

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 49

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

File No. * SR 2026 - * 038

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) *

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 amend its rule regarding Trading Permit Holders and associated persons of a Trading Permit Holder who are or become subject to a statutory disqualification.

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 * Allyson Last Name * Van Marter

Title * Counsel

E-mail * avanmarter@cboe.com

Telephone * (312) 786-7098 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 04/16/2026

(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: 2026.04.16 14:14:52 -05'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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26-038 (Cboe SD Filing) 19b4 (04.16.)

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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26-038 (Cboe SD Filing) Exhibit 1.doc

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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26-038 (Cboe SD Filing) Exhibit 5 (04.

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 amend its rule regarding Trading Permit Holders and associated persons of a Trading Permit Holder who are or become subject to a statutory disqualification. The text of the proposed rule change is provided in Exhibit 5.

Item 2. Procedures of the Self-Regulatory Organization

(a) The Exchange’s Chief Regulatory Officer (or designee) pursuant to delegated authority approved the proposed rule change on August 5, 2025.

(b) Please refer questions and comments on the proposed rule change to Patrick Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7467, or Allyson Van Marter, (312) 786-7098 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 is proposing to amend Exchange Rule 3.13, the Exchange’s eligibility proceedings section regarding statutory disqualifications, to conform (with certain exceptions) to rules of the Financial Industry Regulatory Authority, Inc. (“FINRA”)¹ and to industry standard rules.² The Exchange’s proposal also includes the proposed Statutory Disqualification Circular (“SD Circular”) that outlines the applicable eligibility procedures. The amended rules would incorporate by reference the procedures

¹ See Securities Exchange Act Release No. 59586 (March 17, 2009), 74 FR 12166 (March 23, 2009) (SR-FINRA-2008-045); Securities Exchange Act Release No. 59722 (April 7, 2009), (SR-FINRA-2009-022).

² See, e.g., NYSE Rules 9520-9550 or IEX Rule Series 9.520.

in the SD Circular. As further detailed in the SD Circular, the need for a Trading Permit Holder (“TPH”) to file an application with the Exchange for approval, notwithstanding the disqualification would depend on (i) the type of disqualification; (ii) the date of disqualification; and (iii) whether the firm or individual is seeking admission, readmission or continuation in the securities industry.

By way of background, Section 3(a)(39) of the Act defines the term “statutory disqualification” and the circumstances that can cause a person (either a Member, or a person associated with a Member) to be subject to a statutory disqualification.³ Absent relief, a statutory disqualification would preclude a TPH or person associated with a TPH from certain activities, including membership in a self-regulatory organization (“SRO”).

There is, however, a well-established process through which a TPH (or a person associated with a broker-dealer) may continue to operate in the securities industry (and either become a TPH of, or continue as a TPH of, one or more SROs) despite being subject to a statutory disqualification.⁴

In particular, SEC Rule 19h-1⁵ describes several ways an SRO may seek relief for a member (or prospective member) that is subject to a statutory disqualification, including whether an SRO must file a notice with the Commission in order to allow the disqualified firm to become or continue as a member with the SRO (a “19h-1 Notice”).

The existing Rule 3.13(b) and (c) provides that either (i) a TPH shall submit an application to the exchange within 10 days of becoming subject to a statutory

³ 15 USC 78c(a)(39).

⁴ See FINRA Regulatory Notice 09-19 (“Amendments to FINRA Rule 9520 Series to Establish Procedures Applicable to Firms and Associated Persons Subject to Certain Statutory Disqualifications”).

⁵ 17 CFR 240.19h-1.

disqualification or, (ii) alternatively, if the Exchange becomes aware that a TPH or associated person of a TPH is subject to a statutory disqualification, then, in either event, the Exchange shall then appoint a panel of three TPHs to conduct a hearing concerning the matter. The existing Rule 3.13(d), (e), (f), (g), and (h) provisions specify the procedural elements of the hearing itself and the process for a final decision.

Currently, FINRA processes statutory disqualification applications on behalf of the Exchange.⁶ Notably, having different rules has led to outcomes where FINRA is not required to process an application and/or an applicable 19h-1 Notice under its rules, but the Exchange (or FINRA acting on the Exchange's behalf) is required under its existing Rule 3.13. As such, the Exchange proposes to, in large part, conform to FINRA Rule Series 9520 Eligibility Proceedings in order to prevent different outcomes when FINRA is reviewing potential statutory disqualifications on behalf of the Exchange. The Exchange also notes that its existing Rule 3.13 is an outlier when compared to industry standards, as other exchanges have adopted rules similar to FINRA's. This may lead to inconsistent results when a firm is a member of multiple exchanges and/or FINRA.⁷

To aid in further conformity between the Exchange and FINRA, the Exchange further proposes that it shall also rely on the no-action letter issued to FINRA in 2009 that provides interpretive guidance regarding (i) the effect of certain time-limited bars or license revocations, (ii) the effect of bars by State securities commissions that are based solely upon a disciplinary action taken by an SRO, (iii) the notice requirements for willful violations of the Municipal Securities Rulemaking Board and aiding and abetting

⁶ FINRA processes these applications on behalf of the Exchange pursuant to a Regulatory Services Agreement ("RSA") between the Exchange and FINRA.

⁷ See, e.g., NYSE Rule 9520, IEX Rule 9.520 and Nasdaq Rule 9520.

violations, and (iv) enforcement action to the Commission under Exchange Action 15A(g)(2) or Rule 19h-1(a) if an SRO does not file a notice with the Commission for any person subject to a statutory disqualification under Section 3(a)(39) that an SRO is proposing to admit or continue in membership or association with a member under specific circumstances.⁸ Due to FINRA's No-Action Letter, there have been instances where review of the same circumstances had resulted in different outcomes regarding when a notice is required pursuant to Rule 19h-1.⁹ Specifically, the No-Action Letter makes clear certain instances where they will grant no-action relief if FINRA does not file a 19h-1 Notice with the Commission. For example, the Commission explicitly grants no-action relief if FINRA does not file a 19h-1 Notice if the subject person is subject to a statutory disqualification solely due to a finding of a willful violation of the CEA or the rules or regulations thereunder, provided that the sanctions are no longer in effect. The FINRA No-Action Letter ultimately requires fewer 19h-1 Notices to be filed.

The Exchanges notes that other exchanges, such as The Nasdaq Stock Market LLC ("Nasdaq"), Investors Exchange (IEX) and New York Stock Exchange ("NYSE"), have already adopted similar changes to more materially align their rules with FINRA's.

⁸ See Financial Industry Regulatory Authority, Inc., SEC No-Action Letter, 2009 SEC No-Act. (March 17, 2009) ("FINRA No-Action Letter").

⁹ For example, the FINRA No-Action Letter grants FINRA relief from notice requirements regarding a member's continued association with a disqualified person when the statutory disqualification is based on willful violations of the CEA. Because of the relief granted by the No Action Letter and pursuant to Regulatory Notice 09-19, FINRA would not require a member to file an application. However, the Exchange's current Rule 3.13 does not offer relief from application requirements for the firm to continue its association with an associated person, notwithstanding their disqualification. Relief is also not provided under the Exchange Act Rule 19h-1(a)(3)(iii), since the disqualifying event is a finding by the CFTC of a willful violation of the CEA and not a finding by the SEC or SRO of a willful violation of the Exchange Act, among others. As such, a notice pursuant to Rule 19h-1 for the Exchange is required, but is not required for FINRA.

Proposed Rule 3.13 would govern eligibility proceedings for persons subject to statutory disqualifications. Proposed Rule 3.13(a) would add certain definitions relating to eligibility proceedings that are not currently part of the Exchange's rules, including "Application," "disqualified TPH," "disqualified person," "sponsoring TPH," and "Exchange staff." The Exchange notes that this is substantially similar to FINRA's Rule 9521, with the following exceptions: (i) "member" has been replaced with "TPH;" (ii) references to FINRA By-Laws have been replaced with references to the Exchange Act and Exchange rules (where applicable); (iii) a new term of Exchange staff has been added to account for the relationship between the Exchange and FINRA, where the Exchange has a regulatory services agreement in place with FINRA and FINRA may act within the bounds of the agreed upon services; (iv) the definition of a disqualified TPH differs; and (v) proposed Rule 3.13(a)(1) does not include reference to FINRA By-Laws.

The Exchange proposes to define "disqualified TPH" as a TPH that is or becomes subject to a disqualification under Section 3(a)(39) of the Exchange Act. This differs from the definition in FINRA Rule 9521(b)(2), which includes various other industry participants in addition to existing members in the definition. The Exchange limited its definition to TPHs, as the Exchange has jurisdiction over TPHs.¹⁰

¹⁰ The Exchange notes the definition excludes TPH applicants (the Exchange understands FINRA's definition also does not apply to FINRA member applicants), because the Exchange would address a disqualification of a TPH applicant as part of the TPH application process, and the Exchange would not file a 19h-1 Notice with the Commission for a TPH applicant. The proposed rule language, like FINRA's, indicates the provisions that are applicable to a TPH applicant. If the Exchange approves the TPH application of an applicant that is or becomes subject to a disqualification, the firm would then be a TPH that could take advantage of the provisions of the proposed rule that apply to a disqualified TPH. The Exchange understands this is consistent with FINRA's process with respect to member applicants that are or become subject to a disqualification.

Further, while the Exchange differs from FINRA in that it does not include reference to FINRA By-Laws or Exchange Rules under proposed Rule 3.13(a)(1), the Exchange believes this language better suits the intended purpose of this section. Specifically, proposed Rule 3.13 specifies procedures to be followed in the event of a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act. FINRA's equivalent Rule 9521 states that the Rule 9520 Series sets forth procedures for a person to become or remain associated with a member, notwithstanding the existence of a statutory disqualification as defined in Article III, Section 4 of the FINRA By-Laws and for a current member or person associated with a member to obtain relief from the eligibility or qualification requirements of the FINRA By-Laws and FINRA rules. Such actions hereinafter are referred to as 'eligibility proceedings.' While the Exchange only references statutory disqualification events in its equivalent rule, for its purposes, it believes it is more fitting as different procedures would be followed in the event a TPH, or TPH applicant, is ineligible for other reasons.¹¹

Proposed Rule 3.13(b) is largely mirrored off of FINRA's Rule 9522; however, there were adjustments made to account for updating rule references, adjusting "member" to "TPH", and replacing the "National Adjudicatory Council" with the "Appeals Committee." First, the proposed Rules 3.13(b)(1)¹² and 3.13(b)(2) would govern the

¹¹ See, e.g., Rule 3.5(b) specifying a permitted timeline for a TPH to come into compliance with its requirements under Rule 3.5. The Exchange understands FINRA similarly follows procedures set forth in other applicable rules (such as FINRA Rule 9555) in the event a FINRA member or member applicant is ineligible for other reasons.

¹² The Exchange notes that for instances in which Exchange staff will not issue written notice to TPHs or applicants for membership with respect to disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act (when a TPH or application for membership under Exchange Rules is not required to file an application pursuant to the SD Regulatory Circular), information regarding

initiation of an eligibility proceeding by the Exchange and the obligation for a TPH to file an application to initiate an eligibility proceeding if it or a TPH's associated person¹³ has been subject to certain disqualifications.

Next, Rule 3.13(b)(3) sets out the process for a withdrawal of an application and Rule 3.13(b)(4) sets out prohibitions against ex parte communications when Exchange staff has initiated the eligibility proceedings. The Exchange notes that its rule text does differ from FINRA's; however, this is due to FINRA having a panel that reviews the matter prior to an appeal and thus, ex parte communication concerns arise before appeals. Under the Exchange's proposed rule, with Exchange staff making determinations, a firm will need to talk to the Exchange and FINRA while their application is pending. Thus, the Exchange proposes to note that the proposed ex parte communications provision shall become effective only when an appeal is initiated. Further, under the proposed Rule 3.13(b)(5), the Exchange could approve a written request for relief from the eligibility requirements under certain circumstances. Specifically, Rule 3.13(b)(5)(A) describes certain circumstances of which a matter may be approved by the Exchange staff without the filing of an application. This provision is the same as the corresponding provisions of FINRA, Nasdaq, and IEX, with one exception. Specifically, under proposed Rule 3.13(b)(5)(A)(iii), Exchange staff may approve a written request for relief without the filing of an application if a disqualified TPH or sponsoring TPH is a TPH or seeking to become a TPH is a member of both the

the disqualifying event and the resolution of any fines, sanctions, or undertakings related to the disqualification are recorded in WebCRD.

¹³ Under proposed Rule 3.13(b)(1)(C), if a TPH fails to file the application or, where appropriate, the written request for relief, within the 10-day period, the registration of the disqualified person shall be revoked and the sponsoring TPH must promptly terminate association with the disqualified person.

Exchange and another SRO and the other SRO intends to file a Notice under Exchange Act Rule 19h-1 approving the membership continuance of the disqualified TPH or, in the case of a sponsoring TPH, the proposed association or continued associated of the disqualified person and Exchange staff concurs with that determination. This proposed provision is the same as that of Nasdaq, FINRA, and IEX, except it applies to those seeking to become a TPH in addition to TPHs, while the corresponding rules of Nasdaq, FINRA, and IEX apply solely to members of those SROs. However, other organizations have acknowledged this gap in their rules, noting it would be their practice to apply this provision to prospective members as well as members. Therefore, despite the differences in the rule text of these other organizations, the Exchange believes the outcome under its proposed rule would be the same as both IEX and Nasdaq from a practical perspective.¹⁴

Proposed Rule 3.13(b)(5)(B) covers matters that may be approved by¹⁵ the Exchange staff after the filing of an application. Notably, under proposed Rule 3.13(b)(5)(B) the Exchange staff may approve an application with respect to disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Act or arising under Section 3(a)(39)(E) of the Act. Proposed Rule 3.13(b)(6) specifies the process for implementing an interim plan of heightened supervision during the application process for a disqualified person.

¹⁴ See, e.g., Securities Exchange Act Release No. 101799 (November 29, 2024), 89 FR 96698 (December 5, 2024) (SR-IEX-2024-26), where IEX states “In the course of reviewing this membership application, IEX identified that its rules do not specifically address this situation, which has not previously occurred with respect to IEX. Specifically, the Exchange believes that its rules regarding the process by which a prospective Member that is subject to a statutory disqualification can be approved for membership on IEX notwithstanding the statutory disqualification could be enhanced to provide additional clarity and more clearly align with the processes set forth in Rule 19h-1 for a membership applicant that is subject to a statutory disqualification.”

¹⁵ The Exchange notes that approval of such an application allows for a TPH’s continued participation on the Exchange.

Proposed Rules 3.13(b)(7) and 3.13(b)(8) cover the process for determining that an application is substantially incomplete and the consequences for not remedying an application in a timely manner.¹⁶ In the event an applicant fails to remedy an application under Rule 3.13(b)(8), Exchange staff will serve a written notice on the sponsoring TPH of its determination to reject the application and the sponsoring TPH must promptly terminate association with the disqualified person. Under FINRA's Rule 9522, there is reference to FINRA's application fee and that FINRA shall refund the application fee, less \$1,000 which shall be retained by FINRA as a processing fee. The Exchange notes, however, that the Exchange has its own application fee program reflected in its fee schedule that is distinct from FINRA's. As a result, the Exchange proposes to not include this in its proposed rule.

As further explained, proposed Rule 3.13(c) largely mirrors FINRA Rule 9523, with technical changes to account for different defined terms and functions across the SROs. This proposed rule would allow the Exchange staff (handled by FINRA) to recommend a supervisory plan to which the disqualified TPH, sponsoring TPH, and/or disqualified person, as the case may be, may consent and by doing so, waive the right to appeal if the plan is accepted and right to claim bias or prejudgment, or prohibited ex parte communications. If such a supervisory plan were rejected, proposed Rule 3.13(d) would allow a request for review by the applicant to the Appeals Committee and would provide

¹⁶ Proposed Rule 3.13(b)(7) applies to applications that are deemed substantially incomplete if they do not include information related to an interim plan of heightened supervision. Plans of heightened supervisions are issued solely for associated persons (and not TPHs), and thus this provision applies solely to associated persons.

that a filing of an application for review would not stay the effectiveness of final action by the Exchange unless the Commission otherwise ordered.

Proposed Rule 3.13(c) is covered under two parts: (i) to cover all disqualification except those arising solely from findings or orders specified in Section 15(b)(4)(D),(E), or (H) of the Exchange Act and (ii) to cover disqualifications that arise solely from findings or orders specified in Section 15(b)(4)(D), (E) or (H). The Exchange notes that the latter (proposed Rule 3.13(c)(2)) is intended to cover events where an application is required under the SD Circular, as under the proposed rule, events arising from findings or order specified in Section 15(b)(4)(D), (E) or (H) of the Exchange Act do not typically require an application unless otherwise specified in the SD Circular.

The text of the proposed rule change is similar to that in FINRA's counterpart rules, except for conforming and technical changes and except as follows. First, under proposed Rule 3.13(c), if the disqualified TPH, sponsoring TPH, and/or disqualified person executed a letter consenting to a supervisory plan, it would be submitted to the Exchange staff. Under FINRA's rule, the letter is submitted to FINRA Office of General Counsel, which submits it to the Chairman of the Statutory Disqualification Committee, acting on behalf of the NAC; the Chairman may accept or reject the plan or refer it to the NAC for action. The Exchange does not propose to utilize the NAC or the Statutory Disqualification Committee Chairman for this purpose. The Exchange believes that its staff can provide an appropriate review. The staff is performing this same function today when it reviews statutory disqualification decisions reached by FINRA subject to an RSA Agreement between the Exchange and FINRA. In addition, under FINRA's rule, the waiver of bias or prejudgment is with respect to the Department of Member Regulation, the FINRA General Counsel, the

NAC and any member thereof, while under proposed Rule 3.13(c), the waiver would be with respect to the Exchange staff, the Exchange, the Appeals Committee, or any member of the Appeals Committee.

Next, under proposed Rule 3.13(d), if the Exchange staff rejects the plan, the TPH or applicant may request a review by the Appeals Committee.¹⁷ This differs from FINRA's process, which provides for a hearing before the NAC and further consideration by the FINRA Board of Directors. Because the Exchange does not propose to utilize the NAC, the Exchange proposes instead that any appeal be heard by the Appeals Committee. FINRA Rule 9525 also allows for discretionary review by the FINRA Board and the Exchange does not propose to adopt a comparable rule. The Exchange believes that the Exchange staff's role in the process will provide sufficient oversight and independence.

The Exchange does not propose to adopt the text of FINRA Rule 9526, which provides for expedited proceedings by the FINRA Board of Governors in certain instances. The Exchange believes that its proposed rules for review can be carried out in a timely manner and would sufficiently protect investors. The Exchange historically has not provided an expedited statutory disqualification review.

Lastly, the Exchange also notes that it will adopt a definition of "associated person" in Rule 1.1, specifically as it pertains to statutory disqualifications. This rule will be similar to the definitions of associated persons implemented by other exchanges to specifically apply to the process of statutory disqualifications.¹⁸ Currently, the Exchange's rule for associated person includes entities, meaning that an entity that is under common control of

¹⁷ The Exchange's proposed Rule 3.13(d) closely aligns with NYSE Rule 9524 except for conforming and technical changes.

¹⁸ See IEX Rule 1.160(y)(2) and Nasdaq General 3, Rule 1002(b)(2).

a TPH is considered a person associated with the TPH. As the proposed rule requires TPHs to submit an application for continuance as a TH if any person associated with the TPH becomes subject to a statutory disqualification, the Exchange's current rules require TPHs to file applications for affiliates under common control that would be subject to a statutory disqualification under securities law. In contrast, FINRA does not define "Person Associated with a member" or "Associated Person of a Member" as including affiliates under common control of the FINRA member.¹⁹ Thus, a firm that is both an Exchange TPH and FINRA member, which has an affiliate under common control that would be subject to a statutory disqualification under securities laws, is required to file an application with the Exchange, but not with FINRA.

The Exchange proposes to adopt a similar definition to Nasdaq and IEX except that it shall (i) remove the reference to investment banking as that is not applicable for the Exchange's functions and (ii) remove subpoint (3) which specifies that for the purposes of another exchange rule of Nasdaq and IEX²⁰ (that is not the exchange's statutory disqualification rule), that it shall also include any other person listed in Schedule A of Form BD of a member. As the Exchange does not have this rule, the Exchange proposes not to include this subpoint (3) in its adopted definition of associated persons for the purpose of statutory disqualifications.

¹⁹ FINRA Regulation, Inc. By-laws, Article I, paragraph (ee) defines the terms "person associated with a member" or "associated person of a member" in relevant part as: "(2) a sole proprietor, partner, officer, director, or branch manager of a member, or other natural person occupying a similar status or performing similar functions, or a natural person engaged in the investment banking or securities business who is directly or indirectly controlling or controlled by a member, whether or not any such person is registered or exempt from registration with the Corporation under these By-Laws or the Rules of the Corporation; and (3) for purposes of Rule 8210, any other person listed in Schedule A of Form BD."

²⁰ See IEX Rule 8.210 and Nasdaq General 5, Rule 8210.

As noted above, other exchanges, such as Nasdaq, IEX and NYSE, have already adopted similar changes to more materially align its rules with FINRA's, and similar to the Exchange, have made some edits to align its proposed rules with existing exchange processes.²¹

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.²² Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²³ 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)²⁴ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers, because the rule applies uniformly to all TPHs and does not unfairly discriminate against any TPH or type of market participant. The Exchange also believes the proposed rule

²¹ See, e.g., Securities Exchange Act Release No. 61703 (March 12, 2010), 75 FR 13620 (March 22, 2010) (SR-NASDAQ-2010-023) and Securities Exchange Act Release No. 68678 (January 16, 2013), 78 FR 5213 (January 24, 2013) (SR-NYSE-2013-02).

²² 15 U.S.C. 78f(b).

²³ 15 U.S.C. 78f(b)(5).

²⁴ Id.

change is consistent with Section 6(b)(1) of the Act,²⁵ which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and 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.

In particular, the proposed rule change will better enable the Exchange to streamline the administration of its statutory disqualification program and better protect investors and the public interest, as it will eliminate the need for TPHs or associated persons of TPHs to submit Statutory Disqualification Applications for prior statutory qualifications that have been resolved. Similar to Nasdaq, IEX and NYSE, the Exchange proposes to harmonize its description of statutory disqualification to align its application of statutory disqualification to FINRA.²⁶ This proposal would avoid potentially different outcomes for members of both FINRA and the Exchange with respect to ineligibility for membership and association.

The proposed changes will provide greater harmonization between Exchange and FINRA rules of similar purpose, resulting in less burdensome and more efficient regulatory compliance for dual members. As previously noted, in many instances the proposed rule text is substantially similar to FINRA's current rule text, which already has been approved by the Commission, and in many other cases the differences between current FINRA rules and the proposed rules would be strictly technical in nature. Further, in other instances, such as the Exchange's proposed Rule 3.13(d), the Exchange's rule closely follows NYSE's Rule 9524.

²⁵ 15 U.S.C. 78f(b)(1).

²⁶ See supra note 7.

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 proposed rule change is not designed to address any competitive issues but rather is designed to provide greater harmonization between Exchange and FINRA rules of similar purpose for investigations and disciplinary matters, resulting in less burdensome and more efficient regulatory compliance for dual members and facilitating FINRA's performance of its regulatory functions under the RSA.

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

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

Item 6. Extension of Time Period for Commission Action

Not applicable.

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

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act²⁷ and Rule 19b-4(f)(6)²⁸ 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

²⁷ 15 U.S.C. 78s(b)(3)(A).

²⁸ 17 CFR 240.19b-4(f)(6).

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 does not believe this is a controversial rule, as the Exchange is simply looking to align its existing rules on statutory disqualification, with industry standards. As noted previously, the Exchange is seeking to adopt a process that would provide for consistent outcomes across exchanges and with FINRA so that the Exchange is not an outlier in processes.

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 modeled after FINRA Rules 9521, 9522, 9523 and 9527, IEX Rule Series 9.520, NYSE Rule Series 9520 and NYSE Information Memo 13-18.

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-2026-038]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend its Rule Regarding Trading Permit Holders and Associated Persons of a Trading Permit Holder who are or Become Subject to a Statutory Disqualification

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 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 Act³ and Rule 19b-4(f)(6) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to amend its rule regarding Trading Permit Holders and associated persons of a Trading Permit Holder who are or become subject to a statutory disqualification. The text of the proposed rule change is provided in Exhibit 5.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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/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 is proposing to amend Exchange Rule 3.13, the Exchange’s eligibility proceedings section regarding statutory disqualifications, to conform (with certain exceptions) to rules of the Financial Industry Regulatory Authority, Inc. (“FINRA”)⁵ and to industry standard rules.⁶ The Exchange’s proposal also includes the proposed Statutory Disqualification Circular (“SD Circular”) that outlines the applicable eligibility procedures. The amended rules would incorporate by reference the procedures in the SD Circular. As further detailed in the SD Circular, the need for a Trading Permit Holder (“TPH”) to file an application with the Exchange for approval, notwithstanding the

⁵ See Securities Exchange Act Release No. 59586 (March 17, 2009), 74 FR 12166 (March 23, 2009) (SR-FINRA-2008-045); Securities Exchange Act Release No. 59722 (April 7, 2009), (SR-FINRA-2009-022).

⁶ See, e.g., NYSE Rules 9520-9550 or IEX Rule Series 9.520.

disqualification would depend on (i) the type of disqualification; (ii) the date of disqualification; and (iii) whether the firm or individual is seeking admission, readmission or continuation in the securities industry.

By way of background, Section 3(a)(39) of the Act defines the term “statutory disqualification” and the circumstances that can cause a person (either a Member, or a person associated with a Member) to be subject to a statutory disqualification.⁷ Absent relief, a statutory disqualification would preclude a TPH or person associated with a TPH from certain activities, including membership in a self-regulatory organization (“SRO”).

There is, however, a well-established process through which a TPH (or a person associated with a broker-dealer) may continue to operate in the securities industry (and either become a TPH of, or continue as a TPH of, one or more SROs) despite being subject to a statutory disqualification.⁸

In particular, SEC Rule 19h-1⁹ describes several ways an SRO may seek relief for a member (or prospective member) that is subject to a statutory disqualification, including whether an SRO must file a notice with the Commission in order to allow the disqualified firm to become or continue as a member with the SRO (a “19h-1 Notice”).

The existing Rule 3.13(b) and (c) provides that either (i) a TPH shall submit an application to the exchange within 10 days of becoming subject to a statutory disqualification or, (ii) alternatively, if the Exchange becomes aware that a TPH or associated person of a TPH is subject to a statutory disqualification, then, in either event,

⁷ 15 USC 78c(a)(39).

⁸ See FINRA Regulatory Notice 09-19 (“Amendments to FINRA Rule 9520 Series to Establish Procedures Applicable to Firms and Associated Persons Subject to Certain Statutory Disqualifications”).

⁹ 17 CFR 240.19h-1.

the Exchange shall then appoint a panel of three TPHs to conduct a hearing concerning the matter. The existing Rule 3.13(d), (e), (f), (g), and (h) provisions specify the procedural elements of the hearing itself and the process for a final decision.

Currently, FINRA processes statutory disqualification applications on behalf of the Exchange.¹⁰ Notably, having different rules has led to outcomes where FINRA is not required to process an application and/or an applicable 19h-1 Notice under its rules, but the Exchange (or FINRA acting on the Exchange's behalf) is required under its existing Rule 3.13. As such, the Exchange proposes to, in large part, conform to FINRA Rule Series 9520 Eligibility Proceedings in order to prevent different outcomes when FINRA is reviewing potential statutory disqualifications on behalf of the Exchange. The Exchange also notes that its existing Rule 3.13 is an outlier when compared to industry standards, as other exchanges have adopted rules similar to FINRA's. This may lead to inconsistent results when a firm is a member of multiple exchanges and/or FINRA.¹¹

To aid in further conformity between the Exchange and FINRA, the Exchange further proposes that it shall also rely on the no-action letter issued to FINRA in 2009 that provides interpretive guidance regarding (i) the effect of certain time-limited bars or license revocations, (ii) the effect of bars by State securities commissions that are based solely upon a disciplinary action taken by an SRO, (iii) the notice requirements for willful violations of the Municipal Securities Rulemaking Board and aiding and abetting violations, and (iv) enforcement action to the Commission under Exchange Action 15A(g)(2) or Rule 19h-1(a) if an SRO does not file a notice with the Commission for any

¹⁰ FINRA processes these applications on behalf of the Exchange pursuant to a Regulatory Services Agreement ("RSA") between the Exchange and FINRA.

¹¹ See, e.g., NYSE Rule 9520, IEX Rule 9.520 and Nasdaq Rule 9520.

person subject to a statutory disqualification under Section 3(a)(39) that an SRO is proposing to admit or continue in membership or association with a member under specific circumstances.¹² Due to FINRA's No-Action Letter, there have been instances where review of the same circumstances had resulted in different outcomes regarding when a notice is required pursuant to Rule 19h-1.¹³ Specifically, the No-Action Letter makes clear certain instances where they will grant no-action relief if FINRA does not file a 19h-1 Notice with the Commission. For example, the Commission explicitly grants no-action relief if FINRA does not file a 19h-1 Notice if the subject person is subject to a statutory disqualification solely due to a finding of a willful violation of the CEA or the rules or regulations thereunder, provided that the sanctions are no longer in effect. The FINRA No-Action Letter ultimately requires fewer 19h-1 Notices to be filed.

The Exchanges notes that other exchanges, such as The Nasdaq Stock Market LLC ("Nasdaq"), Investors Exchange (IEX) and New York Stock Exchange ("NYSE"), have already adopted similar changes to more materially align their rules with FINRA's.

Proposed Rule 3.13 would govern eligibility proceedings for persons subject to statutory disqualifications. Proposed Rule 3.13(a) would add certain definitions relating to eligibility proceedings that are not currently part of the

¹² See Financial Industry Regulatory Authority, Inc., SEC No-Action Letter, 2009 SEC No-Act. (March 17, 2009) ("FINRA No-Action Letter").

¹³ For example, the FINRA No-Action Letter grants FINRA relief from notice requirements regarding a member's continued association with a disqualified person when the statutory disqualification is based on willful violations of the CEA. Because of the relief granted by the No Action Letter and pursuant to Regulatory Notice 09-19, FINRA would not require a member to file an application. However, the Exchange's current Rule 3.13 does not offer relief from application requirements for the firm to continue its association with an associated person, notwithstanding their disqualification. Relief is also not provided under the Exchange Act Rule 19h-1(a)(3)(iii), since the disqualifying event is a finding by the CFTC of a willful violation of the CEA and not a finding by the SEC or SRO of a willful violation of the Exchange Act, among others. As such, a notice pursuant to Rule 19h-1 for the Exchange is required, but is not required for FINRA.

Exchange's rules, including "Application," "disqualified TPH," "disqualified person," "sponsoring TPH," and "Exchange staff." The Exchange notes that this is substantially similar to FINRA's Rule 9521, with the following exceptions: (i) "member" has been replaced with "TPH;" (ii) references to FINRA By-Laws have been replaced with references to the Exchange Act and Exchange rules (where applicable); (iii) a new term of Exchange staff has been added to account for the relationship between the Exchange and FINRA, where the Exchange has a regulatory services agreement in place with FINRA and FINRA may act within the bounds of the agreed upon services; (iv) the definition of a disqualified TPH differs; and (v) proposed Rule 3.13(a)(1) does not include reference to FINRA By-Laws.

The Exchange proposes to define "disqualified TPH" as a TPH that is or becomes subject to a disqualification under Section 3(a)(39) of the Exchange Act. This differs from the definition in FINRA Rule 9521(b)(2), which includes various other industry participants in addition to existing members in the definition. The Exchange limited its definition to TPHs, as the Exchange has jurisdiction over TPHs.¹⁴

Further, while the Exchange differs from FINRA in that it does not include reference to FINRA By-Laws or Exchange Rules under proposed Rule 3.13(a)(1), the Exchange believes this language better suits the intended purpose of this section. Specifically, proposed Rule 3.13 specifies procedures to be followed in the event of a

¹⁴ The Exchange notes the definition excludes TPH applicants (the Exchange understands FINRA's definition also does not apply to FINRA member applicants), because the Exchange would address a disqualification of a TPH applicant as part of the TPH application process, and the Exchange would not file a 19h-1 Notice with the Commission for a TPH applicant. The proposed rule language, like FINRA's, indicates the provisions that are applicable to a TPH applicant. If the Exchange approves the TPH application of an applicant that is or becomes subject to a disqualification, the firm would then be a TPH that could take advantage of the provisions of the proposed rule that apply to a disqualified TPH. The Exchange understands this is consistent with FINRA's process with respect to member applicants that are or become subject to a disqualification.

statutory disqualification as defined in Section 3(a)(39) of the Exchange Act. FINRA's equivalent Rule 9521 states that the Rule 9520 Series sets forth procedures for a person to become or remain associated with a member, notwithstanding the existence of a statutory disqualification as defined in Article III, Section 4 of the FINRA By-Laws and for a current member or person associated with a member to obtain relief from the eligibility or qualification requirements of the FINRA By-Laws and FINRA rules. Such actions hereinafter are referred to as 'eligibility proceedings.' While the Exchange only references statutory disqualification events in its equivalent rule, for its purposes, it believes it is more fitting as different procedures would be followed in the event a TPH, or TPH applicant, is ineligible for other reasons.¹⁵

Proposed Rule 3.13(b) is largely mirrored off of FINRA's Rule 9522; however, there were adjustments made to account for updating rule references, adjusting "member" to "TPH", and replacing the "National Adjudicatory Council" with the "Appeals Committee." First, the proposed Rules 3.13(b)(1)¹⁶ and 3.13(b)(2) would govern the initiation of an eligibility proceeding by the Exchange and the obligation for a TPH to file an application to initiate an eligibility proceeding if it or a TPH's associated person¹⁷ has been subject to certain disqualifications.

¹⁵ See, e.g., Rule 3.5(b) specifying a permitted timeline for a TPH to come into compliance with its requirements under Rule 3.5. The Exchange understands FINRA similarly follows procedures set forth in other applicable rules (such as FINRA Rule 9555) in the event a FINRA member or member applicant is ineligible for other reasons.

¹⁶ The Exchange notes that for instances in which Exchange staff will not issue written notice to TPHs or applicants for membership with respect to disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act (when a TPH or application for membership under Exchange Rules is not required to file an application pursuant to the SD Regulatory Circular), information regarding the disqualifying event and the resolution of any fines, sanctions, or undertakings related to the disqualification are recorded in WebCRD.

¹⁷ Under proposed Rule 3.13(b)(1)(C), if a TPH fails to file the application or, where appropriate, the written request for relief, within the 10-day period, the registration of the disqualified person shall

Next, Rule 3.13(b)(3) sets out the process for a withdrawal of an application and Rule 3.13(b)(4) sets out prohibitions against ex parte communications when Exchange staff has initiated the eligibility proceedings. The Exchange notes that its rule text does differ from FINRA's; however, this is due to FINRA having a panel that reviews the matter prior to an appeal and thus, ex parte communication concerns arise before appeals. Under the Exchange's proposed rule, with Exchange staff making determinations, a firm will need to talk to the Exchange and FINRA while their application is pending. Thus, the Exchange proposes to note that the proposed ex parte communications provision shall become effective only when an appeal is initiated. Further, under the proposed Rule 3.13(b)(5), the Exchange could approve a written request for relief from the eligibility requirements under certain circumstances. Specifically, Rule 3.13(b)(5)(A) describes certain circumstances of which a matter may be approved by the Exchange staff without the filing of an application. This provision is the same as the corresponding provisions of FINRA, Nasdaq, and IEX, with one exception. Specifically, under proposed Rule 3.13(b)(5)(A)(iii), Exchange staff may approve a written request for relief without the filing of an application if a disqualified TPH or sponsoring TPH is a TPH or seeking to become a TPH is a member of both the Exchange and another SRO and the other SRO intends to file a Notice under Exchange Act Rule 19h-1 approving the membership continuance of the disqualified TPH or, in the case of a sponsoring TPH, the proposed association or continued association of the disqualified person and Exchange staff concurs with that determination. This proposed provision is the same as that of Nasdaq, FINRA, and IEX, except it applies to those seeking to become a

be revoked and the sponsoring TPH must promptly terminate association with the disqualified person.

TPH in addition to TPHs, while the corresponding rules of Nasdaq, FINRA, and IEX apply solely to members of those SROs. However, other organizations have acknowledged this gap in their rules, noting it would be their practice to apply this provision to prospective members as well as members. Therefore, despite the differences in the rule text of these other organizations, the Exchange believes the outcome under its proposed rule would be the same as both IEX and Nasdaq from a practical perspective.¹⁸

Proposed Rule 3.13(b)(5)(B) covers matters that may be approved by¹⁹ the Exchange staff after the filing of an application. Notably, under proposed Rule 3.13(b)(5)(B) the Exchange staff may approve an application with respect to disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Act or arising under Section 3(a)(39)(E) of the Act. Proposed Rule 3.13(b)(6) specifies the process for implementing an interim plan of heightened supervision during the application process for a disqualified person.

Proposed Rules 3.13(b)(7) and 3.13(b)(8) cover the process for determining that an application is substantially incomplete and the consequences for not remedying an application in a timely manner.²⁰ In the event an applicant fails to remedy an application

¹⁸ See, e.g., Securities Exchange Act Release No. 101799 (November 29, 2024), 89 FR 96698 (December 5, 2024) (SR-IEX-2024-26), where IEX states “In the course of reviewing this membership application, IEX identified that its rules do not specifically address this situation, which has not previously occurred with respect to IEX. Specifically, the Exchange believes that its rules regarding the process by which a prospective Member that is subject to a statutory disqualification can be approved for membership on IEX notwithstanding the statutory disqualification could be enhanced to provide additional clarity and more clearly align with the processes set forth in Rule 19h-1 for a membership applicant that is subject to a statutory disqualification.”

¹⁹ The Exchange notes that approval of such an application allows for a TPH’s continued participation on the Exchange.

²⁰ Proposed Rule 3.13(b)(7) applies to applications that are deemed substantially incomplete if they do not include information related to an interim plan of heightened supervision. Plans of heightened supervisions are issued solely for associated persons (and not TPHs), and thus this provision applies solely to associated persons.

under Rule 3.13(b)(8), Exchange staff will serve a written notice on the sponsoring TPH of its determination to reject the application and the sponsoring TPH must promptly terminate association with the disqualified person. Under FINRA's Rule 9522, there is reference to FINRA's application fee and that FINRA shall refund the application fee, less \$1,000 which shall be retained by FINRA as a processing fee. The Exchange notes, however, that the Exchange has its own application fee program reflected in its fee schedule that is distinct from FINRA's. As a result, the Exchange proposes to not include this in its proposed rule.

As further explained, proposed Rule 3.13(c) largely mirrors FINRA Rule 9523, with technical changes to account for different defined terms and functions across the SROs. This proposed rule would allow the Exchange staff (handled by FINRA) to recommend a supervisory plan to which the disqualified TPH, sponsoring TPH, and/or disqualified person, as the case may be, may consent and by doing so, waive the right to appeal if the plan is accepted and right to claim bias or prejudice, or prohibited ex parte communications. If such a supervisory plan were rejected, proposed Rule 3.13(d) would allow a request for review by the applicant to the Appeals Committee and would provide that a filing of an application for review would not stay the effectiveness of final action by the Exchange unless the Commission otherwise ordered.

Proposed Rule 3.13(c) is covered under two parts: (i) to cover all disqualification except those arising solely from findings or orders specified in Section 15(b)(4)(D),(E), or (H) of the Exchange Act and (ii) to cover disqualifications that arise solely from findings or orders specified in Section 15(b)(4)(D), (E) or (H). The Exchange notes that the latter (proposed Rule 3.13(c)(2)) is intended to cover events where an application is required

under the SD Circular, as under the proposed rule, events arising from findings or order specified in Section 15(b)(4)(D), (E) or (H) of the Exchange Act do not typically require an application unless otherwise specified in the SD Circular.

The text of the proposed rule change is similar to that in FINRA's counterpart rules, except for conforming and technical changes and except as follows. First, under proposed Rule 3.13(c), if the disqualified TPH, sponsoring TPH, and/or disqualified person executed a letter consenting to a supervisory plan, it would be submitted to the Exchange staff. Under FINRA's rule, the letter is submitted to FINRA Office of General Counsel, which submits it to the Chairman of the Statutory Disqualification Committee, acting on behalf of the NAC; the Chairman may accept or reject the plan or refer it to the NAC for action. The Exchange does not propose to utilize the NAC or the Statutory Disqualification Committee Chairman for this purpose. The Exchange believes that its staff can provide an appropriate review. The staff is performing this same function today when it reviews statutory disqualification decisions reached by FINRA subject to an RSA Agreement between the Exchange and FINRA. In addition, under FINRA's rule, the waiver of bias or prejudgment is with respect to the Department of Member Regulation, the FINRA General Counsel, the NAC and any member thereof, while under proposed Rule 3.13(c), the waiver would be with respect to the Exchange staff, the Exchange, the Appeals Committee, or any member of the Appeals Committee.

Next, under proposed Rule 3.13(d), if the Exchange staff rejects the plan, the TPH or applicant may request a review by the Appeals Committee.²¹ This differs from FINRA's

²¹ The Exchange's proposed Rule 3.13(d) closely aligns with NYSE Rule 9524 except for conforming and technical changes.

process, which provides for a hearing before the NAC and further consideration by the FINRA Board of Directors. Because the Exchange does not propose to utilize the NAC, the Exchange proposes instead that any appeal be heard by the Appeals Committee. FINRA Rule 9525 also allows for discretionary review by the FINRA Board and the Exchange does not propose to adopt a comparable rule. The Exchange believes that the Exchange staff's role in the process will provide sufficient oversight and independence.

The Exchange does not propose to adopt the text of FINRA Rule 9526, which provides for expedited proceedings by the FINRA Board of Governors in certain instances. The Exchange believes that its proposed rules for review can be carried out in a timely manner and would sufficiently protect investors. The Exchange historically has not provided an expedited statutory disqualification review.

Lastly, the Exchange also notes that it will adopt a definition of "associated person" in Rule 1.1, specifically as it pertains to statutory disqualifications. This rule will be similar to the definitions of associated persons implemented by other exchanges to specifically apply to the process of statutory disqualifications.²² Currently, the Exchange's rule for associated person includes entities, meaning that an entity that is under common control of a TPH is considered a person associated with the TPH. As the proposed rule requires TPHs to submit an application for continuance as a TH if any person associated with the TPH becomes subject to a statutory disqualification, the Exchange's current rules require TPHs to file applications for affiliates under common control that would be subject to a statutory disqualification under securities law. In contrast, FINRA does not define "Person Associated with a member" or "Associated Person of a Member" as including affiliates

²² See IEX Rule 1.160(y)(2) and Nasdaq General 3, Rule 1002(b)(2).

under common control of the FINRA member.²³ Thus, a firm that is both an Exchange TPH and FINRA member, which has an affiliate under common control that would be subject to a statutory disqualification under securities laws, is required to file an application with the Exchange, but not with FINRA.

The Exchange proposes to adopt a similar definition to Nasdaq and IEX except that it shall (i) remove the reference to investment banking as that is not applicable for the Exchange's functions and (ii) remove subpoint (3) which specifies that for the purposes of another exchange rule of Nasdaq and IEX²⁴ (that is not the exchange's statutory disqualification rule), that it shall also include any other person listed in Schedule A of Form BD of a member. As the Exchange does not have this rule, the Exchange proposes not to include this subpoint (3) in its adopted definition of associated persons for the purpose of statutory disqualifications.

As noted above, other exchanges, such as Nasdaq, IEX and NYSE, have already adopted similar changes to more materially align its rules with FINRA's, and similar to the Exchange, have made some edits to align its proposed rules with existing exchange processes.²⁵

²³ FINRA Regulation, Inc. By-laws, Article I, paragraph (ee) defines the terms "person associated with a member" or "associated person of a member" in relevant part as: "(2) a sole proprietor, partner, officer, director, or branch manager of a member, or other natural person occupying a similar status or performing similar functions, or a natural person engaged in the investment banking or securities business who is directly or indirectly controlling or controlled by a member, whether or not any such person is registered or exempt from registration with the Corporation under these By-Laws or the Rules of the Corporation; and (3) for purposes of Rule 8210, any other person listed in Schedule A of Form BD."

²⁴ See IEX Rule 8.210 and Nasdaq General 5, Rule 8210.

²⁵ See, e.g., Securities Exchange Act Release No. 61703 (March 12, 2010), 75 FR 13620 (March 22, 2010) (SR-NASDAQ-2010-023) and Securities Exchange Act Release No. 68678 (January 16, 2013), 78 FR 5213 (January 24, 2013) (SR-NYSE-2013-02).

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.²⁶ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²⁷ 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)²⁸ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers, because the rule applies uniformly to all TPHs and does not unfairly discriminate against any TPH or type of market participant. The Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act,²⁹ which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and 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.

²⁶ 15 U.S.C. 78f(b).

²⁷ 15 U.S.C. 78f(b)(5).

²⁸ Id.

²⁹ 15 U.S.C. 78f(b)(1).

In particular, the proposed rule change will better enable the Exchange to streamline the administration of its statutory disqualification program and better protect investors and the public interest, as it will eliminate the need for TPHs or associated persons of TPHs to submit Statutory Disqualification Applications for prior statutory qualifications that have been resolved. Similar to Nasdaq, IEX and NYSE, the Exchange proposes to harmonize its description of statutory disqualification to align its application of statutory disqualification to FINRA.³⁰ This proposal would avoid potentially different outcomes for members of both FINRA and the Exchange with respect to ineligibility for membership and association.

The proposed changes will provide greater harmonization between Exchange and FINRA rules of similar purpose, resulting in less burdensome and more efficient regulatory compliance for dual members. As previously noted, in many instances the proposed rule text is substantially similar to FINRA's current rule text, which already has been approved by the Commission, and in many other cases the differences between current FINRA rules and the proposed rules would be strictly technical in nature. Further, in other instances, such as the Exchange's proposed Rule 3.13(d), the Exchange's rule closely follows NYSE's Rule 9524.

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 proposed rule change is not designed to address any competitive issues but rather is designed to provide greater harmonization between Exchange and FINRA rules of similar purpose for investigations and disciplinary matters, resulting in less burdensome

³⁰ See supra note 11.

and more efficient regulatory compliance for dual members and facilitating FINRA's performance of its regulatory functions under the RSA.

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

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

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

Because the foregoing proposed rule change does not:

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

shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act³¹ and Rule 19b-4(f)(6)³² 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.

³¹ 15 U.S.C. 78s(b)(3)(A).

³² 17 CFR 240.19b-4(f)(6).

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-CBOE-2026-038 on the subject line.

Paper Comments:

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

All submissions should refer to file number SR-CBOE-2026-038. 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-2026-038 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.³³

Sherry R. Haywood,

Assistant Secretary.

Secretary

³³ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

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Rules of Cboe Exchange, Inc.

* * * * *

Rule 1.1. Definitions**Associated Person and Person Associated with a Trading Permit Holder**

The terms “associated person” and “person associated with a Trading Permit Holder” mean any partner, officer, director, or branch manager of a Trading Permit Holder (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with a Trading Permit Holder, or any employee of a Trading Permit Holder.

For purposes of “statutory disqualification” as such term is defined in Section 3(a)(39) of the Exchange Act, the terms “person associated with a TPH” and “associated person” shall mean (1) a natural person who is registered or has applied for registration under the Rules of the Exchange and (2) a sole proprietor, partner, officer, director, or branch manager of a TPH, or other natural person occupying a similar status or performing similar functions, or a natural person engaged in the securities business who is directly or indirectly controlling or controlled by a TPH, whether or not any such person is registered or exempt from registration with the Exchange under its Rules.

* * * * *

Rule 3.13. TPHs and Associated Persons Who Are or Become Subject to a Statutory Disqualification

[(a) The Exchange may determine in accordance with the provisions of this Rule not to permit a Trading Permit Holder or associated person of a Trading Permit Holder to continue being a Trading Permit Holder or associated with a Trading Permit Holder, or to condition such continuance as a Trading Permit Holder or associated person, if the Trading Permit Holder or associated person is or becomes subject to a statutory disqualification under the Exchange Act.

(b) If a Trading Permit Holder or associated person of a Trading Permit Holder who is or becomes subject to a statutory disqualification under the Exchange Act wants to continue being a Trading Permit Holder or associated with a Trading Permit Holder, the Trading Permit Holder or associated person must, within 10 days of becoming subject to a statutory disqualification, submit an application to the Exchange, in a form and manner prescribed by the Exchange, seeking to continue being a Trading Permit Holder or associated with a Trading Permit Holder notwithstanding the statutory disqualification. The application shall be accompanied by copies of all documents that are contained in the record of the underlying proceeding that triggered the statutory disqualification.

(c) Following the receipt of an application submitted pursuant to paragraph (b) of this Rule, or in the event the Exchange becomes aware that a Trading Permit Holder or associated person of a Trading Permit Holder is subject to a statutory disqualification and has failed to submit an application pursuant to paragraph (b) of this Rule within the required time period, the Exchange shall appoint a panel composed of three Trading Permit Holders to conduct a hearing concerning the matter pursuant to paragraph (f) of this Rule.

(d) Any person who is the subject of a proceeding under this Rule is entitled to be accompanied, represented, and advised by counsel at all stages of the proceeding.

(e) Any person who is the subject of a proceeding under this Rule and any Trading Permit Holder or associated person of a Trading Permit Holder shall promptly submit any information requested by the Exchange or hearing panel in connection with the proceeding.

(f) The hearing panel shall hold a hearing to determine whether to permit the Trading Permit Holder or associated person of a Trading Permit Holder who is the subject of a proceeding under this Rule to continue being a Trading Permit Holder or associated with a Trading Permit Holder, and if so, whether to condition such continuance as a Trading Permit Holder or associated person. The hearing shall be held 14 or more days following the receipt of an application, or the initiation of a proceeding, pursuant to paragraph (c) of this Rule. The Exchange shall notify the subject of the proceeding in writing of the date, time, and location of the hearing. Both the subject of the proceeding and Exchange staff will be afforded an opportunity to present relevant information, arguments, and witnesses during the hearing. The hearing panel shall regulate the conduct of the hearing, and formal rules of evidence shall not apply. The subject of the proceeding shall be required to attend the hearing, and the Exchange or hearing panel may require any Trading Permit Holder or associated person of a Trading Permit Holder to testify at the hearing. A verbatim record of the hearing shall be kept.

(g) Following the hearing, the hearing panel shall present its recommended decision to an Exchange designee, which may ratify or amend the decision. Failure to timely file an application pursuant to paragraph (b) of this Rule is a factor that may be taken into consideration in rendering the decision. The decision shall be in writing and set forth the basis for the decision. The decision shall be promptly provided to the subject of the proceeding under this Rule and to the Executive Committee. The Executive Committee may determine within 7 days after the issuance of the decision to order review of the decision. If the Executive Committee does not order review of the decision, the decision shall become the final decision of the Exchange.

(h) If the Executive Committee orders review of the decision, the review shall be conducted by the Executive Committee or a panel thereof composed of at least 3 members of the Executive Committee, whose decision must be ratified by the Executive Committee. Unless the Executive Committee shall decide to open the record for the introduction of additional information or argument, any determination to order review of the decision and any review of the decision shall be based solely on the record of the proceeding. The decision of the Executive Committee shall be in writing, shall be promptly provided to the subject of the proceeding, and shall be the final decision of the Exchange.

(i) No determination to discontinue or condition a person as a Trading Permit Holder or associated person pursuant to this Rule shall take effect until the review procedures under paragraph (h) of this Rule have been exhausted or the time for review has expired.

Interpretations and Policies

.01 The Exchange may waive the provisions of this Rule when a proceeding is pending before another self-regulatory organization to determine whether to permit a Trading Permit Holder or associated person of a Trading Permit Holder to continue being a Trading Permit Holder or associated with the Trading Permit Holder notwithstanding a statutory disqualification. In the event the Exchange determines to waive the provisions of this Rule with respect to a Trading Permit Holder or associated person, the Exchange shall determine whether the Exchange will concur in any Exchange Act Rule 19h-1 filing made by another self-regulatory organization with respect to the Trading Permit Holder or associated person.

.02 If an associated person of a Trading Permit Holder is or becomes subject to a statutory disqualification under the Exchange Act, the Trading Permit Holder shall immediately provide written notice to the Exchange of the name of the associated person, the person's capacity with the Trading Permit Holder, and the nature of the statutory disqualification.

.03 The Exchange may waive the hearing provisions of Rule 3.13 with respect to an associated person or Trading Permit Holder if the Exchange intends to grant the associated person's application for continued association or the Trading Permit Holder's application to continue as a Trading Permit Holder and either:

(a) Exchange Act Rule 19h-1(a)(2) or Exchange Act Rule 19h-1(a)(3) does not require the Exchange to make a notice filing with the Commission to permit the associated person to continue in association with a Trading Permit Holder or to permit the Trading Permit Holder to continue as a Trading Permit Holder; or

(b) the Exchange determines that it is otherwise appropriate to waive the hearing provisions of Rule 3.13 under the circumstances.]

(a) Purpose and Definitions

(1) Purpose

Rule 3.13 sets forth procedures for a person to become or remain associated with a TPH, notwithstanding the existence of a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act. Such actions hereinafter are referred to as "eligibility proceedings."

(2) Definitions

A. The term "Application" means in a form and manner set forth by the Exchange, which may include FINRA's Form MC-400 for individuals or

Form MC-400A for TPHs and TPH applicants, filed with the Exchange or designee, which may include FINRA.

- B. The term "disqualified TPH" means a TPH that is or becomes subject to a disqualification under Section 3(a)(39) of the Exchange Act.
- C. The term "disqualified person" means an associated person of a TPH or person seeking to become an associated person of a TPH who is or becomes subject to a disqualification under Section 3(a)(39).
- D. The term "Exchange staff" in this Rule means Exchange employees and, as applicable, may also include employees of FINRA who are providing regulatory services to the Exchange in accordance with the regulatory services agreement.
- E. The term "sponsoring TPH" means the TPH or TPH applicant that is sponsoring the association or continued association of a disqualified person to be admitted, readmitted, or permitted to continue in association.

(b) Initiation of Eligibility Proceeding

(1) Initiation by the Exchange

A. Issuance of Notice of Disqualification or Ineligibility

If Exchange staff has reason to believe that a disqualification under Section 3(a)(39) of the Exchange Act exists or that a TPH or person associated with a TPH otherwise fails to meet the eligibility requirements of the Exchange, Exchange staff shall issue a written notice to the TPH or applicant for membership under Exchange rules. The notice shall specify the grounds for such disqualification or ineligibility. Exchange staff shall not issue such written notice to TPHs or applicants for membership under Exchange rules with respect to disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act, unless the TPH or applicant for membership under Exchange rules is required to file an application pursuant to a Regulatory Circular to be issued by the Exchange (the "SD Regulatory Circular").

B. Notice Regarding a TPH

A notice issued to a disqualified TPH shall state that the disqualified TPH may apply for relief by filing an application or, in the case of a matter set forth in Rule 3.13(b)(5)(A), a written request for relief, within ten business days after service of the notice. If the TPH fails to file the application or, where appropriate, the written request for relief, within the 10-day period, the membership of the TPH shall be canceled, unless Exchange staff grants an extension for good cause shown.

C. Notice Regarding an Associated Person

A notice issued regarding a disqualified person of a TPH or applicant for membership under Exchange rules shall state that such TPH of an associated person or applicant for membership may file an application on behalf of the associated person or, in the case of a matter set forth in Rule 3.13(b)(5)(A), a written request for relief, within ten business days after service of the notice. If the TPH fails to file the application or, where appropriate, the written request for relief, within the 10-day period, the registration of the disqualified person shall be revoked, unless Exchange staff grants an extension for good cause shown.

D. Service

A notice issued under this section shall be served by electronic mail or pursuant to Rule 15.6(a). Service by electronic mail shall be deemed complete upon sending the notice.

(2) Obligation of TPH to Initiate Proceeding

A. A TPH shall file an application or, in the case of a matter set forth in Rule 3.13(b)(5)(A), a written request for relief, with the Exchange or its designee, which may include FINRA, if the TPH determines prior to receiving a notice under paragraph (b) that:

- i. it has become a disqualified TPH;
- ii. a person associated with such TPH or whose association is proposed by a TPH applicant under Exchange rules has become a disqualified person;
or
- iii. the TPH or TPH applicant under Exchange rules wishes to sponsor the association of a person who is a disqualified person.

B. For any disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act, a TPH shall not file an application unless instructed to do so by the SD Regulatory Circular.

(3) Withdrawal of Application

A TPH may withdraw its application or written request for relief prior to a hearing by filing a written notice with the Exchange or its designee, which may include FINRA. A TPH may withdraw its application after the start of a hearing but prior to the issuance of a decision by the Appeals Committee by filing a written notice with the Exchange.

(4) Ex Parte Communications

The prohibitions against ex parte communications set forth in Rule 13.16 shall become effective under Rule 3.13 when an appeal, pursuant to Rule 3.13(d), is initiated.

(5) Exchange Consideration

A. Matters that may be Approved by Exchange Staff without the Filing of an Application

Exchange staff, as it deems consistent with the public interest and the protection of investors, is authorized to approve a written request for relief from the eligibility requirements by a disqualified TPH or a sponsoring TPH without the filing of an application by such disqualified TPH or sponsoring TPH if a disqualified TPH or disqualified person is subject to one or more of the following conditions but is not otherwise subject to disqualification:

- (i) a disqualified TPH or disqualified person is subject to a disqualification based on an injunction that was entered ten or more years prior to the proposed admission or continuance by order, judgment, or decree of any court of competent jurisdiction from acting as an investment adviser, underwriter, broker, dealer, municipal securities dealer, government securities broker, government securities dealer, transfer agent, foreign person performing a function substantially equivalent to any of the above, entity or person required to be registered under the Commodity Exchange Act, or any substantially equivalent foreign statute or regulation, or as an affiliated person or employee of any investment company, bank, insurance company, foreign entity substantially equivalent to any of the above, or entity or person required to be registered under the Commodity Exchange Act or any substantially equivalent foreign statute or regulation, or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase or sale of any security.
- (ii) a sponsoring TPH makes a request to change the supervisor of a disqualified person; or
- (iii) a disqualified TPH or sponsoring TPH is (i) a TPH of the Exchange, or seeking to become a TPH, and (ii) a member of another self-regulatory organization; and:
 - (a) the other self-regulatory organization intends to file a Notice under Exchange Act Rule 19h-1 approving the membership continuance of the disqualified TPH or, in the case of a sponsoring TPH, the proposed association or continued association of the disqualified person; and
 - (b) Exchange staff concurs with that determination.

B. Matters that may be Approved by Exchange Staff after the Filing of an Application

Exchange staff, as it deems consistent with the public interest and the protection of investors, is authorized to approve an application filed by a disqualified TPH or sponsoring TPH if the disqualified TPH or disqualified person is subject to one or more of the following conditions but is not otherwise subject to disqualification (other than a matter set forth in paragraph(b)(5)(A)):

- (i) The disqualified person is already a participant in, a member of, or a person associated with a member of, a self-regulatory organization (other than the Exchange), and the terms and conditions of the proposed admission to the Exchange are the same in all material respects as those imposed or not disapproved in connection with such person's prior admission or continuance pursuant to an order of the SEC under Exchange Act Rule 19h-1 or other substantially equivalent written communication;
- (ii) Exchange staff finds, after reasonable inquiry, that except for the identity of the employer concerned, the terms and conditions of the proposed admission or continuance are the same in all material respects as those imposed or not disapproved in connection with a prior admission or continuance of the disqualified person pursuant to an order of the SEC under Exchange Act Rule 19h-1 or other substantially equivalent written communication, and that there is no intervening conduct or other circumstance that would cause the employment to be inconsistent with the public interest or the protection of investors;
- (iii) The disqualification previously was a basis for the institution of an administrative proceeding pursuant to a provision of the federal securities laws, and was considered by the SEC in determining a sanction against such disqualified person in the proceeding; and the SEC concluded in such proceeding that it would not restrict or limit the future securities activities of such disqualified person in the capacity now proposed, or, if it imposed any such restrictions or limitations for a specified time period, such time period has elapsed;
- (iv) The disqualification consists of a court order or judgment of injunction or conviction, and such order or judgment:
 - (a) expressly includes a provision that, on the basis of such order or judgment, the SEC will not institute a proceeding against such person pursuant to Section 15(b) or 15B of the Exchange Act or that the future securities activities of such persons in the capacity now proposed will not be restricted or limited; or
 - (b) includes such restrictions or limitations for a specified time period and such time period has elapsed;

- (v) The disqualified person's functions are purely clerical and/or ministerial in nature; or
- (vi) The disqualification arises from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Exchange Act or arises under Section 3(a)(39)(E) of the Exchange Act.

C. Rights of Disqualified TPH, Sponsoring TPH, Disqualified Person, and Exchange

- (i) In the event Exchange staff does not approve a written request for relief from the eligibility requirements pursuant to paragraph (b)(5)(A), the disqualified TPH or sponsoring TPH may file an application, and such TPH shall have the right to proceed under paragraph (c) or (d) of this Rule as applicable. The Exchange staff may require a disqualified TPH or sponsoring TPH to file an application with the Exchange or its designee, which may include FINRA, notwithstanding the provisions of paragraph (5)(A).
- (ii) In the event Exchange staff does not approve an application pursuant to paragraph (b)(5)(B), the disqualified TPH or sponsoring TPH shall have the right to proceed under paragraph (c) or (d) of this Rule.

(6) Submission of an Interim Plan of Heightened Supervision

An application filed pursuant to paragraph (b)(1)(C) or (b)(2)(A)(ii) of this Rule that seeks the continued association of a disqualified person must include:

- A. An interim plan of heightened supervision. The application shall identify an appropriately registered principal responsible for carrying out the interim plan of heightened supervision, who has signed the plan and acknowledged his or her responsibility for implementing and maintaining such plan. The interim plan of heightened supervision shall be in effect throughout the entirety of the application review process which shall be considered concluded only upon the final resolution of the eligibility proceeding. The interim plan of heightened supervision shall comply with the Exchange's supervision rules, including Exchange Rule 8.16, and be reasonably designed and tailored to include specific supervisory policies and procedures that address any regulatory concerns related to the nature of the disqualification, the nature of the sponsoring TPH's business, and the disqualified person's current and proposed activities during the review process; and
- B. A written representation from the sponsoring TPH that the disqualified person is currently subject to an interim plan of heightened supervision as set forth in paragraph (b)(6)(A) of this Rule.

(7) Determination that an Application is Substantially Incomplete

If Exchange staff determines that an application filed pursuant to paragraph (b)(1)(C) or (b)(2)(A)(ii) of this Rule that seeks the continued association of a disqualified person is substantially incomplete, it may reject the application and deem it not to have been filed. In such case, Exchange staff shall provide the sponsoring TPH notice of the delinquency and its reasons for so doing. The sponsoring TPH shall have 10 business days after service of the notice of delinquency to remedy the application, or such other time period as prescribed by Exchange staff. An application will be deemed to be substantially incomplete if:

- A. It does not include the representation required by paragraph (b)(6)(B) of this Rule; or
- B. Exchange staff determines that it does not include a reasonably designed interim plan of heightened supervision that complies with the standards of paragraph (b)(6)(A) of this Rule.

(8) Consequences for Failure to Timely Remedy an Application that is Substantially Incomplete

If an applicant fails to remedy an application that is substantially incomplete, Exchange staff shall serve a written notice on the sponsoring TPH of its determination to reject the application and its reasons for so doing. Upon such rejection, the sponsoring TPH must promptly terminate association with the disqualified person.

(c) Acceptance of Exchange Staff Recommendations and Supervisory Plans by Consent Pursuant to Exchange Act Rule 19h-1

- (1) With respect to all disqualifications, except those arising solely from findings or orders specified in Section 15(b)(4)(D), (E) or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act, after an application is filed, Exchange staff may recommend the membership or continued membership of a disqualified TPH or sponsoring TPH or the association or continuing association of a disqualified person pursuant to a supervisory plan where the disqualified TPH, sponsoring TPH, and/or disqualified person, as the case may be, consent to the recommendation and the imposition of the supervisory plan. The disqualified TPH, sponsoring TPH, and/or disqualified person, as the case may be, shall execute a letter consenting to the imposition of the supervisory plan.

A. If a disqualified TPH, sponsoring TPH, and/or disqualified person submitted an executed letter consenting to a supervisory plan, by the submission of such letter, the disqualified TPH, sponsoring TPH and/or disqualified person waive:

- (i) the right of appeal to the Appeals Committee, the SEC, and the courts, or otherwise challenge the validity of the supervisory plan, if the supervisory plan is accepted.

- (ii) any right of the disqualified TPH, sponsoring TPH, and/or disqualified person to claim bias or prejudice by Exchange staff, the Exchange, the Appeals Committee, or any member of the Appeals Committee, in connection with such person's or body's participation in discussions regarding the terms and conditions of Exchange staff's recommendation or the supervisory plan, or other consideration of the recommendation or supervisory plan, including acceptance or rejection of such recommendation or supervisory plan; and
- (iii) any right of the disqualified TPH, sponsoring TPH, and/or disqualified person to claim that a person violated the ex parte prohibitions of Rule 13.16, in connection with such person's or body's participation in discussions regarding the terms and conditions of the recommendation or supervisory plan, or other consideration of the recommendation or supervisory plan, including acceptance or rejection of such recommendation or supervisory plan.
- B. If a recommendation or supervisory plan is rejected, the disqualified TPH, sponsoring TPH, and/or disqualified person shall be bound by the waivers made under paragraph (c)(1) for conduct by persons or bodies occurring during the period beginning on the date the supervisory plan was submitted and ending upon the rejection of the supervisory plan and shall have the right to proceed under this rule and paragraph (d) of this Rule, as applicable.
- C. If the disqualified TPH, sponsoring TPH, and/or disqualified person execute the letter consenting to the supervisory plan, it shall be submitted to Exchange staff with a proposed Notice under Exchange Act Rule 19h-1, where required. The Exchange may accept or reject the recommendation of Exchange staff and the supervisory plan.
- D. If the recommendation and supervisory plan is accepted by the Exchange it shall be deemed final and, where required, the proposed Notice under Exchange Act Rule 19h-1 will be filed by Exchange. If the recommendation and supervisory plan are rejected by the Exchange, the Exchange may take any other appropriate action with respect to the disqualified TPH, sponsoring TPH, and/or disqualified person. If the recommendation and supervisory plan are rejected, the disqualified TPH, sponsoring TPH, and/or disqualified person shall not be prejudiced by the execution of the letter consenting to the supervisory plan under paragraph (c)(1) and the letter may not be introduced into evidence in any proceeding.
- (2) With respect to disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E) or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act, after an application is filed, in approving an application under Rule 3.13(b)(5)(B)(vi), Exchange staff is authorized to accept the membership or continued membership of a disqualified TPH or sponsoring TPH or the association or continuing association of a disqualified person pursuant to a supervisory plan where the disqualified TPH, sponsoring TPH, and/or disqualified

persons, as the case may be, consent to the imposition of the supervisory plan. The disqualified TPH, sponsoring TPH, and/or disqualified person, as the case may be, shall execute a letter consenting to the imposition of the supervisory plan. Exchange staff shall prepare a proposed Notice under Exchange Act Rule 19h-1, where required, and Exchange staff shall file such Notice.

A. If a disqualified TPH, sponsoring TPH, and/or disqualified person submitted an executed letter consenting to a supervisory plan, by the submission of such letter, the disqualified member, sponsoring member and/or disqualified person waive:

(i) the right of appeal to the Appeals Committee, the SEC, and the courts, or otherwise challenge the validity of the supervisory plan, if the supervisory plan is accepted;

(ii) any right of the disqualified member, sponsoring member, and/or disqualified person to claim bias or prejudice by the Exchange staff, the Exchange, the Appeals Committee, or any member of the Appeals Committee in connection with such person's or body's participation in discussions regarding the terms and conditions of Exchange staff's recommended supervisory plan, or other consideration of the supervisory plan, including acceptance or rejection of such recommendation or supervisory plan; and

(iii) any right of the disqualified TPH, sponsoring TPH, and/or disqualified person to claim that a person violated the ex parte prohibitions of Rule 13.16, in connection with such person's or body's participation in discussions regarding the terms and conditions of the supervisory plan, or other consideration of the supervisory plan, including acceptance or rejection of such supervisory plan.

B. If the supervisory plan is rejected, the disqualified TPH, sponsoring TPH, and/or disqualified person shall be bound by the waivers made under paragraph (c)(2)(A) for conduct by persons or bodies occurring during the period beginning on the date the supervisory plan was submitted and ending upon the rejection of the supervisory plan and shall have the right to proceed under paragraph (d) of this Rule.

(d) Appeals Committee Consideration

(1) Request for Review

A disqualified TPH, sponsoring TPH, or applicant, may request that the Appeals Committee reviews a decision to reject a supervisory plan under paragraph (c) of this Rule. A request for review shall be made by filing with the Secretary of the Exchange a written request therefor, which states the basis and reasons for such review, within 25 days after notice of the decision is serviced.

(2) Review by Appeals Committee

Any review by the Appeals Committee shall be based on oral arguments and written briefs and shall be limited to consideration of the record before the Exchange. Upon review, the Appeals Committee, by the affirmative vote of a majority of the Appeals Committee, may sustain, modify or reverse any such decision. Unless the Appeals Committee otherwise specifically directs, the decision of the Appeals Committee after review shall be final and conclusive subject to the provisions for review of the Exchange Act.

(3) Remand

Notwithstanding the foregoing, if either party upon review applies to the Appeals Committee for leave to adduce additional evidence, and shows to the satisfaction of the Appeals Committee that the additional evidence is material and that there was reasonable ground for failure to adduce it previously, the Appeals Committee may remand the matter for further proceedings, in whatever manner and on whatever conditions the Appeals Committee considers appropriate.

(4) Service by Electronic Mail; When Service is Complete

For purposes of this Rule, service by electronic mail shall be deemed complete upon sending the documents or decision.

(5) Application to SEC for Review

The right to have any action taken pursuant to this Rule 3.13 reviewed by the SEC is governed by Section 19 of the Exchange Act. The filing of an application for review shall not stay the effectiveness of final action by the Exchange, unless the SEC otherwise orders. Pursuant to Rule 3.13(d), a decision to deny an application for a disqualified member's continued membership shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.

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