

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 48

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

File No. * SR 2026 - * 030

Amendment No. (req. for Amendments *)

Filing by Cboe BZX Exchange, Inc.

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

| | | | | | |
|--|---|--|--|--|---|
| Initial * <input checked="" type="checkbox"/> | Amendment * <input type="checkbox"/> | Withdrawal <input type="checkbox"/> | Section 19(b)(2) * <input type="checkbox"/> | Section 19(b)(3)(A) * <input checked="" type="checkbox"/> | Section 19(b)(3)(B) * <input type="checkbox"/> |
|--|---|--|--|--|---|

| | | | | | |
|-----------------------------------|--|--|--------------------------------------|---|--|
| Pilot <input type="checkbox"/> | Extension of Time Period for Commission Action * <input type="checkbox"/> | Date Expires * <input type="text"/> | Rule | | |
| | | | <input type="checkbox"/> 19b-4(f)(1) | <input type="checkbox"/> 19b-4(f)(4) | |
| | | | <input type="checkbox"/> 19b-4(f)(2) | <input type="checkbox"/> 19b-4(f)(5) | |
| | | | <input type="checkbox"/> 19b-4(f)(3) | <input 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 Rule 21.17.

Contact Information

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

First Name * Sarah Last Name * Williams

Title * Senior Counsel

E-mail * swilliams@cboe.com

Telephone * (224) 461-6793 Fax

Signature

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

Date 04/10/2026

(Title *)

By Laura G. Dickman

VP, Associate General Counsel

(Name *)

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: 2026.04.10 14:43:34 -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 *

Add Remove View

26-030 (BZX Opt WMP) 19b4 FINAL (

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

26-030 (BZX Opt WMP) 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 *

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Exhibit 5 - Proposed Rule Text

Add Remove View

26-030 (BZX Opt WMP) Exhibit 5.docx

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

Partial Amendment

Add Remove View

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 BZX Exchange, Inc. (the “Exchange” or “BZX”) proposes to amend Rule 21.17 to adopt a wide market protection mechanism designed to reduce the risk of orders executing at extreme or adverse prices when the national best bid and offer (“NBBO”) is determined to be wide. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on April 2, 2026.

(b) Please refer questions and comments on the proposed rule change to Pat Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7467, or Sarah Williams, (224) 461-6793, Cboe BZX 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 purpose of this rule filing is to amend Rule 21.17(a), Additional Price Protection Mechanisms and Risk Controls (Simple Orders), to adopt a wide market protection mechanism designed to reduce the risk of orders executing at extreme or adverse prices when the NBBO is determined to be wide.¹ The Exchange notes that its affiliated exchange,

¹ The Exchange notes it currently has a Market Order NBBO Width Protection Mechanism set forth in updated Rule 21.17(a)(1); the proposed rule change does not result in changes to the Market Order NBBO Width Protection Mechanism, which is infrequently triggered. In general, the current

Cboe Exchange, Inc. (hereinafter “C1” or Cboe Exchange”), recently implemented rule changes adopting a substantially similar wide market protection mechanism.² The proposed wide market protection mechanism, similar to that implemented by Cboe Exchange, will leverage the existing iterative drill-through protection mechanism for certain orders when the NBBO is wide and will initiate a drill-through pause on applicable inbound market or limit orders or elected Stop (Stop-Loss)³ or Stop-Limit⁴ orders which would either execute or post to the BZX Book⁵ at potentially extreme prices. In addition, the Exchange proposes to update Rule 21.17 to make non-substantive formatting corrections.⁶

Market Order NBBO Width Protection Mechanism applies when the NBBO is significantly wider than will be considered under the proposed wide market protection mechanism. Further, the Market Order NBBO Width Protection is applicable only to market orders and does not apply to Stop (Stop-Loss) orders. The proposed wide market protection mechanism is applicable to market and limit orders (subject to certain exceptions), and is intended to “catch” more orders. Unlike the Market Order NBBO Width Protection Mechanism, which cancels orders too far outside the NBBO, the proposed mechanism will trigger the drill-through process for applicable orders and thus provide additional execution opportunities.

² See Securities Exchange Act Release No. 34-104245 (November 24, 2025), 90 FR 54806 (November 28, 2025) (SR-CBOE-2025-081) (amending Cboe Exchange Rule 5.34 to adopt a wide market protection mechanism). See also Securities Exchange Act Release No. 34-104435 (December 17, 2025), 90 FR 59890 (December 22, 2025) (SR-CBOE-2025-091) (amending Cboe Exchange Rule 5.34 to exclude all M and N capacity orders from the wide market protection mechanism).

³ A Stop Order is an order that becomes a BZX market order when the stop price is elected. A Stop Order to buy is elected when the consolidated last sale in the security occurs at, or above, the specified stop price. A Stop Order to sell is elected when the consolidated last sale in the security occurs at, or below, the specified stop price. See Rule 11.9(c)(16) (definition of “Stop Order”).

⁴ A Stop Limit Order is an order that becomes a limit order when the stop price is elected. A Stop Limit Order to buy is elected when the consolidated last sale in the security occurs at, or above, the specified stop price. A Stop Limit Order to sell becomes a sell limit order when the consolidated last sale in the security occurs at, or below, the specified stop price. See 11.9(c)(17) (definition of “Stop Limit Order”).

⁵ “BZX Book” shall mean the System’s electronic file of orders. See Rule 1.5(e) (definition of “BZX Book”).

⁶ The Exchange proposes to renumber current Rule 21.17(a)(3)(1) to (5) to be Rule 21.17(a)(3)(A) to (E); current Rule 21.17(a)(3)(3)(A) to (G) to be Rule 21.17(a)(3)(C)(i) to (vii); current Rule 21.17(a)(4)(1) to (3) to be Rule 21.17(a)(4)(A) to (C); and current Rule 21.17(a)(4)(1)(A) and (B) to be Rule 21.17(a)(4)(A)(i) and (ii). All references to Rule 21.17 will refer to the proposed updated numbering and formatting of the Rule.

Drill-Through Price protection is currently described in updated Exchange Rule 21.17(a)(3). Under updated Rule 21.17(a)(3)(A), if a buy (sell) order enters the BZX Book at the conclusion of the opening auction process or would execute or post to the BZX Book when it enters the BZX Book, the System⁷ executes the order up (down) to a buffer amount (the Exchange determines the buffer amount on a class and premium basis) above (below) the offer (bid) limit of the Opening Collar⁸ or the National Best Offer (“NBO”) (National Best Bid (“NBB”)) that existed at the time of order entry, respectively (the “Drill-Through Price”).⁹

Updated Rule 21.17(a)(3)(C) establishes an iterative drill-through process, whereby orders will rest in the BZX Book for multiple time periods and at more aggressive displayed prices during each time period.¹⁰ Specifically, for a market order with a Time-in-Force of Day or a limit order (or unexecuted portion) with a Time-in-Force of Day, Good-til-Cancelled (“GTC”), or Good-til-Date (“GTD”), the System enters the order in the BZX Book with a displayed price equal to the Drill-Through Price. The order (or unexecuted portion) will rest in the BZX Book at the Drill-Through Price for the duration of consecutive time periods (the Exchange determines on a class-by-class basis the length of the time period in milliseconds, which may not exceed three seconds)

⁷ “System” means the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away. *See* Rule 1.5(aa) (definition of, “System”).

⁸ *See* Rule 21.7(a) for the definition of Opening Collars.

⁹ *See* updated Rule 21.17(a)(3)(A).

¹⁰ The Exchange will announce to Members the buffer amount and the length of the time periods in accordance with Rule 16.3. The Exchange notes that each time period will be the same length (as designated by the Exchange), and the buffer amount applied for each time period will be the same.

(each time period is referred to as an “iteration”).¹¹ Following the end of each period, the System adds (if a buy order) or subtracts (if a sell order) one buffer amount (the Exchange determines the buffer amount on a class-by-class basis) to the Drill-Through Price displayed during the immediately preceding period (each new price becomes the “Drill-Through Price”).¹² The order (or unexecuted portion) rests in the BZX Book at that new Drill-Through Price for the duration of the subsequent period. The System applies a timestamp to the order (or unexecuted portion) based on the time it enters or is re-priced in the BZX Book for priority reasons. The order continues through this iterative process until the earliest of the following to occur: (a) the order fully executes; (b) the User¹³ cancels the order; or (c) the buy (sell) order’s limit price equals or is less (greater) than the Drill-Through Price at any time during application of the drill-through mechanism, in which case the order rests in the BZX Book at its limit price, subject to a User’s instructions.

Currently, there are common scenarios in which certain orders are trading at prices that are, for reasons described below, artificially wide. For example, certain trading strategies result in a significant number of simple Stop (Stop-Loss) and Stop-Limit orders resting in the BZX Book and then being triggered simultaneously by a common event. The receipt of large quantities of market and limit orders on the same side of a series results in rapid removal of liquidity without opportunity for replenishment (and potential related triggers of risk protections). This results in potentially extreme or adverse execution prices

¹¹ See updated Rule 21.17(a)(3)(C).

¹² See updated Rule 21.17(a)(3)(C).

¹³ The term “User” shall mean any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3. See Rule 1.5(cc) (definition of “User”).

as risk is re-evaluated by Market-Makers and quotes are replenished, typically within seconds of the start of the triggering event. Additionally, the Exchange has observed an increase in resting Stop (Stop-Loss) or Stop-Limit orders that are simultaneously triggered around the opening of the relevant trading session and trading at extremely wide price levels, up to Obvious Error prices. Similarly, Stop (Stop-Loss) and Stop-Limit orders may be triggered on a trade (rather than an NBBO update) that exhausts liquidity, causing the triggered order(s) to execute at the next available bid/offer, which may be at an extreme level, rather than affording the order the benefit of Drill-Through Price protection by displaying the order at the price of the triggering trade and iterating from there.

The Exchange now proposes rule changes designed to prevent trades at extreme or adverse price levels in such scenarios, when quotes are wide or when orders are removing liquidity in rapid succession. The Exchange proposes to amend Rule 21.17 to add a wide market protection mechanism that will leverage the existing iterative drill-through protection mechanism for certain orders when the NBBO is considered “wide” and will initiate a drill-through pause on applicable near-marketable inbound market or limit orders or elected Stop (Stop-Loss) or Stop-Limit orders which would either execute or post to the BZX Book at potentially extreme or adverse prices.

Specifically, the Exchange proposes to add new Rule 21.17(a)(6) to establish a wide market protection mechanism. Under proposed Rule 21.17(a)(6)(A), if (i) when the NBBO is “wide,” the System receives a buy (sell) order with a price that is more than a buffer amount above (below) the NBB (NBO) or (ii) a Stop (Stop-Loss) or Stop-Limit buy (sell) order is triggered and is priced more than a buffer amount above (below) the NBB (NBO) and the NBBO after the triggering event is “wide,” the order enters the BZX Book and is

displayed at the Benchmark Price for an Exchange determined-amount of time (this time period will be considered the first drill-through iteration pursuant to updated Rule 21.17(a)(3)). If the order does not execute or there is any remaining size of the order following a partial execution, the order will continue the drill-through process pursuant to updated Rule 21.17(a)(3).

As set forth in proposed Rule 21.17(a)(6)(A), for purposes of the proposed subparagraph (6), the NBBO is “wide” if there is no NBO or the width of the NBBO for the series is equal to or greater than an amount the Exchange determines on a class-by-class basis and which is applied based on the NBB. Further, for a buy (sell) order, the Benchmark Price is the least aggressive price of (1) the NBB (NBO) plus (minus) a buffer amount determined by the Exchange on a class and premium basis;¹⁴ (2) the last trade price, if greater (less) than or equal to the NBB (NBO);¹⁵ or (3) the midpoint of the then-current NBBO. Consider the below examples.

Example #1, demonstrating eligibility of a Stop-Limit order for wide market protection

In this example, a buy Stop-Limit order is triggered, the NBBO after the triggering event is determined to be wide, and the limit price is more than a buffer amount above the NBB. Under the proposed rules, the order will be paused at the Benchmark Price and begin drill-through iteration. Assume for purposes of this example, the market will be considered wide pursuant to proposed Rule 21.17(a)(6)(A)(i) if the width of the NBBO for the series is

¹⁴ In a no-bid scenario for buy orders, the NBB will be considered as zero and the Benchmark Price will be calculated accordingly. In a no-offer scenario for sell orders, the NBO will not be used; the Benchmark Price will use the less aggressive of the last trade price or the NBB plus the buffer amount determined by the Exchange on a class-by-class basis.

¹⁵ If last trade price is worse than the NBO (NBB) it will not be used as a possible Benchmark Price.

equal to or greater than \$1.50. Further assume for this example, the buffer amount to determine limit order eligibility based on price is 80% of the width of NBBO.

Order 1: Stop-Limit Buy 5 contracts @ 3.33, Stop Price = \$2.30

MM1 Quote: 5 @ 1.95 x 5 @ 3.65

MM2 Quote: 5 @ 1.95 x 5 @ 2.30 (NBBO, not wide)

Order 2: Buy 5 @ 2.30

Order 2 trades with MM2 Quote at 2.30; as a result, Order 1 is elected.

The resulting NBBO after the triggering event is 1.95 x 3.65 (i.e., NBBO width equal to \$1.70), which is considered wide, and Order 1 is triggered with a limit price of \$3.33, which is greater than the Exchange-determined buffer amount above the NBB (i.e., NBB of 1.95 + (NBBO width of 1.70 x 0.80 buffer) = 3.31). Thus, Order 1 is subject to the wide market protection mechanism.

Example #2, demonstrating determination of Benchmark Price

In this example, a buy Stop (Stop-Loss) order is triggered by a quote, the NBBO after the triggering event is determined to be wide, and the price is more than a buffer amount above the NBB. Under the proposed rules, the order will be paused at the Benchmark Price and begin drill-through iteration. Assume for purposes of this example, the market will be considered wide pursuant to proposed Rule 21.17(a)(6)(A)(i) if the width of the NBBO for the series is equal to or greater than \$1.50. Further assume for this example, the buffer amount to determine the order eligibility based on price is 80% of the width of NBBO and the buffer amount used in determining Benchmark Price is 0.75.

Order 1: Stop (Stop-Loss) Buy 5 @ 3.40, Stop Price = \$2.00

MM1 Quote: 5 @ 1.95 x 5 @ 3.75

MM2 Quote 5 @ 1.95 x 5 @ 2.30 (NBBO, not wide)

Order 2: Buy 5 @ 2.30

Order 2 trades with MM2 Quote at 2.30; as a result, Order 1 is elected.

The resulting NBBO after the triggering event is 1.95 x 3.75 (i.e., NBBO width equal to \$1.80), which is considered wide, and Order 1 is triggered with a price of \$3.40, which is greater than the Exchange-determined buffer amount above the NBB (i.e., NBB of $1.95 + (\text{NBBO width of } 1.80 \times 0.80 \text{ buffer}) = 3.39$). Thus, Order 1 is subject to the wide market protection mechanism. The Benchmark Price is 2.30, determined as the least aggressive of:

- The NBB (1.95) plus a buffer amount determined by the Exchange on a class and premium basis (0.75): 2.70
- Last Trade Price: 2.30
- The midpoint of the then-current NBBO: 2.85

Thus, executions of Order 1 up to \$2.30 will be considered the initial drill-through iteration, as the order becomes subject to the Drill-Through Price protection mechanism under updated Rule 21.17(a)(3)(C).

The Exchange proposes to add Rule 21.17(a)(6)(B) to specify that the wide market protection mechanism will not apply during a pre-determined amount of time prior to the close of the Regular Trading Hours (“RTH”)¹⁶ trading session (such time will be determined by the Exchange).¹⁷ This provides a final opportunity for market participants to utilize Stop

¹⁶ “Regular Trading Hours” means the time between 9:30 a.m. and 4:00 p.m. Eastern Time. See Rule 1.5(w).

¹⁷ During this time, the drill-through process will not be initiated by the wide market protection mechanism but may still apply pursuant to updated Rule 21.17(a)(3).

(Stop-Loss) and Stop-Limit orders to exit positions if desired at the end of the trading session, in order to avoid unintended overnight risk.¹⁸

The Exchange proposes to add Rule 21.17(a)(6)(C), which states that if an order would initiate the wide market protection while the drill-through process in the applicable series is in progress pursuant to updated Rule 21.17(a)(3), then the System does not initiate the wide market protection and instead the order would join the ongoing drill-through as set forth in updated Rule 21.17(a)(3)(C)(iv). The Exchange also proposes to add Rule 21.17(a)(6)(D) to exclude bulk messages, Intermarket Sweep Orders (“ISOs”), Immediate-or-Cancel orders (“IOCs”), and M and N capacity orders from the wide market protection mechanism; and to note that the Exchange may apply the wide market protection on a class-by-class basis.

The Exchange also proposes to amend updated Rule 21.17(a)(4)(A)(ii) to exclude from the current protections for market orders in no-bid series certain orders that would be otherwise subject to wide market protection under the proposed rule changes. Currently, under updated Rule 21.17(a)(4)(A)(ii), if the System receives a sell market order in a series after it is open for trading with an NBB of zero, and the NBO in the series is greater than \$0.50, the System cancels or rejects the market order, except if a drill-through process (described in updated subparagraph (a)(3)) is in progress for sell orders in the series and the sell market order would be subject to the drill-through protection, then the order joins the ongoing drill-through process in the then-current iteration and at the then-current Drill-Through Price, regardless of NBBO. The Exchange proposes to amend updated Rule

¹⁸ The Exchange notes that Rule 20.6(c), Obvious Errors, will continue to apply as it does today; there are no changes to the Obvious Error rules as a result of the proposed rule change.

21.17(a)(4)(A)(ii) to note that in the event the System receives a sell market order in a series after it is open for trading with an NBB of zero and the NBO in the series is greater than \$0.50, if the order is subject to wide market protection pursuant to proposed subparagraph (a)(6), then the order enters the BZX Book and is displayed at the Benchmark Price for an Exchange determined-amount of time (this time period will be considered the first drill-through iteration pursuant to updated subparagraph (a)(3)), with any remaining size continuing the drill-through process pursuant to updated subparagraph (a)(3).

Finally, the Exchange proposes to amend updated Rule 21.17(a)(4)(B) to exclude from the current protections for market orders in no-offer series certain orders that would be otherwise subject to wide market protection under the proposed rule changes or drill-through protections pursuant to updated Rule 21.17(a)(3). Currently under updated Rule 21.17(a)(4)(B), if the System receives a buy market order in a series after it is open for trading with an NBO of zero, the System cancels or rejects the market order. The Exchange proposes to amend updated Rule 21.17(a)(4)(B) to note that in the event the System receives a buy market order in a series after it is open for trading with an NBO of zero, if the order is subject to wide market protection pursuant to proposed subparagraph (a)(6), then the order enters the BZX Book and is displayed at the Benchmark Price for an Exchange determined-amount of time (this time period will be considered the first drill-through iteration pursuant to updated subparagraph (a)(3)), with any remaining size continuing the drill-through process pursuant to updated subparagraph (a)(3); or if a drill-through process (described in updated subparagraph (a)(3)) is in progress for buy orders in the series and the buy market order would be subject to the drill-through protection, then the order joins the ongoing drill-

through process in the then-current iteration and at the then-current Drill-Through Price, regardless of NBBO.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹⁹

Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²⁰ 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)²¹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change to implement a wide market protection mechanism will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors, because it will provide applicable orders with additional and consistent

¹⁹ 15 U.S.C. 78f(b).

²⁰ 15 U.S.C. 78f(b)(5).

²¹ Id.

execution opportunities and price protections. As noted above, the wide market protection mechanism is effectively an extension of the Exchange's current Drill-Through Price protection, of which the primary purpose is to prevent orders from executing at prices "too far away" from the market when they enter the BZX Book for potential execution. The Exchange believes the proposed rule change is consistent with this purpose, because Users who submit applicable orders or have orders triggered in markets that are wider than expected, possibly due to wide quotes or orders removing liquidity in rapid succession, will receive price protection against execution at potentially extreme or adverse prices and additional execution opportunities.

Further, the proposed rule change to leverage the existing iterative drill-through protection mechanism for certain orders when the NBBO is considered "wide" allows these orders to receive the same level of price protection as other orders otherwise subject to the drill-through process. The proposed rule change will allow orders in wide markets additional execution opportunities while continuing to protect them against execution at potentially extreme prices, by providing the opportunity for execution at reasonable prices by allowing for liquidity replenishment that may result in more aggressive prices, especially during times when liquidity may require additional time to replenish, such as near the beginning of a trading session.

The Exchange believes the proposal will enhance risk protections, the individual firm benefits of which flow downstream to counterparties both at the Exchange and at other options exchanges, which increases systemic protections as well. The Exchange believes enhancing risk protections will allow Users to enter orders, including Stop (Stop-Loss) and Stop-Limit orders, and quotes with further reduced fear of inadvertent

exposure to excessive risk, which will benefit investors through increased exposure to liquidity for the execution of their orders.

The Exchange also believes the proposed changes regarding the application of the wide market protection mechanism during Exchange trading sessions will protect investors, as the proposed application allows market participants a final opportunity to utilize Stop (Stop-Loss) and Stop-Limit orders to exit positions if desired at the end of the relevant trading session, in order to avoid unintended overnight risk. Further, the proposed changes add transparency to the rules regarding the wide market protection functionality and provide greater certainty as to the application of the process.

Additionally, the Exchange believes changes to specifically exclude bulk messages, ISOs, and IOCs from the wide market protection mechanism (similar to the Drill-Through Price protection mechanism) are reasonable and appropriate, given the iterative pricing process would be inconsistent with the orders instruction (and thus the user's intent). The proposed change to exclude all M and N capacity orders is designed to ensure consistency across all potential types of Market-Maker orders. The Exchange believes the proposed change to exclude all M and N capacity orders from the wide market protection is reasonable, as Market-Makers are positioned to observe and subsequently address wide market scenarios, by tightening the NBBO with an order or quote.

The Exchange also believes the proposed change to clarify that the System will not initiate the wide market protection while a drill-through process in the applicable series is in progress is reasonable, as it will bring transparency and clarity to the rulebook regarding how the wide market protection mechanism interacts with the Drill-Through

Price protection mechanism, to the benefit of investors. This proposed change is consistent with current drill-through functionality, where incoming orders that enter the BZX Book while the drill-through is in progress and that would be subject to the drill-through protection join the on-going drill-through process.²²

Additionally, the Exchange believes changes to specifically exclude from the current protections for market orders in no-bid (offer) series certain orders that would otherwise be subject to wide market protection will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors. Specifically, the Exchange believes the change to exclude from the current protections for market orders in no-bid (offer) series certain orders that would otherwise be subject to wide market protection may allow opportunity for execution than if they were immediately canceled or rejected. This proposed rule change may increase execution opportunities for Users that submit sell market orders with an NBB of zero when the NBO in the series is greater than \$0.50 (in the case of market orders in no-bid series protections) or buy market orders with an NBO of zero while still providing protection against executions at potentially erroneous prices. Similarly, the Exchange believes the change to allow buy market orders received by the System when the NBO is zero to be subject to the drill-through process is reasonable, as it may allow opportunity for execution of such orders, rather than if they were immediately canceled or rejected. This change aligns market order in no-bid (offer) series protection for Users that submit sell market orders with an NBB of zero when the NBO in the series is greater than \$0.50 (in

²² See updated Rule 21.17(a)(3)(C)(iv).

the case of market orders in no-bid series protections) with how the Exchange will handle buy market orders with an NBO of zero.

Finally, the Exchange believes the proposed change to apply the wide market protection on a class-by-class basis is reasonable, as classes may have different trading characteristics or may be affected differently by market conditions. The proposal will provide the Exchange with flexibility to apply wide market protections in a manner which accounts for material differences across option classes, thereby enhancing investor protection while minimizing unnecessary market disruption. Further, the Exchange believes the proposed changes are not unfairly discriminatory, as wide market protection applies uniformly to all market participants within each class. This approach is consistent with the Exchange's existing practice of applying certain other order and quote price protection and risk controls, such as the limit order fat finger check for simple orders,²³ on a class-by-class basis where product characteristics warrant differential treatment in regard to risk protections.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the wide market protection functionality will apply to all applicable orders in a class in the same manner. Additionally, it will provide the same price protection and execution opportunities to relevant orders that are currently provided

²³ See Rule 21.17(c)(1).

to orders that are subject to the Drill-Through Price protection process, as the wide market protection mechanism is effectively an extension of the Exchange's current Drill-Through Price protection. As noted above, the Exchange believes it is not unfairly discriminatory to apply this protection on a class-by-class basis, as wide market protection applies uniformly to all market participants within each class. This approach is consistent with the Exchange's existing practice of applying certain other order and quote price protection and risk controls, such as the limit order fat finger check for simple orders,²⁴ on a class-by-class basis where product characteristics warrant differential treatment in regard to risk protections.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as the proposed rule change relates specifically to price protections offered on the Exchange and how the System handles orders as part of these price protection mechanisms. The proposed wide market protection mechanism expands the current Drill-Through Price protection mechanism and provides relevant orders with improved protection against execution at potentially extreme or adverse prices through Drill-Through Price protection.

The Exchange believes the proposed rule change would ultimately provide all market participants with additional execution opportunities when appropriate while providing protection from extreme or adverse execution. The Exchange believes the proposal will enhance risk protections, the individual firm benefits of which flow

²⁴ See Rule 21.17(c)(1).

downstream to counterparties both at the Exchange and at other options exchanges, which increases systemic protections as well. The Exchange believes enhancing risk protections will allow Users to enter orders, including Stop (Stop-Loss) and Stop-Limit orders, and quotes with further reduced fear of inadvertent exposure to excessive risk, which will benefit investors through increased exposure to liquidity for the execution of their orders. Without adequate risk management tools, Trading Permit Holders could reduce the amount of order flow and liquidity they provide. Such actions may undermine the quality of the markets available to customers and other market participants.

Accordingly, the proposed rule change is designed to encourage Trading Permit Holders to submit additional order flow and liquidity to the Exchange. The proposed change may similarly provide additional execution opportunities, which further benefits liquidity, especially during times when liquidity may require additional time to replenish, such as near the beginning of a trading session. Additionally, as discussed above, the Exchange's affiliated exchange, Cboe Exchange, recently implemented rule changes adopting a substantially similar wide market protection mechanism.²⁵ Thus, the proposed rule change will also align the rules of the Exchange with that of its affiliated exchange, Cboe Exchange.

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.

²⁵ See Securities Exchange Act Release No. 34-104245 (November 24, 2025), 90 FR 54806 (November 28, 2025) (SR-CBOE-2025-081). See also Securities Exchange Act Release No. 34-104435 (December 17, 2025), 90 FR 59890 (December 22, 2025) (SR-CBOE-2025-091).

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 Act²⁶ and Rule 19b-4(f)(6)²⁷ thereunder.

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

The Exchange believes the proposed rule change will not significantly affect the protection of investors or the public interest, as it will provide applicable orders with additional and consistent execution opportunities and price protections. As noted above, the wide market protection mechanism is effectively an extension of the Exchange's current Drill-Through Price protection, of which the primary purpose is to prevent orders from executing at prices "too far away" from the market when they enter the BZX Book

²⁶ 15 U.S.C. 78s(b)(3)(A).

²⁷ 17 CFR 240.19b-4(f)(6).

for potential execution. The Exchange believes the proposed rule change is consistent with this purpose, because Users who submit applicable orders or have orders triggered in markets that are wider than expected, possibly due to wide quotes or orders removing liquidity in rapid succession, will receive price protection against execution at potentially extreme or adverse prices and additional execution opportunities, to the benefit of investors.

Further, the proposed rule change to leverage the existing iterative drill-through protection mechanism for certain orders when the NBBO is considered “wide” allows these orders to receive the same level of price protection as other orders otherwise subject to the drill-through process. The proposed rule change will allow orders in wide markets additional execution opportunities while continuing to protect them against execution at potentially extreme prices, by providing the opportunity for execution at reasonable prices by allowing for liquidity replenishments that may result in more aggressive prices, especially during times when liquidity may require additional time to replenish, such as near the beginning of a trading session.

Additionally, the Exchange believes the proposed rule change will not impose any significant burden on competition, as the wide market protection functionality will apply to all applicable orders in a class in the same manner. Additionally, it will provide the same price protection and execution opportunities to relevant orders that are currently provided to orders that are subject to the Drill-Through Price protection process, as the wide market protection mechanism is effectively an extension of the Exchange’s current Drill-Through Price protection. Additionally, the proposed rule change relates

specifically to price protections offered on the Exchange and how the System handles orders as part of these price protection mechanisms.

As noted above, the Exchange believes it is not unfairly discriminatory to apply this protection on a class-by-class basis, as wide market protection applies uniformly to all market participants within each class. This approach is consistent with the Exchange's existing practice of applying certain other order and quote price protection and risk controls, such as the limit order fat finger check for simple orders²⁸, on a class-by-class basis where product characteristics warrant differential treatment in regard to risk protections. Finally, the Exchange notes, as discussed above, that its affiliated exchange, Cboe Exchange, recently implemented rule changes adopting a substantially similar wide market protection mechanism.²⁹ Thus, the proposed rule changes do not pose any novel issues for the Commission's consideration.

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.

²⁸ See Rule 5.34(c)(1)(A).

²⁹ See Securities Exchange Act Release No. 34-104245 (November 24, 2025), 90 FR 54806 (November 28, 2025) (SR-CBOE-2025-081). See also Securities Exchange Act Release No. 34-104435 (December 17, 2025), 90 FR 59890 (December 22, 2025) (SR-CBOE-2025-091).

(c) Not applicable.

(d) Not applicable.

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

As discussed above, the proposed changes are based on rule changes recently made by Cboe Exchange, Inc.³⁰

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.

³⁰ See Securities Exchange Act Release No. 34-104245 (November 24, 2025), 90 FR 54806 (November 28, 2025) (SR-CBOE-2025-081). See also Securities Exchange Act Release No. 34-104435 (December 17, 2025), 90 FR 59890 (December 22, 2025) (SR-CBOE-2025-091).

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CboeBZX-2026-030]

[Insert date]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 21.17 to Adopt a Wide Market Protection Mechanism Designed to Reduce the Risk of Orders Executing at Extreme or Adverse Prices When the National Best Bid and Offer (“NBBO”) is Determined to be Wide

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on [insert date], Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The 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 BZX Exchange, Inc. (the “Exchange” or “BZX”) proposes to amend Rule 21.17 to adopt a wide market protection mechanism designed to reduce the risk of orders executing at extreme or adverse prices when the national best bid and offer (“NBBO”) is determined to be wide. 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/equities/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 purpose of this rule filing is to amend Rule 21.17(a), Additional Price Protection Mechanisms and Risk Controls (Simple Orders), to adopt a wide market protection mechanism designed to reduce the risk of orders executing at extreme or adverse prices when the NBBO is determined to be wide.⁵ The Exchange notes that its affiliated exchange, Cboe Exchange, Inc. (hereinafter “C1” or Cboe Exchange”), recently implemented rule

⁵ The Exchange notes it currently has a Market Order NBBO Width Protection Mechanism set forth in updated Rule 21.17(a)(1); the proposed rule change does not result in changes to the Market Order NBBO Width Protection Mechanism, which is infrequently triggered. In general, the current Market Order NBBO Width Protection Mechanism applies when the NBBO is significantly wider than will be considered under the proposed wide market protection mechanism. Further, the Market Order NBBO Width Protection is applicable only to market orders and does not apply to Stop (Stop-Loss) orders. The proposed wide market protection mechanism is applicable to market and limit orders (subject to certain exceptions), and is intended to “catch” more orders. Unlike the Market Order NBBO Width Protection Mechanism, which cancels orders too far outside the NBBO, the proposed mechanism will trigger the drill-through process for applicable orders and thus provide additional execution opportunities.

changes adopting a substantially similar wide market protection mechanism.⁶ The proposed wide market protection mechanism, similar to that implemented by Cboe Exchange, will leverage the existing iterative drill-through protection mechanism for certain orders when the NBBO is wide and will initiate a drill-through pause on applicable inbound market or limit orders or elected Stop (Stop-Loss)⁷ or Stop-Limit⁸ orders which would either execute or post to the BZX Book⁹ at potentially extreme prices. In addition, the Exchange proposes to update Rule 21.17 to make non-substantive formatting corrections.¹⁰

Drill-Through Price protection is currently described in updated Exchange Rule 21.17(a)(3). Under updated Rule 21.17(a)(3)(A), if a buy (sell) order enters the BZX Book at the conclusion of the opening auction process or would execute or post to the BZX Book when it enters the BZX Book, the System¹¹ executes the order up (down) to a

⁶ See Securities Exchange Act Release No. 34-104245 (November 24, 2025), 90 FR 54806 (November 28, 2025) (SR-CBOE-2025-081) (amending Cboe Exchange Rule 5.34 to adopt a wide market protection mechanism). See also Securities Exchange Act Release No. 34-104435 (December 17, 2025), 90 FR 59890 (December 22, 2025) (SR-CBOE-2025-091) (amending Cboe Exchange Rule 5.34 to exclude all M and N capacity orders from the wide market protection mechanism).

⁷ A Stop Order is an order that becomes a BZX market order when the stop price is elected. A Stop Order to buy is elected when the consolidated last sale in the security occurs at, or above, the specified stop price. A Stop Order to sell is elected when the consolidated last sale in the security occurs at, or below, the specified stop price. See Rule 11.9(c)(16) (definition of “Stop Order”).

⁸ A Stop Limit Order is an order that becomes a limit order when the stop price is elected. A Stop Limit Order to buy is elected when the consolidated last sale in the security occurs at, or above, the specified stop price. A Stop Limit Order to sell becomes a sell limit order when the consolidated last sale in the security occurs at, or below, the specified stop price. See 11.9(c)(17) (definition of “Stop Limit Order”).

⁹ “BZX Book” shall mean the System’s electronic file of orders. See Rule 1.5(e) (definition of “BZX Book”).

¹⁰ The Exchange proposes to renumber current Rule 21.17(a)(3)(1) to (5) to be Rule 21.17(a)(3)(A) to (E); current Rule 21.17(a)(3)(3)(A) to (G) to be Rule 21.17(a)(3)(C)(i) to (vii); current Rule 21.17(a)(4)(1) to (3) to be Rule 21.17(a)(4)(A) to (C); and current Rule 21.17(a)(4)(1)(A) and (B) to be Rule 21.17(a)(4)(A)(i) and (ii). All references to Rule 21.17 will refer to the proposed updated numbering and formatting of the Rule.

¹¹ “System” means the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away. See Rule 1.5(aa) (definition of, “System”).

buffer amount (the Exchange determines the buffer amount on a class and premium basis) above (below) the offer (bid) limit of the Opening Collar¹² or the National Best Offer (“NBO”) (National Best Bid (“NBB”)) that existed at the time of order entry, respectively (the “Drill-Through Price”).¹³

Updated Rule 21.17(a)(3)(C) establishes an iterative drill-through process, whereby orders will rest in the BZX Book for multiple time periods and at more aggressive displayed prices during each time period.¹⁴ Specifically, for a market order with a Time-in-Force of Day or a limit order (or unexecuted portion) with a Time-in-Force of Day, Good-til-Cancelled (“GTC”), or Good-til-Date (“GTD”), the System enters the order in the BZX Book with a displayed price equal to the Drill-Through Price. The order (or unexecuted portion) will rest in the BZX Book at the Drill-Through Price for the duration of consecutive time periods (the Exchange determines on a class-by-class basis the length of the time period in milliseconds, which may not exceed three seconds) (each time period is referred to as an “iteration”).¹⁵ Following the end of each period, the System adds (if a buy order) or subtracts (if a sell order) one buffer amount (the Exchange determines the buffer amount on a class-by-class basis) to the Drill-Through Price displayed during the immediately preceding period (each new price becomes the “Drill-Through Price”).¹⁶ The order (or unexecuted portion) rests in the BZX Book at that

¹² See Rule 21.7(a) for the definition of Opening Collars.

¹³ See updated Rule 21.17(a)(3)(A).

¹⁴ The Exchange will announce to Members the buffer amount and the length of the time periods in accordance with Rule 16.3. The Exchange notes that each time period will be the same length (as designated by the Exchange), and the buffer amount applied for each time period will be the same.

¹⁵ See updated Rule 21.17(a)(3)(C).

¹⁶ See updated Rule 21.17(a)(3)(C).

new Drill-Through Price for the duration of the subsequent period. The System applies a timestamp to the order (or unexecuted portion) based on the time it enters or is re-priced in the BZX Book for priority reasons. The order continues through this iterative process until the earliest of the following to occur: (a) the order fully executes; (b) the User¹⁷ cancels the order; or (c) the buy (sell) order's limit price equals or is less (greater) than the Drill-Through Price at any time during application of the drill-through mechanism, in which case the order rests in the BZX Book at its limit price, subject to a User's instructions.

Currently, there are common scenarios in which certain orders are trading at prices that are, for reasons described below, artificially wide. For example, certain trading strategies result in a significant number of simple Stop (Stop-Loss) and Stop-Limit orders resting in the BZX Book and then being triggered simultaneously by a common event. The receipt of large quantities of market and limit orders on the same side of a series results in rapid removal of liquidity without opportunity for replenishment (and potential related triggers of risk protections). This results in potentially extreme or adverse execution prices as risk is re-evaluated by Market-Makers and quotes are replenished, typically within seconds of the start of the triggering event. Additionally, the Exchange has observed an increase in resting Stop (Stop-Loss) or Stop-Limit orders that are simultaneously triggered around the opening of the relevant trading session and trading at extremely wide price levels, up to Obvious Error prices. Similarly, Stop (Stop-Loss) and Stop-Limit orders may be triggered on a trade (rather than an NBBO update) that exhausts liquidity, causing the

¹⁷ The term "User" shall mean any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3. See Rule 1.5(cc) (definition of "User").

triggered order(s) to execute at the next available bid/offer, which may be at an extreme level, rather than affording the order the benefit of Drill-Through Price protection by displaying the order at the price of the triggering trade and iterating from there.

The Exchange now proposes rule changes designed to prevent trades at extreme or adverse price levels in such scenarios, when quotes are wide or when orders are removing liquidity in rapid succession. The Exchange proposes to amend Rule 21.17 to add a wide market protection mechanism that will leverage the existing iterative drill-through protection mechanism for certain orders when the NBBO is considered “wide” and will initiate a drill-through pause on applicable near-marketable inbound market or limit orders or elected Stop (Stop-Loss) or Stop-Limit orders which would either execute or post to the BZX Book at potentially extreme or adverse prices.

Specifically, the Exchange proposes to add new Rule 21.17(a)(6) to establish a wide market protection mechanism. Under proposed Rule 21.17(a)(6)(A), if (i) when the NBBO is “wide,” the System receives a buy (sell) order with a price that is more than a buffer amount above (below) the NBB (NBO) or (ii) a Stop (Stop-Loss) or Stop-Limit buy (sell) order is triggered and is priced more than a buffer amount above (below) the NBB (NBO) and the NBBO after the triggering event is “wide,” the order enters the BZX Book and is displayed at the Benchmark Price for an Exchange determined-amount of time (this time period will be considered the first drill-through iteration pursuant to updated Rule 21.17(a)(3)). If the order does not execute or there is any remaining size of the order following a partial execution, the order will continue the drill-through process pursuant to updated Rule 21.17(a)(3).

As set forth in proposed Rule 21.17(a)(6)(A), for purposes of the proposed subparagraph (6), the NBBO is “wide” if there is no NBO or the width of the NBBO for the series is equal to or greater than an amount the Exchange determines on a class-by-class basis and which is applied based on the NBB. Further, for a buy (sell) order, the Benchmark Price is the least aggressive price of (1) the NBB (NBO) plus (minus) a buffer amount determined by the Exchange on a class and premium basis;¹⁸ (2) the last trade price, if greater (less) than or equal to the NBB (NBO);¹⁹ or (3) the midpoint of the then-current NBBO. Consider the below examples.

Example #1, demonstrating eligibility of a Stop-Limit order for wide market protection

In this example, a buy Stop-Limit order is triggered, the NBBO after the triggering event is determined to be wide, and the limit price is more than a buffer amount above the NBB. Under the proposed rules, the order will be paused at the Benchmark Price and begin drill-through iteration. Assume for purposes of this example, the market will be considered wide pursuant to proposed Rule 21.17(a)(6)(A)(i) if the width of the NBBO for the series is equal to or greater than \$1.50. Further assume for this example, the buffer amount to determine limit order eligibility based on price is 80% of the width of NBBO.

Order 1: Stop-Limit Buy 5 contracts @ 3.33, Stop Price = \$2.30

MM1 Quote: 5 @ 1.95 x 5 @ 3.65

MM2 Quote: 5 @ 1.95 x 5 @ 2.30 (NBBO, not wide)

Order 2: Buy 5 @ 2.30

¹⁸ In a no-bid scenario for buy orders, the NBB will be considered as zero and the Benchmark Price will be calculated accordingly. In a no-offer scenario for sell orders, the NBO will not be used; the Benchmark Price will use the less aggressive of the last trade price or the NBB plus the buffer amount determined by the Exchange on a class-by-class basis.

¹⁹ If last trade price is worse than the NBO (NBB) it will not be used as a possible Benchmark Price.

Order 2 trades with MM2 Quote at 2.30; as a result, Order 1 is elected.

The resulting NBBO after the triggering event is 1.95 x 3.65 (i.e., NBBO width equal to \$1.70), which is considered wide, and Order 1 is triggered with a limit price of \$3.33, which is greater than the Exchange-determined buffer amount above the NBB (i.e., NBB of 1.95 + (NBBO width of 1.70 x 0.80 buffer) = 3.31). Thus, Order 1 is subject to the wide market protection mechanism.

Example #2, demonstrating determination of Benchmark Price

In this example, a buy Stop (Stop-Loss) order is triggered by a quote, the NBBO after the triggering event is determined to be wide, and the price is more than a buffer amount above the NBB. Under the proposed rules, the order will be paused at the Benchmark Price and begin drill-through iteration. Assume for purposes of this example, the market will be considered wide pursuant to proposed Rule 21.17(a)(6)(A)(i) if the width of the NBBO for the series is equal to or greater than \$1.50. Further assume for this example, the buffer amount to determine the order eligibility based on price is 80% of the width of NBBO and the buffer amount used in determining Benchmark Price is 0.75.

Order 1: Stop (Stop-Loss) Buy 5 @ 3.40, Stop Price = \$2.00

MM1 Quote: 5 @ 1.95 x 5 @ 3.75

MM2 Quote 5 @ 1.95 x 5 @ 2.30 (NBBO, not wide)

Order 2: Buy 5 @ 2.30

Order 2 trades with MM2 Quote at 2.30; as a result, Order 1 is elected.

The resulting NBBO after the triggering event is 1.95 x 3.75 (i.e., NBBO width equal to \$1.80), which is considered wide, and Order 1 is triggered with a price of \$3.40, which is greater than the Exchange-determined buffer amount above the NBB (i.e., NBB of

$1.95 + (\text{NBBO width of } 1.80 \times 0.80 \text{ buffer}) = 3.39$). Thus, Order 1 is subject to the wide market protection mechanism. The Benchmark Price is 2.30, determined as the least aggressive of:

- The NBB (1.95) plus a buffer amount determined by the Exchange on a class and premium basis (0.75): 2.70
- Last Trade Price: 2.30
- The midpoint of the then-current NBBO: 2.85

Thus, executions of Order 1 up to \$2.30 will be considered the initial drill-through iteration, as the order becomes subject to the Drill-Through Price protection mechanism under updated Rule 21.17(a)(3)(C).

The Exchange proposes to add Rule 21.17(a)(6)(B) to specify that the wide market protection mechanism will not apply during a pre-determined amount of time prior to the close of the Regular Trading Hours (“RTH”)²⁰ trading session (such time will be determined by the Exchange).²¹ This provides a final opportunity for market participants to utilize Stop (Stop-Loss) and Stop-Limit orders to exit positions if desired at the end of the trading session, in order to avoid unintended overnight risk.²²

The Exchange proposes to add Rule 21.17(a)(6)(C), which states that if an order would initiate the wide market protection while the drill-through process in the applicable series is in progress pursuant to updated Rule 21.17(a)(3), then the System does not initiate

²⁰ “Regular Trading Hours” means the time between 9:30 a.m. and 4:00 p.m. Eastern Time. See Rule 1.5(w).

²¹ During this time, the drill-through process will not be initiated by the wide market protection mechanism but may still apply pursuant to updated Rule 21.17(a)(3).

²² The Exchange notes that Rule 20.6(c), Obvious Errors, will continue to apply as it does today; there are no changes to the Obvious Error rules as a result of the proposed rule change.

the wide market protection and instead the order would join the ongoing drill-through as set forth in updated Rule 21.17(a)(3)(C)(iv). The Exchange also proposes to add Rule 21.17(a)(6)(D) to exclude bulk messages, Intermarket Sweep Orders (“ISOs”), Immediate-or-Cancel orders (“IOCs”), and M and N capacity orders from the wide market protection mechanism; and to note that the Exchange may apply the wide market protection on a class-by-class basis.

The Exchange also proposes to amend updated Rule 21.17(a)(4)(A)(ii) to exclude from the current protections for market orders in no-bid series certain orders that would be otherwise subject to wide market protection under the proposed rule changes. Currently, under updated Rule 21.17(a)(4)(A)(ii), if the System receives a sell market order in a series after it is open for trading with an NBB of zero, and the NBO in the series is greater than \$0.50, the System cancels or rejects the market order, except if a drill-through process (described in updated subparagraph (a)(3)) is in progress for sell orders in the series and the sell market order would be subject to the drill-through protection, then the order joins the ongoing drill-through process in the then-current iteration and at the then-current Drill-Through Price, regardless of NBBO. The Exchange proposes to amend updated Rule 21.17(a)(4)(A)(ii) to note that in the event the System receives a sell market order in a series after it is open for trading with an NBB of zero and the NBO in the series is greater than \$0.50, if the order is subject to wide market protection pursuant to proposed subparagraph (a)(6), then the order enters the BZX Book and is displayed at the Benchmark Price for an Exchange determined-amount of time (this time period will be considered the first drill-through iteration pursuant to updated subparagraph (a)(3)), with any remaining size continuing the drill-through process pursuant to updated subparagraph (a)(3).

Finally, the Exchange proposes to amend updated Rule 21.17(a)(4)(B) to exclude from the current protections for market orders in no-offer series certain orders that would be otherwise subject to wide market protection under the proposed rule changes or drill-through protections pursuant to updated Rule 21.17(a)(3). Currently under updated Rule 21.17(a)(4)(B), if the System receives a buy market order in a series after it is open for trading with an NBO of zero, the System cancels or rejects the market order. The Exchange proposes to amend updated Rule 21.17(a)(4)(B) to note that in the event the System receives a buy market order in a series after it is open for trading with an NBO of zero, if the order is subject to wide market protection pursuant to proposed subparagraph (a)(6), then the order enters the BZX Book and is displayed at the Benchmark Price for an Exchange determined-amount of time (this time period will be considered the first drill-through iteration pursuant to updated subparagraph (a)(3)), with any remaining size continuing the drill-through process pursuant to updated subparagraph (a)(3); or if a drill-through process (described in updated subparagraph (a)(3)) is in progress for buy orders in the series and the buy market order would be subject to the drill-through protection, then the order joins the ongoing drill-through process in the then-current iteration and at the then-current Drill-Through Price, regardless of NBBO.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.²³ Specifically, the Exchange believes the proposed rule change is consistent with the

²³ 15 U.S.C. 78f(b).

Section 6(b)(5)²⁴ 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)²⁵ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change to implement a wide market protection mechanism will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors, because it will provide applicable orders with additional and consistent execution opportunities and price protections. As noted above, the wide market protection mechanism is effectively an extension of the Exchange's current Drill-Through Price protection, of which the primary purpose is to prevent orders from executing at prices "too far away" from the market when they enter the BZX Book for potential execution. The Exchange believes the proposed rule change is consistent with this purpose, because Users who submit applicable orders or have orders triggered in markets that are wider than expected, possibly due to wide quotes or orders removing

²⁴ 15 U.S.C. 78f(b)(5).

²⁵ Id.

liquidity in rapid succession, will receive price protection against execution at potentially extreme or adverse prices and additional execution opportunities.

Further, the proposed rule change to leverage the existing iterative drill-through protection mechanism for certain orders when the NBBO is considered “wide” allows these orders to receive the same level of price protection as other orders otherwise subject to the drill-through process. The proposed rule change will allow orders in wide markets additional execution opportunities while continuing to protect them against execution at potentially extreme prices, by providing the opportunity for execution at reasonable prices by allowing for liquidity replenishment that may result in more aggressive prices, especially during times when liquidity may require additional time to replenish, such as near the beginning of a trading session.

The Exchange believes the proposal will enhance risk protections, the individual firm benefits of which flow downstream to counterparties both at the Exchange and at other options exchanges, which increases systemic protections as well. The Exchange believes enhancing risk protections will allow Users to enter orders, including Stop (Stop-Loss) and Stop-Limit orders, and quotes with further reduced fear of inadvertent exposure to excessive risk, which will benefit investors through increased exposure to liquidity for the execution of their orders.

The Exchange also believes the proposed changes regarding the application of the wide market protection mechanism during Exchange trading sessions will protect investors, as the proposed application allows market participants a final opportunity to utilize Stop (Stop-Loss) and Stop-Limit orders to exit positions if desired at the end of the relevant trading session, in order to avoid unintended overnight risk. Further, the proposed changes

add transparency to the rules regarding the wide market protection functionality and provide greater certainty as to the application of the process.

Additionally, the Exchange believes changes to specifically exclude bulk messages, ISOs, and IOCs from the wide market protection mechanism (similar to the Drill-Through Price protection mechanism) are reasonable and appropriate, given the iterative pricing process would be inconsistent with the orders instruction (and thus the user's intent). The proposed change to exclude all M and N capacity orders is designed to ensure consistency across all potential types of Market-Maker orders. The Exchange believes the proposed change to exclude all M and N capacity orders from the wide market protection is reasonable, as Market-Makers are positioned to observe and subsequently address wide market scenarios, by tightening the NBBO with an order or quote.

The Exchange also believes the proposed change to clarify that the System will not initiate the wide market protection while a drill-through process in the applicable series is in progress is reasonable, as it will bring transparency and clarity to the rulebook regarding how the wide market protection mechanism interacts with the Drill-Through Price protection mechanism, to the benefit of investors. This proposed change is consistent with current drill-through functionality, where incoming orders that enter the BZX Book while the drill-through is in progress and that would be subject to the drill-through protection join the on-going drill-through process.²⁶

Additionally, the Exchange believes changes to specifically exclude from the current protections for market orders in no-bid (offer) series certain orders that would

²⁶ See updated Rule 21.17(a)(3)(C)(iv).

otherwise be subject to wide market protection will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors. Specifically, the Exchange believes the change to exclude from the current protections for market orders in no-bid (offer) series certain orders that would otherwise be subject to wide market protection may allow opportunity for execution than if they were immediately canceled or rejected. This proposed rule change may increase execution opportunities for Users that submit sell market orders with an NBB of zero when the NBO in the series is greater than \$0.50 (in the case of market orders in no-bid series protections) or buy market orders with an NBO of zero while still providing protection against executions at potentially erroneous prices. Similarly, the Exchange believes the change to allow buy market orders received by the System when the NBO is zero to be subject to the drill-through process is reasonable, as it may allow opportunity for execution of such orders, rather than if they were immediately canceled or rejected. This change aligns market order in no-bid (offer) series protection for Users that submit sell market orders with an NBB of zero when the NBO in the series is greater than \$0.50 (in the case of market orders in no-bid series protections) with how the Exchange will handle buy market orders with an NBO of zero.

Finally, the Exchange believes the proposed change to apply the wide market protection on a class-by-class basis is reasonable, as classes may have different trading characteristics or may be affected differently by market conditions. The proposal will provide the Exchange with flexibility to apply wide market protections in a manner which accounts for material differences across option classes, thereby enhancing investor protection while minimizing unnecessary market disruption. Further, the Exchange

believes the proposed changes are not unfairly discriminatory, as wide market protection applies uniformly to all market participants within each class. This approach is consistent with the Exchange's existing practice of applying certain other order and quote price protection and risk controls, such as the limit order fat finger check for simple orders,²⁷ on a class-by-class basis where product characteristics warrant differential treatment in regard to risk protections.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the wide market protection functionality will apply to all applicable orders in a class in the same manner. Additionally, it will provide the same price protection and execution opportunities to relevant orders that are currently provided to orders that are subject to the Drill-Through Price protection process, as the wide market protection mechanism is effectively an extension of the Exchange's current Drill-Through Price protection. As noted above, the Exchange believes it is not unfairly discriminatory to apply this protection on a class-by-class basis, as wide market protection applies uniformly to all market participants within each class. This approach is consistent with the Exchange's existing practice of applying certain other order and quote price protection and risk controls, such as the limit order fat finger check for simple

²⁷ See Rule 21.17(c)(1).

orders,²⁸ on a class-by-class basis where product characteristics warrant differential treatment in regard to risk protections.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as the proposed rule change relates specifically to price protections offered on the Exchange and how the System handles orders as part of these price protection mechanisms. The proposed wide market protection mechanism expands the current Drill-Through Price protection mechanism and provides relevant orders with improved protection against execution at potentially extreme or adverse prices through Drill-Through Price protection.

The Exchange believes the proposed rule change would ultimately provide all market participants with additional execution opportunities when appropriate while providing protection from extreme or adverse execution. The Exchange believes the proposal will enhance risk protections, the individual firm benefits of which flow downstream to counterparties both at the Exchange and at other options exchanges, which increases systemic protections as well. The Exchange believes enhancing risk protections will allow Users to enter orders, including Stop (Stop-Loss) and Stop-Limit orders, and quotes with further reduced fear of inadvertent exposure to excessive risk, which will benefit investors through increased exposure to liquidity for the execution of their orders. Without adequate risk management tools, Trading Permit Holders could reduce the amount of order flow and liquidity they provide. Such actions may undermine the quality of the markets available to customers and other market participants.

²⁸ See Rule 21.17(c)(1).

Accordingly, the proposed rule change is designed to encourage Trading Permit Holders to submit additional order flow and liquidity to the Exchange. The proposed change may similarly provide additional execution opportunities, which further benefits liquidity, especially during times when liquidity may require additional time to replenish, such as near the beginning of a trading session. Additionally, as discussed above, the Exchange's affiliated exchange, Cboe Exchange, recently implemented rule changes adopting a substantially similar wide market protection mechanism.²⁹ Thus, the proposed rule change will also align the rules of the Exchange with that of its affiliated exchange, Cboe Exchange.

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 Act³⁰ and Rule 19b-4(f)(6)³¹ thereunder. At any time within

²⁹ See Securities Exchange Act Release No. 34-104245 (November 24, 2025), 90 FR 54806 (November 28, 2025) (SR-CBOE-2025-081). See also Securities Exchange Act Release No. 34-104435 (December 17, 2025), 90 FR 59890 (December 22, 2025) (SR-CBOE-2025-091).

³⁰ 15 U.S.C. 78s(b)(3)(A).

³¹ 17 CFR 240.19b-4(f)(6).

60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-CboeBZX-2026-030 on the subject line.

Paper Comments:

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

All submissions should refer to file number SR-CboeBZX-2026-030. 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-CboeBZX-2026-030 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.³²

Sherry R. Haywood,

Assistant Secretary.

³² 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

Rules of Cboe BZX Exchange, Inc.

* * * * *

Rule 21.17. Additional Price Protection Mechanisms and Risk Controls

The System's acceptance and execution of orders, quotes, and bulk messages, as applicable, are subject to the price protection mechanisms and risk controls in Rule 21.16, this Rule 21.17 and as otherwise set forth in the Rules. All numeric values established by the Exchange pursuant to this Rule will be maintained by the Exchange in publicly available specifications and/or published in a Regulatory Circular. Unless otherwise specified the price protections set forth in this Rule, including the numeric values established by the Exchange, may not be disabled or adjusted. The Exchange may share any of a User's risk settings with the Clearing Member that clears transactions on behalf of the User.

(a) *Simple Orders.*

(1) – (2) No Change.

(3) *Drill-Through Price Protection.*

(A)[1] If a buy (sell) order enters the BZX Options Book at the conclusion of the opening auction process or would execute or post to the BZX Options Book when it enters the Book, the System executes the order up to a buffer amount (the Exchange determines the buffer amount on a class and premium basis) above (below) the offer (bid) limit of the Opening Collar or the NBO (NBB) that existed at the time of entry into the Book, respectively (the "Drill-Through Price").

(B)[2] The System cancels or rejects any market order with a Time-in-Force of IOC (or unexecuted portion) or limit order with a Time-in-Force of IOC or FOK (or unexecuted portion) not executed pursuant to subparagraph (1).

(C)[3] The System enters a market order with a Time-in Force of Day or limit order with a Time-in-Force of Day, GTC, or GTD (or unexecuted portion) not executed pursuant to subparagraph (1) in the BZX Options Book with a displayed price equal to the Drill-Through Price, unless the terms of the order instruct otherwise.

(i)[A] The order (or unexecuted portion) rests in the BZX Options Book at the drill-through price for the duration of consecutive time periods (the Exchange determines on a class-by-class basis the length of the time period in milliseconds, which may not exceed three seconds) (each time period is referred to as an "iteration").

(ii[B]) Following the end of each period, the System adds (if a buy order) or subtracts (if a sell order) one buffer amount (the Exchange determines the buffer amount on a class-by-class basis) to the Drill-Through Price displayed during the preceding period (each new price becomes the “Drill-Through Price”). The order (or unexecuted portion) rests in the Book at that new drill-through price during the subsequent period. If at any time during this process, the NBO (NBB) changes to be below (above) the current drill-through price, such NBO (NBB) will become the new drill-through price for sell (buy) orders, and a new iteration will immediately begin. Any buy (sell) limit order with a price that is less (greater) than the new drill-through price will be entered in the Book at its limit price.

(iii[C]) The System applies a timestamp to the order (or unexecuted portion) based on the time it enters or is re-priced in the Book for priority purposes.

(iv[D]) If a market or limit order in a series enters the Book while the drill-through process is in progress in that series and would be subject to the drill-through protection, the order joins the ongoing drill-through process in the then-current iteration and at the then-current drill-through price.

(v[E]) The System prioritizes orders that are part of the same drill-through iteration (A) based on the time the System enters or reprices them in the Book (i.e., in time priority) when, after an iteration, the new drill-through price makes the order(s) marketable against resting orders and (B) in accordance with the applicable base allocation algorithm when executing against any incoming interest.

(vi[F]) The order continues through this process until the earliest of the following to occur: (a) the order fully executes; (b) the User cancels the order; and (c) the buy (sell) order’s limit price is less (greater) than the drill-through price at any time during application of the drill-through mechanism, in which case the order rests in the Book at its limit price.

(vii[G]) If an order(s) (or unexecuted portion(s)) is undergoing the drill-through process at the end of its last eligible trading session for that trading day (i.e., RTH), the drill-through process concludes. Any order (or unexecuted portion) with a Time-in-Force of (i) Day is canceled, and (ii) GTC or GTD enters the Queuing Book for the next eligible trading session as a market order or limit order (at its limit price).

(D[4]) This protection does not apply to bulk messages or ISOs.

(E[5]) If multiple Stop (Stop-Loss) or Stop-Limit orders to buy (sell) are triggered by the same trade price or NBBO, and would execute or post to the Book, the “drill-through price” for each order for purposes of subparagraph (A) above is

equal to the contra-side NBBO that existed at the time the first order was triggered. Where multiple orders are simultaneously re-priced, the orders will be prioritized under subparagraph (3)(E) of this Rule and will be sequenced based on the original time each order was entered into the Book.

(4) *Market Orders In No-Bid (Offer) Series.*

(A[1]) If the System receives a sell Market Order in a series after it is open for trading with an NBB of zero:

(i[A]) if the NBO in the series is less than or equal to \$0.50, then the System converts the Market Order to a Limit Order with a limit price equal to the minimum trading increment applicable to the series and enters the order into the BZX Options Book with a timestamp based on the time it enters the Book. If the order has a Time-in-Force of GTC or GTD that expires on a subsequent day, the order remains on the Book as a Limit Order until it executes, expires, or the User cancels it.

(ii[B]) if the NBO in the series is greater than \$0.50, then the System cancels or rejects the market order, except if:

(a) the order is subject to wide market protection pursuant to subparagraph (a)(6), then the order enters the Book and is displayed at the Benchmark Price for an Exchange determined-amount of time (this time period will be considered the first drill-through iteration pursuant to subparagraph (a)(3)), with any remaining size continuing the drill-through process pursuant to subparagraph (a)(3); or

(b) a drill-through process (described in subparagraph (a[d])(3)) is in progress for sell orders in the series and the sell market order would be subject to the drill-through protection, then the order joins the ongoing drill-through process in the then-current iteration and at the then-current drill-through price, regardless of NBBO.

(B[2]) If the System receives a buy market order in a series after it is open for trading with an NBO of zero, the System cancels or rejects the market order, except if:.

(i) the order is subject to wide market protection pursuant to subparagraph (a)(6), then the order enters the Book and is displayed at the Benchmark Price for an Exchange determined-amount of time (this time period will be considered the first drill-through iteration pursuant to subparagraph (a)(3)), with any remaining size continuing the drill-through process pursuant to subparagraph (a)(3); or

(ii) a drill-through process (described in subparagraph (a)(3)) is in progress for buy orders in the series and the buy market order would be subject to the drill-through protection, then the order joins the ongoing drill-through

process in the then-current iteration and at the then-current drill-through price, regardless of NBBO.

(C[3]) This protection does not apply to bulk messages.

(5) No Change.

(6) Wide Market Protection.

(A) If (i) when the NBBO is “wide,” the System receives a buy (sell) order with a price that is more than a buffer amount above (below) the NBB (NBO) or (ii) a Stop (Stop-Loss) or Stop-Limit buy (sell) order is triggered and is priced more than a buffer amount above (below) the NBB (NBO) and the NBBO after the triggering event is “wide,” the order enters the Book and is displayed at the Benchmark Price for an Exchange determined-amount of time (this time period will be considered the first drill-through iteration pursuant to Rule 21.17(a)(3)). Any remaining size will continue the drill-through process pursuant to Rule 21.17(a)(3). For purposes of this subparagraph (6):

(i) the NBBO is “wide” if there is no NBO or the width of the NBBO for the series is equal to or greater than an amount the Exchange determines on a class-by-class basis and which is applied based on the NBB; and

(ii) for a buy (sell) order, the Benchmark Price is the least aggressive price of:

(a) the NBB (NBO) plus (minus) a buffer amount determined by the Exchange on a class and premium basis;

(b) the last trade price, if greater (less) than or equal to the NBB (NBO); or

(c) the midpoint of the then-current NBBO.

(B) The wide market protection mechanism will not apply during a predetermined amount of time prior to the close of the RTH trading session (such time will be determined by the Exchange).

(C) If an order would initiate the wide market protection as set forth in subparagraph (A) while the drill-through process in the applicable series is in progress pursuant to Rule 21.17(a)(3), then the System does not initiate the wide market protection and instead the order would join the ongoing drill-through as set forth in Rule 21.17(a)(3)(C)(iv).

(D) This protection does not apply to bulk messages, ISOs, IOCs, and M and N capacity orders. The Exchange may apply this protection on a class-by-class basis.

* * * * *