchange further believes that SUM removes impediments to and perfects the mechanism of a free and open market and a national market system. SUM complements the national market system framework by providing an intermediate step between local execution and intermarket routing that may result in price improvement for the entering order. Rather than immediately routing an order to an away exchange when the Exchange's BBO is not the NBBO, SUM gives Users the opportunity to match or improve the NBBO, which may result in a better price for the entering order and promotes a more efficient allocation of liquidity across the national market system. As noted above, all executions resulting from SUM must comply with Chapter 5, Section E, which incorporates the intermarket linkage requirements applicable to the Exchange, including the Order Protection requirements set forth in Chapter 5, Section E of the Rulebook, and thus the Exchange believes the proposed rule change is consistent with the national market system's intermarket protections. Orders that are not filled through SUM are routed to away exchanges displaying better prices, consistent with the Exchange's routing obligations. Accordingly, SUM does not impose any burden on the ability of other exchanges to compete for order flow or execute orders at their displayed prices.

The Exchange also believes that SUM protects investors and the public interest because qualifying orders receive the benefit of a competitive exposure period before execution. The one-second maximum exposure period provides a meaningful but brief window for price improvement without unduly delaying execution. The proposed early termination conditions will cause the exposure period to conclude promptly when market conditions change, preventing stale exposures that could disadvantage the entering order. Additionally, the Exchange believes the restriction on initiating a SUM auction when the NBBO is crossed will protect investors from execution during periods of potential pricing uncertainty. SUM would provide eligible Users on the Exchange with the opportunity to improve their prices to match the NBBO to interact with orders sent to the Exchange. This will allow the market participant sending an order to the Exchange to increase its chances of receiving an execution at the Exchange (the market participant's chosen venue) instead of having the order be routed to another exchange. This "step up" process allows market participants to account for factors beyond just disseminated prices, such as execution costs, system reliability, and quality of service, when determining the exchange to which to route an order. A market participant that prefers the Exchange due to some combination of these other factors will know that, even if the Exchange is not displaying a price that is the NBBO, the market participant may still receive an execution at the Exchange because another User may "step up" to match the NBBO. Therefore, the fact that SUM allows a market participant who elects to send an order to the Exchange to have a greater likelihood of achieving execution at this chosen venue without the risk of paying a lower price removes an impediment to and perfects the mechanism for a free and open national market system. The proposed rule change also permits Users to opt out of the step-up process, providing market participants with further flexibility to control where their orders are executed. For Users that opt out of the proposed step-up process, the proposed rule change will have no impact on them, and their orders will continue to be handled in the same manner as they are today (i.e., they will route away to another exchange for execution pursuant to Rule 5.36, subject to User instructions). Further, SUM and the "step up" process would enable Users to add liquidity that is available to interact with orders sent to the Exchange. Indeed, when a User "steps up" to match the NBBO that is displayed on another exchange, more contracts may be executed at this NBBO price on the Exchange than are available at that same price on the other exchange. This increased liquidity would benefit all market participants on the Exchange, and thus would ultimately protect investors and the public interest.

The proposed rule change is substantively the same as the rules of other options markets.[20] Specifically, the proposed SUM auction is based on Cboe Options Rule 5.35. The only differences between the proposed rule change and the Cboe Options rule are: (1) the proposed rule change excludes language from proposed Rule 5.35 regarding all-or-none ("AON") orders, which are not available on the Exchange; and (2) the proposed rule change permits Users to opt out of SUM auctions, which while not in the Cboe Options rules, other auction processes permit Users to opt out of those processes.[21] The proposed opt out has no impact on how the proposed step-up process will function and merely means the proposed rule change will have no impact on the orders of Users that opt out of the functionality. The proposed rule change is also substantively the same as the rules of other options exchanges.[22] The Commission has always been clear that honoring better prices on other markets can be

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20 See, e.g., Cboe Options Rule 5.35; IEX Rule 22.270; and Cboe EDGX Rule 21.18.

21 See, e.g., Rule 5.33(b)(2) (permits Users to opt out of complex order auctions).

22 See, e.g., IEX Rule 22.270.

accomplished by matching those better prices. The proposed SUM auction would allow participants on the Exchange to do just that.[23]

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 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. While the Exchange determines eligible order size, type, and Capacity on a class-by-class basis, this flexibility is consistent with the Exchange's existing authority under other rules and is exercised uniformly for all similarly situated participants. All Users, including Priority Customers, non-Market Maker non-Priority Customers, and Market-Makers, may submit responses to the exposure message during the exposure period. The proposed step-up process is also voluntary, and all Users will have the ability to opt out of the process. As a result, for Users that opt out of the proposed step-up process, the proposed rule change will have no impact on them, and their orders will continue to be handled in the same manner as they are today.

The Exchange does not believe 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 rule change is substantively the same as rules of

[23] For example, in adopting the Order Protection Rule (Rule 611) under Regulation NMS in 2005, the Commission stated: "The Order Protection Rule generally requires that trading centers match the best quoted prices, cancel orders without an execution, or route orders to the trading centers quoting the best prices." See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005), at 37525.

other options exchanges.[24] The Exchange believes the proposed rule change will promote competition because the "step-up" feature of the proposed auction allows for execution at the NBBO or price improvement. When such price improvement is achieved via this "stepping up" to meet (or beat) the best quoted price at another exchange, market participants are able to receive the best quoted price while still achieving execution on the Exchange, the exchange to which they elected to send their orders.

The Exchange believes that the proposed rule change will relieve any burden on, or otherwise promote, competition. By offering SUM, the Exchange provides an additional tool for price improvement that is available to all market participants. SUM promotes competition among liquidity providers by creating a brief window in which they can compete to offer improved prices for qualifying orders. This competitive dynamic may benefit orders submitted to the Exchange and ultimately investors by increasing the likelihood of executions of these orders at the NBBO or better. Without SUM, orders on the Exchange that could receive price improvement may instead be routed to away exchanges without the benefit of a local exposure period, potentially reducing the competitive incentives for Exchange participants to provide improved pricing.

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;

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[24] See, e.g., Cboe Options Rule; IEX Rule 22.270; and Cboe EDGX Rule 21.18.

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[25] and Rule 19b-4(f)(6)[26] 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. <u>Solicitation of Comments</u>

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:

<u>Electronic Comments</u>:

- 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-C2-2026-024 on the subject line.

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[25] 15 U.S.C. 78s(b)(3)(A).

[26] 17 CFR 240.19b-4(f)(6).

Paper Comments:

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

All submissions should refer to file number SR-C2-2026-024. 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-C2-2026-024 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.[27]

Sherry R. Haywood,

Assistant Secretary.

Secretary

[27] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

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Rules of Cboe C2 Exchange, Inc.

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Rule 5.21. Equity Market Plan to Address Extraordinary Market Volatility

The Exchange will modify option order processing during a limit up-limit down state. For purposes of this rule, a "limit up-limit down state" means the period of time when the underlying security of an option enters a limit or straddle state as defined in the Regulation NMS Plan to Address Extraordinary Market Volatility (the "Limit Up-Limit Down Plan" or the "Plan").

(a) No change.

(b) *Order Handling.* The following order handling features will operate differently during a limit up-limit down state:

(1) No change.

(2) *Step Up Mechanism.* Refer to Rule 5.35 for a description of how SUM will operate during a limit up-limit down state.

(3) *Complex Order Request for Responses Auction.* Refer to Rule 5.33 for a description of how a COA will operate during a limit up-limit down state.

([3]4) *Canceling/Replacing Orders.* If a request to replace a limit order with a market order is received while the underlying security is in a limit up-limit down state, then the market order and the original limit order will be returned.

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Rule 5.25. Message Traffic Mitigation

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(c) *Auction Response Processing.* At the conclusion of an auction response or exposure period, the System will continue to process any messages in its inbound queue that were received by the System before the end of the auction response or exposure period, as identified by each message's timestamp, for up to an Exchange-determined period of time on a class-by-class basis, not to exceed 100 milliseconds which shall be announced with reasonable advance notice via Exchange Notice. An auction will execute once all messages, including auction responses, received before the end of the auction response or exposure period have been processed or the Exchange-determined time limit of up to 100 milliseconds has elapsed, whichever occurs first. This subparagraph applies to the

Exchange's auction mechanisms (i.e., Complex Order Auction ("COA") and Step Up Mechanism ("SUM")).

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

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(c) *All Orders*.

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

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

(i) specify whether volume or executions in COAs and SUM auctions 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).

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Rule 5.35. [RESERVED]Step Up Mechanism ("SUM")

This Rule governs the operation of the Step Up Mechanism ("SUM"). SUM is a feature within the System that provides automated order handling in designated classes for qualifying orders that are not automatically executed by the System.

(a) *SUM Eligibility*. The Exchange determines eligible order size, eligible order type, eligible order Capacity (e.g., Priority Customer orders, non-Market Maker non-Priority Customer orders, and Market Maker orders), and classes in which SUM is activated. Bulk messages are not eligible for SUM. The Exchange does not initiate the SUM process if the NBBO is crossed. SUM automatically processes upon receipt of:

(1) an eligible order that is marketable against the BBO that is not the NBBO (unless the User that submitted the order opts out of this process); or

(2) an eligible order that would improve the Exchange's BBO and that is marketable against the ABBO.

(b) *Order Handling and Responses*. Upon receipt of an order eligible for SUM pursuant to paragraph (a):

(1) the System electronically exposes the order at the NBBO immediately upon receipt. The order is exposed for a period of time determined by the Exchange on a class-by-class basis, which period of time may not exceed one second.

(2) All Users may submit responses to the exposure message.

(3) Responses (A) must be limited to the size of the order being exposed; (B) may be modified, cancelled or replaced any time during the exposure period; and (C) are cancelled back at the end of the exposure period if unexecuted.

(c) *Allocation of Exposed Orders*.

(1) Any responses priced at the prevailing NBBO or better will immediately trade against the order (in time priority).

(2) If during the exposure period the Exchange receives an unrelated order (or quote) on the opposite side of the market from the exposed order that could trade against the exposed order at the prevailing NBBO price or better, then the orders will trade at the prevailing NBBO price. The exposure period will not terminate if a quantity remains on the exposed order after such trade.

(3) Responses that are not immediately executable based on the prevailing NBBO may become executable during the exposure period based on changes to the NBBO. In the event of a change to the NBBO and at the conclusion of the exposure period, the Exchange will evaluate remaining responses as well as the ABBO and execute any remaining portion of the exposed order to the fullest extent possible at the best price(s) by executing against responses and unrelated orders (pursuant to the allocation algorithm in effect for the class).

(4) Following the exposure period, the Exchange will route the remaining portion of the exposed order to other exchanges, unless otherwise instructed by the User. Any portion of a routed order that returns unfilled shall trade against the Exchange's best bid/offer unless another exchange is quoting at a better price in which case new orders shall be generated and routed to trade against such better prices.

(5) All executions on the Exchange pursuant to this paragraph will comply with Chapter 5, Section E.

(d) *Early Termination of Exposure Period*. In addition to the receipt of a response, or unrelated order or quote to trade the entire exposed order at the NBBO or better, the exposure period also terminates prior to its expiration, and the System processes the exposed order in accordance with paragraph (c) above, if during the exposure period:

(1) the NBBO updates such that the exposed order is no longer marketable against the prevailing NBBO; or

(2) the Exchange is displaying an unrelated order on the same side of the market as the exposed order and such displayed order is subsequently locked or crossed by another options exchange.

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