

Required fields are shown with yellow backgrounds and asterisks.

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

File No. \* SR 2026 - \* 008

Amendment No. (req. for Amendments \*)

Filing by Cboe 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 adopt Rule 8.23.

### 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 Exchange, Inc. has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 01/20/2026

(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: 2026.01.20  
13:07:32 -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 \***

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Cboe-26-008 19b-4 (Disruptive Quotir

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 \***

Add Remove View

Cboe-26-008 Exhibit 1 (Disruptive Qu

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

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

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

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

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

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Exhibit Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

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

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Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

Add Remove View

Cboe-26-008 Exhibit 5 (Disruptive Qu

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 Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to adopt Rule 8.23. 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 Chief Regulatory Officer pursuant to delegated authority approved the proposed rule change on January 20, 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 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 adopt Rule 8.23, which would codify that disruptive order and quote entry and trading activity are prohibited by the Exchange’s Rules and the Securities Exchange Act of 1934, as amended (the “Act”), and the rules and regulations thereunder. As a national securities exchange registered pursuant to Section 6 of the Act, the Exchange is required to be organized and to have the capacity to enforce compliance by its members and persons associated with its members, with the Act, the rules and regulations thereunder, and the Exchange’s Rules.<sup>1</sup> Further, the Exchange’s Rules are required to be “designed to prevent

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<sup>1</sup> 15 U.S.C. 73f(b)(1).

fraudulent and manipulative acts and practices, to promote just and equitable principles of trade . . . and, in general, to protect investors and the public interest.”<sup>2</sup> In fulfilling these requirements, the Exchange has developed a comprehensive regulatory program that includes automated surveillance of trading activity. When the Exchange identifies or becomes aware of disruptive and potentially manipulative or improper order or quote entry or trading activity, the Exchange investigates the activity and may determine to commence a disciplinary action against the Trading Permit Holder(s) involved pursuant to Chapter XIII of the Rules.

Various Rules currently prohibit disruptive order and quote entry and trading activity, including:

- Rule 8.1, which prohibits TPHs from engaging in acts or practices inconsistent with just and equitable principles of trades;
- Rule 8.2, which prohibits TPHs from engaging in conduct in violation of the Act, the rules and regulations thereunder, and Exchange Rules;
- Rule 8.6, which prohibits TPHs from engaging in market manipulation, including effecting or inducing the purchase, sale, or exercise of any security for the purpose of creating or inducing a false, misleading, or artificial appearance of activity in such security or in the underlying security, or for the purpose of unduly or improperly influencing the market price of such security or of the underlying security or for the purpose of making a price that does not reflect the true state of the market in such security or in the underlying security;
- Rule 8.10, which prohibits TPHs from misusing material, nonpublic information;

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<sup>2</sup> 15 U.S.C. 78f(b)(5).

- 5.32 and 5.85, which include provisions regarding the priority of order and quote bids and offers of all TPHs; and
- 5.9, which imposes order exposure requirements on TPHs.

Further Section 9(a)(1) of the Act provides in relevant part that it shall be unlawful for any member of a national securities exchange, for the purpose of creating a false or misleading appearance of active trading in any security other than a government security, or a false or misleading appearance with respect to the market for any such security, (A) to effect any transaction in such security which involves no change in the beneficial ownership thereof, or (B) to enter an order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties, or (C) to enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.<sup>3</sup> Finally, among other things, the activity could also result in a violation of Rule 10b-5 under the Act (which prohibits any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security).<sup>4</sup>

Ultimately, TPHs (on their own behalf or on behalf of customers) should be submitting all orders and quotes at any time for the purpose of executing bona fide transactions or in good faith for legitimate purposes. The Exchange has identified various activities that

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<sup>3</sup> 15 U.S.C. 78i(a)(1).

<sup>4</sup> 17 CFR 240.10b-5.

may comprise disruptive order and quote entry or trading activity in violation of its Rules. As order or quote entry or trading activity not done for the purpose of executing bona fide transactions or is done for illegitimate purposes, and thus prohibited by the Act or Exchange Rules (as set forth above), can take many forms, the Exchange has issued guidance through Regulatory Circulars to identify examples of when such behavior is disruptive and thus prohibited by the Act or Exchange Rules (as set forth above).<sup>5</sup> While it is the case that various Rules and the Act currently prohibit disruptive order and quote entry and trading activity, and other manipulative trading activity, the Exchange proposes to define more specifically and to codify in its Rules what constitutes prohibited activity.<sup>6</sup> The Exchange believes it would be beneficial to describe and specify in the Rules what constitutes prohibited order and quote entry and trading activity to provide TPHs with additional context for situations in which the Exchange may take disciplinary action against them for certain activity as being for illegitimate and non-bona fide purposes. The Exchange believes this may help TPHs avoid in engaging in such activities or allowing their clients to engage in such activities, which may thus reduce manipulative and disruptive activity on the Exchange.

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<sup>5</sup> See, e.g., Cboe Regulatory Circular 22-014 (September 26, 2022), available at [RC22-014 Prearranged Trading and Signaling of Imminent Orders \(cboe.com\)](#); and Cboe Regulatory Circular 22-008 (March 18, 2022), available at [RC22-008 Quote and Order Messaging - Prohibited Activity \(cboe.com\)](#). Other exchanges have similarly issued notices to their members to specify certain behavior that is deemed to be considered violations of those exchanges' rules that (like Exchange Rule 8.1) prohibit acts or practices inconsistent with just and equitable principles of trading. See, e.g., MIAX Options Exchange Regulatory Circular 2022-09, MIAX Pearl Options Exchange Regulatory Circular 2022-09, MIAX Emerald Options Exchange Regulatory Circular 2022-09, available at [MIAX\\_Options\\_RC\\_2022\\_09.pdf \(miaxglobal.com\)](#); and BOX Exchange Regulatory Circular RC-2022-004 (March 10, 2022), available at [RC-2022-04-Invalid-and-Incomplete-Message-Transmissions.pdf \(boxoptions.com\)](#).

<sup>6</sup> The Exchange notes this list is not exhaustive, as activity not specified may still be deemed disruptive and thus prohibited by the Act or Exchange Rules, including those set forth above.

Specifically, proposed Rule 8.23(a) states that TPHs, on their own behalf or on behalf of customers, must submit all orders and quotes at any time for the purpose of executing bona fide transactions or in good faith for legitimate purposes. Non-bona fide or nonlegitimate purposes include, but are not limited to:

- (1) entering an order or quote with the intent, at the time of entry, to cancel the order or quote before execution or to modify the order or quote to avoid execution;
- (2) entering or causing to be entered an actionable or nonactionable message(s) with intent to mislead other market participants;
- (3) entering into a transaction or series of transactions, coupled with an agreement, arrangement, or understanding, directly or indirectly to reverse such transaction(s), which is not done for a legitimate economic purpose or is done without subjecting the transaction to market risk;
- (4) entering orders or quotes to signal the arrival of an order or otherwise to coordinate order flow with another market participant;
- (5) entering or using IOC orders or quotes for purposes other than to remove resting interest in the Book or the excessive use of IOC orders or quotes;
- (6) entering or causing to be entered an actionable or nonactionable message(s) with intent to overload or delay the systems of the Exchange or other market participants, including dividing an order or quote into multiple messages;
- (7) intentionally or recklessly submitting or causing to be submitted an actionable or nonactionable message(s) that has the potential to disrupt the systems of the Exchange or other market participants;
- (8) entering or causing to be entered an actionable or nonactionable message(s) with intent to disrupt, or with reckless disregard for the adverse impact on, the orderly conduct of trading or the fair execution of transactions;
- (9) engaging in a pattern and practice of submitting nonactionable messages for the purpose of seeking to reduce latency;
- (10) submitting intentionally incomplete, corrupted, or malformed data; and
- (11) engaging in a pattern and practice of preventing any message from reaching an Exchange gateway application and being successfully processed.

The activity identified in proposed Rule 8.23(a) as illegitimate or for non-bona fide purposes is currently prohibited by Exchange Rules.<sup>7</sup> The Exchange believes proposed Rule 8.23(a) will provide TPHs with clear descriptions of examples of disruptive order and quoting entry and trading activity, which will help them avoid engaging in such activities or allowing their clients to engage in such activities. Proposed Rule 8.23(a) is not meant to define all permutations of prohibited disruptive quote and order entry and trading activity; however, the Exchange believes it is important to provide TPHs with specific details regarding prohibited behavior and that these examples are consistent with activity the Exchange has previously identified as being disruptive and violations of its Rules.<sup>8</sup>

Proposed Rule 8.23(b) describes various factors the Exchange may consider when assessing whether conduct constitutes disruptive or manipulative activity and thus violates proposed Rule 8.23, which factors include, but are not limited to:

- (1) whether the market participant's intent was to induce others to trade when they otherwise would not;
- (2) whether the market participant's intent was to affect a price rather than to change the market participant's position;
- (3) whether the market participant's intent was to create misleading market conditions;
- (4) the size, number, frequency, and duration of exposure of the market participant's actionable or nonactionable messages, as applicable;
- (5) the market participant's current and historical order and quote entry and trading activity on the Exchange and in related markets;

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<sup>7</sup> See, e.g., Rules 8.1 and 8.6.

<sup>8</sup> See, e.g., Cboe Regulatory Circular 22-014 (September 26, 2022), available at [RC22-014 Prearranged Trading and Signaling of Imminent Orders \(cboe.com\)](#); and Cboe Regulatory Circular 22-008 (March 18, 2022), available at [RC22-008 Quote and Order Messaging - Prohibited Activity \(cboe.com\)](#).



- (6) the impact on other market participants, including others' orders and quotes, and market prices;
- (7) the impact on Exchange systems including the certification environment;
- (8) whether a market participant enters or cancels orders or quotes during the Queuing Period or Opening Rotation (each as described in Rule 5.31(a)), or complex orders or quotes prior to or during the Complex Order Book ("COB") Opening Process (as described in Rule 5.33(c)), for the purpose of either manipulating the expected opening price or attempting to identify the order depth in the Book or COB, as applicable, at different price levels;
- (9) general market conditions; and
- (10) industry standards and best practices, including those related to automated trading systems.

The Exchange believes these factors are consistent with the prohibited activity described in proposed paragraph (a) that, when considered in context, supports whether there was requisite intent for the market participant's conduct, for example, to induce another market participant to engage in market activity. For example, the volume and frequency of a specific activity and the resulting impact on Exchange systems can support a finding of intent to impact latency. However, high market volatility may cause market participants to modify their behavior for legitimate purposes.<sup>9</sup>

Proposed Rule 8.23(c) provides that, absent other factors or circumstances, the following activities do not constitute a violation of Rule 8.23:

- (1) modification or cancellation of an order or quote initially entered with the intent to execute a bona fide transaction in response to market changes;
- (2) unintentional or accidental submission of an order or quote;
- (3) making a two-sided market with unequal quantities;

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<sup>9</sup> This does not mean that all activity during periods of high market volatility is legitimate; rather, the Exchange, when reviewing a market participant's activity, will consider whether volatility may have caused the market participant to engage in such activity to address those market conditions rather than to engage in disruptive activity.

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

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

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

Just as the Exchange believes it is beneficial to identify as many types of specific activity that are prohibited by the Rules, the Exchange believes it is equally beneficial to identify for TPHs as many types of activity that do not on their face (absent other factors or circumstances) constitute illegitimate or non bona fide quoting or trading activity. The Exchange views the activities described in proposed paragraph (c) as ones that are for legitimate purposes. For example, there are many circumstances in which it is a bona fide activity to modify or cancel an order, including to respond to changes in the market or increased volatility. Additionally, while the Exchange believes market participants take steps to minimize erroneous submission of orders, the Exchange understands such errors (including those caused by system disruptions) occur and do not believe bona fide erroneous activity rises to the level of illegitimate actors. Further, the Exchange provides a testing environment in the System so TPHs, for example, can verify a connection to the System before entering into the production (i.e., live) environment. The Exchange notes the activities listed in proposed paragraph (c), combined with other facts and circumstances, may rise to the level of prohibited activity under proposed paragraph (a); however, on their face, the activities listed in proposed paragraph (c) are not prohibited by the proposed rule. The Exchange believes this may eliminate potential confusion regarding whether certain activity is permissible under Exchange Rules.

Finally, the Exchange proposes to adopt the following interpretations and policies to proposed Rule 8.23 to provide TPHs with additional information to assist them when determining whether certain activity is disruptive and thus prohibited by Rule 8.23.

Specifically:

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

.02 For purposes of this Rule, actionable messages are messages that can be accepted by the Exchange or another party or lead to the execution of a trade or cancellation of an order or quote, including order messages and bulk messages. Nonactionable messages are those messages submitted to the Exchange that relate to a nonactionable event, including, but are not limited to: (a) heartbeat messages transmitted to the System; (b) the entry of orders, quotes, or other messages in test products other than solely for legitimate testing purposes; and (c) messages that are incomplete, partial, corrupt, or otherwise unable to be processed by the Exchange.

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

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

(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>10</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>11</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. The Exchange also believes the proposed rule change is consistent with the Section 6(b)(5)<sup>12</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. Further, the Exchange believes the proposed rule change is consistent with Section 6(b)(1) of the Act,<sup>13</sup> which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act. The Exchange’s Rules are required to be “designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade . . . and, in general, to protect investors and the public interest.”<sup>14</sup>

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

<sup>11</sup> 15 U.S.C. 78f(b)(5).

<sup>12</sup> Id.

<sup>13</sup> 15 U.S.C. 78f(b)(1).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

In particular, the Exchange believes the proposed rule change is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade, as it provides TPHs with additional guidance regarding what conduct constitutes specified prohibited fraudulent and manipulative acts and practices and activity that is inconsistent with just and equitable principles of trade. As noted above, various Rules and the Act currently prohibit disruptive order and quote entry and trading activity, manipulative trading activity, and conduct that is inconsistent with just and equitable principles of trade. While it is not possible to identify all behavior that is disruptive or manipulative, the Exchange believes it is beneficial to specify as much behavior as practicable that is disruptive or manipulative. The Exchange believes the proposed rule change provides TPHs with additional context for situations in which the Exchange may take disciplinary action against them for certain activity as being disruptive, and thus manipulative or unjust. The Exchange believes there is no legitimate purpose for the prohibited activities set forth in proposed paragraph (a), as they generally intend to manipulate market prices, evade exposure and on-Exchange competition, or disrupt the Exchange System. Such activity is disruptive to the market and other investors and may result in market manipulation to the detriment of the market and investors, which activity the Exchange Act requires our rules to be designed to prevent.<sup>15</sup>

The Exchange's determination whether certain activity is disruptive or manipulative is generally based on facts and circumstances. Therefore, the Exchange believes setting forth not only what constitutes prohibited activity but also factors the Exchange considers when determining whether activity is prohibited will ultimately benefit

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

investors by providing them with further clarity regarding activity that is and is not permissible. The Exchange believes this may help TPHs avoid engaging in such activities or allowing their clients to engage in such activities, which may thus reduce manipulative and disruptive activity on the Exchange and ultimately protect investors and the public interest. Similarly, the Exchange believes including examples of activity that (in the absence of other facts and circumstances) is not prohibited under proposed Rule 8.23 will similarly provide further clarity to investors regarding what activity they may and may not engage in on the Exchange.

The Exchange also believes the proposed rule change is consistent with Section 9(a)(1) of the Act, which provides in relevant part that it shall be unlawful for any member of a national securities exchange, for the purpose of creating a false or misleading appearance of active trading in any security other than a government security, or a false or misleading appearance with respect to the market for any such security, (A) to effect any transaction in such security which involves no change in the beneficial ownership thereof, or (B) to enter an order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties, or (C) to enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.<sup>16</sup> Finally, among other things, the activity could also result in a violation of Rule 10b-5 under the Act (which

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<sup>16</sup> 15 U.S.C. 78i(a)(1).

prohibits any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security).<sup>17</sup> The Exchange believes the proposed prohibited activity and factors the Exchange may consider when determining whether certain conduct constitutes such prohibited activity is consistent with these requirements under the Act. For example, identifying activity set forth in proposed subparagraphs (a)(3) and (4) (as well as the factor listed in proposed subparagraph (b)(6)) may support an Exchange finding that a market participant's entry of an order to purchase an option with the knowledge that another order selling that option will be entered by or for the same or different parties, as prohibited by Section 9(a)(1) under the Act. Additionally, the existence of activities as set forth in proposed subparagraphs (a)(2), (7), and (8) (coupled with factors listed in proposed subparagraphs (b)(1) through (3)) may support an Exchange finding that a market participant's activity was intended to deceive other market participants, as prohibited by Rule 10b-5 under the Act.

If the Exchange believes a TPH has violated proposed Rule 8.23, such alleged violation will be pursued in accordance with the Exchange's disciplinary process as set forth in Chapter XIII of the Rules (as required by Section 6(b)(1) of the Act, which requires the Exchange to be organized and have the capacity to enforce compliance by the Exchange's TPHs and persons associated with its TPHs with the Act, the rules and regulations thereunder, and the rules of the Exchange, and Section 6(b)(7) of the Act, which requires that the rules of an exchange "provide a fair procedure for the disciplining of members and persons associated

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<sup>17</sup>

17 CFR 240.10b-5.

with persons... and the prohibition or limitation by the exchange of any person with respect to access to services offered by the exchange or a member thereof”).<sup>18</sup>

**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 it will apply in the same manner to all TPHs. 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 prohibition of disruptive quoting and order entry and trading activity will benefit the market as whole. As noted above, the Exchange and other exchanges have issued guidance that specifies certain behavior that is deemed to be considered violations of those exchanges’ rules that (like Exchange Rule 8.1) prohibit acts or practices inconsistent with just and equitable principles of trading.<sup>19</sup>

**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 written comments on the proposed rule change.

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<sup>18</sup> 15 U.S.C. 78f(b)(1) and (7).

<sup>19</sup> See, e.g., Cboe Regulatory Circular 22-014 (September 26, 2022), available at [RC22-014 Prearranged Trading and Signaling of Imminent Orders \(cboe.com\)](#); and Cboe Regulatory Circular 22-008 (March 18, 2022), available at [RC22-008 Quote and Order Messaging - Prohibited Activity \(cboe.com\)](#); see also, e.g., MIAX Options Exchange Regulatory Circular 2022-09, MIAX Pearl Options Exchange Regulatory Circular 2022-09, MIAX Emerald Options Exchange Regulatory Circular 2022-09, available at [MIAX Options RC 2022 09.pdf \(miaxglobal.com\)](#); and BOX Exchange Regulatory Circular RC-2022-004 (March 10, 2022), available at [RC-2022-04-Invalid-and-Incomplete-Message-Transmissions.pdf \(boxoptions.com\)](#).



**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>20</sup> and Rule 19b-4(f)(6)<sup>21</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 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 it provides TPHs with additional guidance regarding what conduct constitutes specified prohibited fraudulent and manipulative acts and practices and activity that is inconsistent with just and equitable principles of trade. While it is not possible to identify all behavior that is disruptive or manipulative, the Exchange believes it is beneficial to specify as much behavior as practicable that is

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<sup>20</sup>        15 U.S.C. 78s(b)(3)(A).

<sup>21</sup>        17 CFR 240.19b-4(f)(6).

disruptive or manipulative. The Exchange believes the proposed rule change provides TPHs with additional context for situations in which the Exchange may take disciplinary action against them for certain activity as being disruptive, and thus manipulative or unjust. The Exchange believes this may help TPHs avoid engaging in such activities or allowing their clients to engage in such activities, which may thus reduce manipulative and disruptive activity on the Exchange and ultimately protect investors and the public interest.

The Exchange believes the proposed rule change will not impose any significant burden on competition. The proposed rule change will apply in the same manner to all TPHs and will benefit the market as whole. The proposed rule change is not intended for competitive purposes. To the contrary, the Exchange believes it, as a self-regulatory organization, is empowered to regulate trading occurring on its market without regard to competitive issues. As noted above, the Exchange and other exchanges have issued guidance that specifies certain behavior that is deemed to be considered violations of those exchanges' rules that (like Exchange Rule 8.1) prohibit acts or practices inconsistent with just and equitable principles of trading.<sup>22</sup>

The proposed rule change is not novel or unique. Various Rules and the Act currently prohibit disruptive order and quote entry and trading activity, manipulative trading activity, and conduct that is inconsistent with just and equitable principles of trade. Therefore, the Exchange already has authority to prohibit and take action against activity

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<sup>22</sup> See, e.g., Cboe Regulatory Circular 22-014 (September 26, 2022), available at [RC22-014 Prearranged Trading and Signaling of Imminent Orders \(cboe.com\)](#); and Cboe Regulatory Circular 25-013 (November 5, 2025), available at [RC25-013 Prohibited Messaging Activity](#); see also, e.g., MIAX Options Exchange Regulatory Circular 2022-09, MIAX Pearl Options Exchange Regulatory Circular 2022-09, MIAX Emerald Options Exchange Regulatory Circular 2022-09, available at [MIAX\\_Options\\_RC\\_2022\\_09.pdf \(miaxglobal.com\)](#); and BOX Exchange Regulatory Circular RC-2022-004 (March 10, 2022), available at [RC-2022-04-Invalid-and-Incomplete-Message-Transmissions.pdf \(boxoptions.com\)](#).

that is manipulative or inconsistent with just and equitable principles of trading, including the disruptive order entry and quoting and trading activity enumerated under proposed Rule 8.23.<sup>23</sup> The Exchange believes that the proposed descriptions of disruptive quoting and trading activity articulated in proposed Rule 8.23 are consistent with the activities that have been previously identified and described to TPHs.<sup>24</sup> The proposed rule change merely codifies this prohibited activity (and expands on examples of prohibited activity) in the Rules to provide TPHs with further guidance regarding which conduct is prohibited and factors the Exchange may consider when determining whether certain conduct is prohibited. Therefore, the proposed rule change is not prohibiting any behavior that is not currently prohibited but instead is adding to the Rules detail regarding what constitutes prohibited disruptive, illegitimate activity.

Despite the specified conduct already being prohibited, the Exchange believes it is beneficial to TPHs to provide additional guidance and detail regarding prohibited disruptive practices. The proposed Rule is not meant to define all permutations of prohibited disruptive quoting and order entry and trading activity; however, the Exchange believes it is important to provide TPHs with specific details regarding prohibited behavior to the extent practicable. The proposed rule change is intended to make clear that the

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<sup>23</sup> See Rules 8.1, 8.2, 8.6, 8.10, 5.32, 5.85, and 5.9.

<sup>24</sup> See, e.g., Cboe Regulatory Circular 22-014 (September 26, 2022), available at [RC22-014 Prearranged Trading and Signaling of Imminent Orders \(cboe.com\)](#); and Cboe Regulatory Circular 25-013 (November 5, 2025), available at [RC25-013 Prohibited Messaging Activity](#). Additionally, other exchanges have issued notices to their members identifying similar behavior as being prohibited by their Rules. See, e.g., MIAX Options Exchange Regulatory Circular 2022-09, MIAX Pearl Options Exchange Regulatory Circular 2022-09, MIAX Emerald Options Exchange Regulatory Circular 2022-09, available at [MIAX\\_Options\\_RC\\_2022\\_09.pdf\(miaxglobal.com\)](#); and BOX Exchange Regulatory Circular RC-2022-004 (March 10, 2022), available at [RC-2022-04-Invalid-and-Incomplete-Message-Transmissions.pdf\(boxoptions.com\)](#); see also FINRA Rule 5210; Cboe BZX Exchange, Inc. Rule 12.15; and Cboe Futures Exchange, LLC Rule 620 and Policy and Procedure XVIII.

Exchange considers the specified activity to be disruptive and thus prohibited by Exchange Rules. This will provide TPHs with additional clarity and transparency regarding what constitutes illegitimate and non-bona fide order and quoting entry and trading activity, which will help them avoid engaging in such activities or allowing their clients to engage in such activities and ultimately benefit investors and the broader market. Additionally, any identified violations of proposed Rule 8.23 will be handled as they are today pursuant to the Exchange's disciplinary process as set forth in Chapter XIII of the Exchange's Rulebook.

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-CBOE-2026-008]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt Rule 8.23

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 Exchange, Inc. (the “Exchange” or “Cboe Options”) 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 Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to codify that certain disruptive order and quote entry and trading activity is prohibited by Exchange Rules as being inconsistent with just and equitable principles of trade. 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 adopt Rule 8.23, which would codify that disruptive order and quote entry and trading activity are prohibited by the Exchange’s Rules and the Securities Exchange Act of 1934, as amended (the “Act”), and the rules and regulations thereunder. As a national securities exchange registered pursuant to Section 6 of the Act, the Exchange is required to be organized and to have the capacity to enforce compliance by its members and persons associated with its members, with the Act, the rules and regulations thereunder, and the Exchange’s Rules.<sup>5</sup> Further, the Exchange’s Rules are required to be “designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of

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<sup>5</sup> 15 U.S.C. 73f(b)(1).

trade . . . and, in general, to protect investors and the public interest.”<sup>6</sup> In fulfilling these requirements, the Exchange has developed a comprehensive regulatory program that includes automated surveillance of trading activity. When the Exchange identifies or becomes aware of disruptive and potentially manipulative or improper order or quote entry or trading activity, the Exchange investigates the activity and may determine to commence a disciplinary action against the Trading Permit Holder(s) involved pursuant to Chapter XIII of the Rules.

Various Rules currently prohibit disruptive order and quote entry and trading activity, including:

- Rule 8.1, which prohibits TPHs from engaging in acts or practices inconsistent with just and equitable principles of trades;
- Rule 8.2, which prohibits TPHs from engaging in conduct in violation of the Act, the rules and regulations thereunder, and Exchange Rules;
- Rule 8.6, which prohibits TPHs from engaging in market manipulation, including effecting or inducing the purchase, sale, or exercise of any security for the purpose of creating or inducting a false, misleading, or artificial appearance of activity in such security or in the underlying security, or for the purpose of unduly or improperly influencing the market price of such security or of the underlying security or for the purpose of making a price that does not reflect the true state of the market in such security or in the underlying security;
- Rule 8.10, which prohibits TPHs from misusing material, nonpublic information;

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



- 5.32 and 5.85, which include provisions regarding the priority of order and quote bids and offers of all TPHs; and
- 5.9, which imposes order exposure requirements on TPHs.

Further Section 9(a)(1) of the Act provides in relevant part that it shall be unlawful for any member of a national securities exchange, for the purpose of creating a false or misleading appearance of active trading in any security other than a government security, or a false or misleading appearance with respect to the market for any such security, (A) to effect any transaction in such security which involves no change in the beneficial ownership thereof, or (B) to enter an order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties, or (C) to enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.<sup>7</sup> Finally, among other things, the activity could also result in a violation of Rule 10b-5 under the Act (which prohibits any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security).<sup>8</sup>

Ultimately, TPHs (on their own behalf or on behalf of customers) should be submitting all orders and quotes at any time for the purpose of executing bona fide transactions or in good faith for legitimate purposes. The Exchange has identified various activities that

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<sup>7</sup> 15 U.S.C. 78i(a)(1).

<sup>8</sup> 17 CFR 240.10b-5.

may comprise disruptive order and quote entry or trading activity in violation of its Rules. As order or quote entry or trading activity not done for the purpose of executing bona fide transactions or is done for illegitimate purposes, and thus prohibited by the Act or Exchange Rules (as set forth above), can take many forms, the Exchange has issued guidance through Regulatory Circulars to identify examples of when such behavior is disruptive and thus prohibited by the Act or Exchange Rules (as set forth above).<sup>9</sup> While it is the case that various Rules and the Act currently prohibit disruptive order and quote entry and trading activity, and other manipulative trading activity, the Exchange proposes to define more specifically and to codify in its Rules what constitutes prohibited activity.<sup>10</sup> The Exchange believes it would be beneficial to describe and specify in the Rules what constitutes prohibited order and quote entry and trading activity to provide TPHs with additional context for situations in which the Exchange may take disciplinary action against them for certain activity as being for illegitimate and non-bona fide purposes. The Exchange believes this may help TPHs avoid in engaging in such activities or allowing their clients to engage in such activities, which may thus reduce manipulative and disruptive activity on the Exchange.

Specifically, proposed Rule 8.23(a) states that TPHs, on their own behalf or on behalf of customers, must submit all orders and quotes at any time for the purpose of executing bona

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<sup>9</sup> See, e.g., Cboe Regulatory Circular 22-014 (September 26, 2022), available at [RC22-014 Prearranged Trading and Signaling of Imminent Orders \(cboe.com\)](#); and Cboe Regulatory Circular 22-008 (March 18, 2022), available at [RC22-008 Quote and Order Messaging - Prohibited Activity \(cboe.com\)](#). Other exchanges have similarly issued notices to their members to specify certain behavior that is deemed to be considered violations of those exchanges' rules that (like Exchange Rule 8.1) prohibit acts or practices inconsistent with just and equitable principles of trading. See, e.g., MIAX Options Exchange Regulatory Circular 2022-09, MIAX Pearl Options Exchange Regulatory Circular 2022-09, MIAX Emerald Options Exchange Regulatory Circular 2022-09, available at [MIAX\\_Options\\_RC\\_2022\\_09.pdf \(miaxglobal.com\)](#); and BOX Exchange Regulatory Circular RC-2022-004 (March 10, 2022), available at [RC-2022-04-Invalid-and-Incomplete-Message-Transmissions.pdf \(boxoptions.com\)](#).

<sup>10</sup> The Exchange notes this list is not exhaustive, as activity not specified may still be deemed disruptive and thus prohibited by the Act or Exchange Rules, including those set forth above.

fide transactions or in good faith for legitimate purposes. Non-bona fide or nonlegitimate purposes include, but are not limited to:

- (1) entering an order or quote with the intent, at the time of entry, to cancel the order or quote before execution or to modify the order or quote to avoid execution;
- (2) entering or causing to be entered an actionable or nonactionable message(s) with intent to mislead other market participants;
- (3) entering into a transaction or series of transactions, coupled with an agreement, arrangement, or understanding, directly or indirectly to reverse such transaction(s), which is not done for a legitimate economic purpose or is done without subjecting the transaction to market risk;
- (4) entering orders or quotes to signal the arrival of an order or otherwise to coordinate order flow with another market participant;
- (5) entering or using IOC orders or quotes for purposes other than to remove resting interest in the Book or the excessive use of IOC orders or quotes;
- (6) entering or causing to be entered an actionable or nonactionable message(s) with intent to overload or delay the systems of the Exchange or other market participants, including dividing an order or quote into multiple messages;
- (7) intentionally or recklessly submitting or causing to be submitted an actionable or nonactionable message(s) that has the potential to disrupt the systems of the Exchange or other market participants;
- (8) entering or causing to be entered an actionable or nonactionable message(s) with intent to disrupt, or with reckless disregard for the adverse impact on, the orderly conduct of trading or the fair execution of transactions;
- (9) engaging in a pattern and practice of submitting nonactionable messages for the purpose of seeking to reduce latency;
- (10) submitting intentionally incomplete, corrupted, or malformed data; and
- (11) engaging in a pattern and practice of preventing any message from reaching an Exchange gateway application and being successfully processed.

The activity identified in proposed Rule 8.23(a) as illegitimate or for non-bona fide purposes is currently prohibited by Exchange Rules.<sup>11</sup> The Exchange believes proposed Rule 8.23(a)

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<sup>11</sup> See, e.g., Rules 8.1 and 8.6.

will provide TPHs with clear descriptions of examples of disruptive order and quoting entry and trading activity, which will help them avoid engaging in such activities or allowing their clients to engage in such activities. Proposed Rule 8.23(a) is not meant to define all permutations of prohibited disruptive quote and order entry and trading activity; however, the Exchange believes it is important to provide TPHs with specific details regarding prohibited behavior and that these examples are consistent with activity the Exchange has previously identified as being disruptive and violations of its Rules.<sup>12</sup>

Proposed Rule 8.23(b) describes various factors the Exchange may consider when assessing whether conduct constitutes disruptive or manipulative activity and thus violates proposed Rule 8.23, which factors include, but are not limited to:

- (1) whether the market participant's intent was to induce others to trade when they otherwise would not;
- (2) whether the market participant's intent was to affect a price rather than to change the market participant's position;
- (3) whether the market participant's intent was to create misleading market conditions;
- (4) the size, number, frequency, and duration of exposure of the market participant's actionable or nonactionable messages, as applicable;
- (5) the market participant's current and historical order and quote entry and trading activity on the Exchange and in related markets;
- (6) the impact on other market participants, including others' orders and quotes, and market prices;
- (7) the impact on Exchange systems including the certification environment;
- (8) whether a market participant enters or cancels orders or quotes during the Queuing Period or Opening Rotation (each as described in Rule 5.31(a)), or complex orders or quotes prior to or during the Complex Order Book ("COB")

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<sup>12</sup> See, e.g., Cboe Regulatory Circular 22-014 (September 26, 2022), available at [RC22-014 Prearranged Trading and Signaling of Imminent Orders \(cboe.com\)](#); and Cboe Regulatory Circular 22-008 (March 18, 2022), available at [RC22-008 Quote and Order Messaging - Prohibited Activity \(cboe.com\)](#).

Opening Process (as described in Rule 5.33(c)), for the purpose of either manipulating the expected opening price or attempting to identify the order depth in the Book or COB, as applicable, at different price levels;

(9) general market conditions; and

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

The Exchange believes these factors are consistent with the prohibited activity described in proposed paragraph (a) that, when considered in context, supports whether there was requisite intent for the market participant's conduct, for example, to induce another market participant to engage in market activity. For example, the volume and frequency of a specific activity and the resulting impact on Exchange systems can support a finding of intent to impact latency. However, high market volatility may cause market participants to modify their behavior for legitimate purposes.<sup>13</sup>

Proposed Rule 8.23(c) provides that, absent other factors or circumstances, the following activities do not constitute a violation of Rule 8.23:

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

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

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

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

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

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This does not mean that all activity during periods of high market volatility is legitimate; rather, the Exchange, when reviewing a market participant's activity, will consider whether volatility may have caused the market participant to engage in such activity to address those market conditions rather than to engage in disruptive activity.

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

Just as the Exchange believes it is beneficial to identify as many types of specific activity that are prohibited by the Rules, the Exchange believes it is equally beneficial to identify for TPHs as many types of activity that do not on their face (absent other factors or circumstances) constitute illegitimate or non bona fide quoting or trading activity. The Exchange views the activities described in proposed paragraph (c) as ones that are for legitimate purposes. For example, there are many circumstances in which it is a bona fide activity to modify or cancel an order, including to respond to changes in the market or increased volatility. Additionally, while the Exchange believes market participants take steps to minimize erroneous submission of orders, the Exchange understands such errors (including those caused by system disruptions) occur and do not believe bona fide erroneous activity rises to the level of illegitimate actors. Further, the Exchange provides a testing environment in the System so TPHs, for example, can verify a connection to the System before entering into the production (i.e., live) environment. The Exchange notes the activities listed in proposed paragraph (c), combined with other facts and circumstances, may rise to the level of prohibited activity under proposed paragraph (a); however, on their face, the activities listed in proposed paragraph (c) are not prohibited by the proposed rule. The Exchange believes this may eliminate potential confusion regarding whether certain activity is permissible under Exchange Rules.

Finally, the Exchange proposes to adopt the following interpretations and policies to proposed Rule 8.23 to provide TPHs with additional information to assist them when determining whether certain activity is disruptive and thus prohibited by Rule 8.23. Specifically:

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

.02 For purposes of this Rule, actionable messages are messages that can be accepted by the Exchange or another party or lead to the execution of a trade or cancellation of an order or quote, including order messages and bulk messages. Nonactionable messages are those messages submitted to the Exchange that relate to a nonactionable event, including, but are not limited to: (a) heartbeat messages transmitted to the System; (b) the entry of orders, quotes, or other messages in test products other than solely for legitimate testing purposes; and (c) messages that are incomplete, partial, corrupt, or otherwise unable to be processed by the Exchange.

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

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

## 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>14</sup> Specifically,

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<sup>14</sup> 15 U.S.C. 78f(b).

the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>15</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. The Exchange also believes the proposed rule change is consistent with the Section 6(b)(5)<sup>16</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. Further, the Exchange believes the proposed rule change is consistent with Section 6(b)(1) of the Act,<sup>17</sup> which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act. The Exchange's Rules are required to be "designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade . . . and, in general, to protect investors and the public interest."<sup>18</sup>

In particular, the Exchange believes the proposed rule change is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade, as it provides TPHs with additional guidance regarding what conduct constitutes specified prohibited fraudulent and manipulative acts and practices and activity that is inconsistent with just and equitable principles of trade. As noted above, various Rules and

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

<sup>16</sup> Id.

<sup>17</sup> 15 U.S.C. 78f(b)(1).

<sup>18</sup> 15 U.S.C. 78f(b)(5).



the Act currently prohibit disruptive order and quote entry and trading activity, manipulative trading activity, and conduct that is inconsistent with just and equitable principles of trade. While it is not possible to identify all behavior that is disruptive or manipulative, the Exchange believes it is beneficial to specify as much behavior as practicable that is disruptive or manipulative. The Exchange believes the proposed rule change provides TPHs with additional context for situations in which the Exchange may take disciplinary action against them for certain activity as being disruptive, and thus manipulative or unjust. The Exchange believes there is no legitimate purpose for the prohibited activities set forth in proposed paragraph (a), as they generally intend to manipulate market prices, evade exposure and on-Exchange competition, or disrupt the Exchange System. Such activity is disruptive to the market and other investors and may result in market manipulation to the detriment of the market and investors, which activity the Exchange Act requires our rules to be designed to prevent.<sup>19</sup>

The Exchange's determination whether certain activity is disruptive or manipulative is generally based on facts and circumstances. Therefore, the Exchange believes setting forth not only what constitutes prohibited activity but also factors the Exchange considers when determining whether activity is prohibited will ultimately benefit investors by providing them with further clarity regarding activity that is and is not permissible. The Exchange believes this may help TPHs avoid engaging in such activities or allowing their clients to engage in such activities, which may thus reduce manipulative and disruptive activity on the Exchange and ultimately protect investors and the public interest. Similarly, the Exchange believes including examples of activity that (in the

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<sup>19</sup>

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

absence of other facts and circumstances) is not prohibited under proposed Rule 8.23 will similarly provide further clarity to investors regarding what activity they may and may not engage in on the Exchange.

The Exchange also believes the proposed rule change is consistent with Section 9(a)(1) of the Act, which provides in relevant part that it shall be unlawful for any member of a national securities exchange, for the purpose of creating a false or misleading appearance of active trading in any security other than a government security, or a false or misleading appearance with respect to the market for any such security, (A) to effect any transaction in such security which involves no change in the beneficial ownership thereof, or (B) to enter an order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties, or (C) to enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.<sup>20</sup> Finally, among other things, the activity could also result in a violation of Rule 10b-5 under the Act (which prohibits any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security).<sup>21</sup> The Exchange believes the proposed prohibited activity and factors the Exchange may consider when determining whether certain conduct constitutes such prohibited activity is consistent

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<sup>20</sup> 15 U.S.C. 78i(a)(1).

<sup>21</sup> 17 CFR 240.10b-5.

with these requirements under the Act. For example, identifying activity set forth in proposed subparagraphs (a)(3) and (4) (as well as the factor listed in proposed subparagraph (b)(6)) may support an Exchange finding that a market participant's entry of an order to purchase an option with the knowledge that another order selling that option will be entered by or for the same or different parties, as prohibited by Section 9(a)(1) under the Act. Additionally, the existence of activities as set forth in proposed subparagraphs (a)(2), (7), and (8) (coupled with factors listed in proposed subparagraphs (b)(1) through (3)) may support an Exchange finding that a market participant's activity was intended to deceive other market participants, as prohibited by Rule 10b-5 under the Act.

If the Exchange believes a TPH has violated proposed Rule 8.23, such alleged violation will be pursued in accordance with the Exchange's disciplinary process as set forth in Chapter XIII of the Rules (as required by Section 6(b)(1) of the Act, which requires the Exchange to be organized and have the capacity to enforce compliance by the Exchange's TPHs and persons associated with its TPHs with the Act, the rules and regulations thereunder, and the rules of the Exchange, and Section 6(b)(7) of the Act, which requires that the rules of an exchange "provide a fair procedure for the disciplining of members and persons associated with persons... and the prohibition or limitation by the exchange of any person with respect to access to services offered by the exchange or a member thereof").<sup>22</sup>

**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

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<sup>22</sup> 15 U.S.C. 78f(b)(1) and (7).

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 it will apply in the same manner to all TPHs. 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 prohibition of disruptive quoting and order entry and trading activity will benefit the market as whole. As noted above, the Exchange and other exchanges have issued guidance that specifies certain behavior that is deemed to be considered violations of those exchanges' rules that (like Exchange Rule 8.1) prohibit acts or practices inconsistent with just and equitable principles of trading.<sup>23</sup>

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 written 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

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<sup>23</sup> See, e.g., Cboe Regulatory Circular 22-014 (September 26, 2022), available at [RC22-014 Prearranged Trading and Signaling of Imminent Orders \(cboe.com\)](#); and Cboe Regulatory Circular 22-008 (March 18, 2022), available at [RC22-008 Quote and Order Messaging - Prohibited Activity \(cboe.com\)](#); see also, e.g., MIAX Options Exchange Regulatory Circular 2022-09, MIAX Pearl Options Exchange Regulatory Circular 2022-09, MIAX Emerald Options Exchange Regulatory Circular 2022-09, available at [MIAX Options RC 2022 09.pdf \(miaxglobal.com\)](#); and BOX Exchange Regulatory Circular RC-2022-004 (March 10, 2022), available at [RC-2022-04-Invalid-and-Incomplete-Message-Transmissions.pdf \(boxoptions.com\)](#).

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>24</sup> and Rule 19b-4(f)(6)<sup>25</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:

##### 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-CBOE-2026-008 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.

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<sup>24</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>25</sup> 17 CFR 240.19b-4(f)(6).

All submissions should refer to file number SR-CBOE-2026-008. 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-CBOE-2026-008 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>26</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

Secretary

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<sup>26</sup>

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

## EXHIBIT 5

(additions are underlined; deletions are [bracketed])

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**Rules of Cboe Exchange, Inc.**

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**Rule 8.23. Disruptive Practices**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(9) general market conditions; and

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

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

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

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

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



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

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

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

### Interpretations and Policies

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

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

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

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

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