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Page 1 of * 54		SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No. * SR 2026 - * 004 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 checked="" type="checkbox"/>		Section 19(b)(3)(A) * <input 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 type="checkbox"/> 19b-4(f)(6)	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>		
Exhibit 2 Sent As Paper Document <input type="checkbox"/>			Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
<b>Description</b> Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div>The Exchange proposes to amend the Opening Auction Process provided under Rule 11.23.</div>					
<b>Contact Information</b> 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 * Kyla Last Name * Vick Title * Senior Counsel E-mail * kvick@cboe.com Telephone * (312) 833-2986 Fax					
<b>Signature</b> 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 01/08/2026 (Title *) By Matthew Iwamaye VP, Associate General Counsel (Name *) <div>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.</div> <div>Matthew Iwamaye Date: 2026.01.08 11:36:13 -06'00'</div>					

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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26-004 19b-4 (Opening Auction Revis

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

**Exhibit 1 - Notice of Proposed Rule Change \***

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26-004 Exhibit 1 (Opening Auction Re

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

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

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

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

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

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Exhibit Sent As Paper Document

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

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

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Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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26-004 Exhibit 5 (Opening Auction Re

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

**Partial Amendment**

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

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

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Exchange Act” or the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> Cboe BZX Exchange, Inc. (“BZX” or the “Exchange”) is filing with the Securities and Exchange Commission (“Commission” or “SEC”) a proposal to amend the Opening Auction Process provided under Rule 11.23(b)(2)(B) to delay the Opening Auction under certain market conditions in order to improve price discovery and allow executions to occur at prices that better reflect current market conditions. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

**Item 2. Procedures of the Self-Regulatory Organization**

(a) The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on January 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 Kyla Vick, (312) 833-2986 Cboe BZX Exchange, Inc., 433 West Van Buren Street, Chicago, Illinois 60607.

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

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

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

(a) Purpose

The Exchange proposes to amend Rule 11.23(b)(2)(B) to delay the Opening Auction under certain market conditions to improve price discovery and allow executions to occur at prices that better reflect current market conditions. Specifically, as proposed, the Rule would provide that when (1) there is a Valid National Best Bid and Offer (“NBBO”)<sup>3</sup> but the Indicative Price<sup>4</sup> is outside the Collar Price Range<sup>5</sup> established using

<sup>3</sup> As provided in Rule 11.23(a)(23), a NBBO is a Valid NBBO where: (i) there is both a NBB and NBO for the security; (ii) the NBBO is not crossed; and (iii) the midpoint of the NBBO is less than the Maximum Percentage away from both the NBB and the NBO. See Exchange Rule 11.23(a)(23). The Maximum Percentage will vary depending on the price of the NBBO midpoint. Currently, the Maximum Percentages are as follows: for a NBBO midpoint price less than or equal to \$25, the Maximum Percentage is 5%; for a NBBO midpoint price greater than \$25 but less than or equal to \$50, the Maximum Percentage is 2.5%; for a NBBO midpoint price greater than \$50, the Maximum Percentage is 1.5%. See Section 1.5 (Definitions) of the US Equities Auction Process at [https://cdn.cboe.com/resources/membership/Cboe\\_US\\_Equities\\_Auction\\_Process.pdf](https://cdn.cboe.com/resources/membership/Cboe_US_Equities_Auction_Process.pdf).

<sup>4</sup> The term “Indicative Price” shall mean the price at which the most shares from the Auction Book and the Continuous Book would match. In the event of a volume based tie at multiple price levels, the Indicative Price will be the price which results in the minimum total imbalance. In the event of a volume based tie and a tie in minimum total imbalance at multiple price levels, the Indicative Price will be the price closest to the Volume Based Tie Breaker. See Exchange Rule 11.23(a)(10). The term “Volume Based Tie Breaker” shall mean the midpoint of the NBBO for a particular security where the NBBO is a Valid NBBO. A NBBO is a Valid NBBO where: (i) there is both a NBB and NBO for the security; (ii) the NBBO is not crossed; and (iii) the midpoint of the NBBO is less than the Maximum Percentage away from both the NBB and the NBO. The Maximum Percentage will be determined by the Exchange and will be published in a circular distributed to Members with reasonable advance notice prior to initial implementation and any change thereto. Where the NBBO is not a Valid NBBO, the price of the Final Last Sale Eligible Trade will be used. See Exchange Rule 11.23(a)(23).

<sup>5</sup> The term “Collar Price Range” shall mean the range from a set percentage below the Collar Midpoint (as defined below) to above the Collar Midpoint, such set percentage being dependent on the value of the Collar Midpoint at the time of the auction, as described below. The Collar Midpoint will be the Volume Based Tie Breaker for all applicable auctions, except for IPO Auctions in ETPs (as defined in Rule 11.8, Interpretation and Policy .02(d)(2)), for which the Collar Midpoint will be the issue price. Specifically, the Collar Price Range will be determined as follows: where the Collar Midpoint is \$25.00 or less, the Collar Price Range shall be the range from 10% below the Collar Midpoint to 10% above the Collar Midpoint; where the Collar Midpoint is greater than \$25.00 but less than or equal to \$50.00, the Collar Price Range shall be the range from 5% below the Collar Midpoint to 5% above the Collar Midpoint; and where the Collar Midpoint is greater than \$50.00, the Collar Price Range shall be the range from 3% below the Collar Midpoint to 3% above the Collar Midpoint. See Exchange Rule 11.23(a)(6).

the NBBO (the “NBBO-established Collar Price Range”) or (2) there is no Valid NBBO and the Indicative Price is outside the Collar Price Range established using the Final Last Sale Eligible Trade (“FLSET”)<sup>6</sup> (the “FLSET-established Collar Price Range”), the Opening Auction will be delayed until market conditions improve or the delay period has lapsed, as further described below. In addition to these changes above, the Exchange proposes to amend the definition of “BZX Official Opening Price” to allow odd lot trades to set the BZX Official Opening Price.

The Exchange notes that the official opening price disseminated by the primary listing market (such as the BZX Official Opening Price)<sup>7</sup> provides market participants valuable information that is typically used to calculate the initial limit up-limit down (“LULD”) price bands<sup>8</sup> and also may serve as the basis for trading strategies for that

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<sup>6</sup> The term “Final Last Sale Eligible Trade” shall mean the last round lot trade occurring during Regular Trading Hours on the Exchange if the trade was executed within the last one second prior to either the Closing Auction or, for Halt Auctions, trading in the security being halted. Where the trade was not executed within the last one second, the last round lot trade reported to the consolidated tape received by the Exchange during Regular Trading Hours and, where applicable, prior to trading in the security being halted will be used. If there is no qualifying trade for the current day, the BZX Official Closing Price from the previous trading day will be used. See Exchange Rule 11.23(a)(9). As noted in the definition of Final Last Sale Eligible Trade, if no qualifying trade occurs on the current day, the BZX Official Closing Price from the previous day will be used. Under Rule 11.23(c)(2)(B)(ii), the BZX Official Closing Price may, in certain circumstances, be determined using the time-weighted average price of the NBBO midpoint measured over the last five minutes of Regular Trading Hours. Consequently, both the BZX Official Closing Price and the Final Last Sale Eligible Trade may be determined based on a time-weighted average price calculation rather than an actual trade.

<sup>7</sup> The term “BZX Official Opening Price” shall mean the price disseminated to the consolidated tape as the market center opening trade. See Exchange Rule 11.23(a)(5).

<sup>8</sup> The LULD Plan to Address Extraordinary Market Volatility (the “LULD Plan”) provides for a market-wide LULD mechanism intended to address extraordinary market volatility in NMS Stocks, as defined in Rule 600(b)(55) of Regulation NMS under the Exchange Act. The LULD Plan sets forth procedures that provide for market-wide LULD requirements to prevent trades in individual NMS Stocks and from occurring outside the specified LULD price bands”.

trading day.<sup>9</sup> The Exchange believes the proposal will result in 1) fewer LULD Halts due to LULD bands that are based on a stale price (i.e., the BZX Official Closing Price); and 2) more accurate Collar Price Ranges that are based on current market conditions rather than the BZX Official Closing Price. The Exchange believes the benefit of allowing crossed auction interest to execute at the price that better reflects market conditions for a given security, outweighs any minimal and finite delay in the dissemination of the BZX Official Opening Price and LULD price bands. As such, the Exchange believes that this proposal strikes an appropriate balance by providing additional time for the Opening Auction Process to facilitate more meaningful price formation that better reflects current market conditions for BZX-listed securities, while limiting any delay to ensure the BZX Official Opening Price is still reported to the Securities Information Processor (“SIP”)<sup>10</sup> by 9:35 a.m. and used to set the LULD price bands.

*Background – Current Opening Auction Process*

As noted above, the Exchange proposes to amend its Opening Auction Process to allow, under limited circumstances, a delay that would enable additional information to be incorporated into the determination of the Opening Auction price. Currently, Rule 11.23(b)(2)(B) sets forth the process by which the BZX Official Opening Price is determined for BZX-listed securities during the Opening Auction Process (hereinafter referred to as the “Standard Opening Process”). Specifically, as currently provided in Rule 11.23(b)(2)(B), the Opening Auction price will be the price level within the Collar

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<sup>9</sup> The Exchange further notes that the official opening price is not as important or time sensitive as the official closing price disseminated by the primary listing market, which is used for the pricing and valuation of certain indices, funds and derivative products.

<sup>10</sup> The SIP links the U.S. markets by processing and consolidating all protected bid/ask quotes and trades from every trading venue into a single data feed.

Price Range that maximizes the number of shares executed between the Continuous Book<sup>11</sup> and Auction Book<sup>12</sup> in the Opening Auction. In the event of a volume based tie at multiple price levels, the Opening Auction price will be the price which results in the minimum total imbalance. In the event of a volume based tie and a tie in minimum total imbalance at multiple price levels, the Opening Auction price will be the price closest to the Volume Based Tie Breaker.<sup>13</sup>

The Collar Price Range for an Opening Auction is the range from a set percentage below the Collar Midpoint (which is generally the Volume Based Tie Breaker) to above the Collar Midpoint.<sup>14</sup> The Collar Midpoint (and Volume Based Tie Breaker) will be the midpoint of the NBBO where there is a Valid NBBO. Where there is no Valid NBBO, the FLSET will be used as the Collar Midpoint (and Volume Based Tie Breaker).

### Proposal

The Exchange notes, however, that because the FLSET<sup>15</sup> is typically based on the most recent execution in a security during Regular Trading Hours,<sup>16</sup> its value may be significantly away from the Indicative Price at the time of the Opening Auction

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<sup>11</sup> The term “Continuous Book” shall mean all orders on the BZX Book that are not Eligible Auction Orders. See Exchange Rule 11.23(a)(7).

<sup>12</sup> The term “Auction Book” shall mean all Eligible Auction Orders on the BZX Book. See Exchange Rule 11.23(a)(1).

<sup>13</sup> The term “Volume Based Tie Breaker” shall mean the midpoint of the NBBO for a particular security where the NBBO is a Valid NBBO. A NBBO is a Valid NBBO where: (i) there is both a NBB and NBO for the security; (ii) the NBBO is not crossed; and (iii) the midpoint of the NBBO is less than the Maximum Percentage away from both the NBB and the NBO. The Maximum Percentage will be determined by the Exchange and will be published in a circular distributed to Members with reasonable advance notice prior to initial implementation and any change thereto. Where the NBBO is not a Valid NBBO, the price of the Final Last Sale Eligible Trade will be used. See Exchange Rule 11.23(a)(23).

<sup>14</sup> Supra note 5.

<sup>15</sup> Supra note 6.

<sup>16</sup> See Exchange Rule 1.5(w).

Process.<sup>17</sup> As a result, the Exchange has observed instances where auction eligible orders priced in-line with the Indicative Price were not executed in the Opening Auction because they were outside the FLSET-established Collar Price Range. Based on analysis by the Exchange and feedback from market participants, certain of these instances prevented orders from executing in the Opening Auction at prices that would have been acceptable to both parties.

To address the circumstances described, above, the Exchange is proposing to change its Opening Auction process in circumstances where the Indicative Price is outside the Collar Price Range – whether an FLSET-established Collar Price Range or NBBO-established Collar Price Range. The proposal is designed to prevent the cancellation of auction eligible orders priced equally or more aggressively than the Indicative Price, which the Exchange believes will result in Opening Auctions that occur at a price that better reflects current market conditions. The proposed process follows the general framework of the LULD re-opening process provided under existing Exchange Rules.<sup>18</sup>

The Exchange proposes to modify the definition of BZX Official Opening Price in Rule 11.23(a)(5). Existing Rule 11.23(a)(5) provides that the term “BZX Official Opening Price” shall mean the price disseminated to the consolidated tape as the market center opening trade.<sup>19</sup> Based on this rule text, the Exchange currently allows only round-

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<sup>17</sup> The Exchange notes that such price differences may be particularly exacerbated for leveraged exchange-traded products (“ETPs”).

<sup>18</sup> See Exchange Rule 11.23(d)(2)(C).

<sup>19</sup> Market center opening trade is a term that is consistent with a sale condition set forth in the Consolidated Tape System (“CTS”) participant input binary specification document. See e.g., [CTS Input Specification](#). The market center opening trade sale condition requires a round-lot execution.



lot trades to set the BZX Official Opening Price. The Exchange now proposes to revise the definition to provide that the term “BZX Official Opening Price” shall mean the price disseminated to the consolidated tape as the market center official open (rather than market center opening trade). This change would align the Exchange’s terminology with the terms used in specification documents related to the Consolidated Tape System Participation Input Binary Specification (“CTS SIP”)<sup>20</sup> and would encompass both odd-lot and round-lot executions. The proposed change would allow the Exchange to determine the BZX Official Opening Price by execution of either a round-lot or an odd-lot trade in the Opening Auction. The Exchange believes it is important to allow an odd-lot execution in the Opening Auction to set the BZX Official Opening Price because such a price would better reflect current market conditions.

The Exchange also proposes to expand the definition of BZX Official Opening Price to provide that the BZX Opening Auction price shall be the BZX Official Opening Price for issues that participate in the BZX Opening Auction. In the event there is no Opening Auction for an issue, the BZX Official Opening Price will be the price of the Final Last Sale Eligible Trade. This additional language is being moved from existing Rule 11.23(b)(2)(B) to more clearly explain how the BZX Official Opening Price is determined. The Exchange does not propose to move (and therefore proposes to eliminate) the portion of existing Rule 11.23(b)(2)(B) that provides that the FLSET will be the previous BZX Official Closing Price, because as proposed an FLSET may occur between 9:30:00 and 9:34:30, as described further below.

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<sup>20</sup> “Market Center Official Open” indicates the official opening value as determined by a market center for purposes of the Consolidated Tape System (“CTS”) participant input binary specification document. See e.g., [CTS Input Specification](#).

Next, as the proposal would allow the Opening Auction to occur later than 9:30 a.m. ET in certain circumstances, the Exchange also proposes to modify Rules 11.23(b)(1)(A) and (B) to reflect this variable timing. Specifically, as amended Rule 11.23(b)(1)(A) would state that Users may submit orders to the Exchange as set forth in Rule 11.1. Any Eligible Auction Orders designated for the Opening Auction will be queued for participation in the Opening Auction. Users may submit limit-on-open (“LOO”) and market-on-open (“MOO”) orders until 9:28 a.m., at which point any additional LOO and MOO orders submitted to the Exchange will be rejected. Regular Hours Only<sup>21</sup> (“RHO”) market orders will also be rejected from 9:28 a.m. until the Opening Auction has concluded. Users may submit late-limit-on-open<sup>22</sup> (“LLOO”) orders from 9:28 a.m. until the Opening Auction has concluded. Any LLOO orders submitted before 9:28 a.m. or after the Opening Auction has concluded will be rejected. RHO limit orders submitted from 9:28 a.m. until the Opening Auction has concluded will be treated as LLOO orders.<sup>23</sup> Any portion of such order that remains unexecuted after the Opening Auction concludes will revert to RHO limit order treatment. As amended, Rule 11.23(b)(1)(B) would state that Eligible Auction Orders designated for the Opening Auction may not be cancelled or modified from 9:28 a.m. until the Opening Auction has concluded except that RHO limit orders designated for the Opening Auction may be modified, but not cancelled, from 9:28 a.m. until the time the Opening Auction has concluded. Any such RHO limit orders modified from 9:28 a.m. until the Opening Auction has concluded will be treated as

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<sup>21</sup> See Exchange Rule 11.9(b)(7).

<sup>22</sup> See Exchange Rule 11.23(a)(12).

<sup>23</sup> Consistent with Rule 11.1, Continuous book orders (i.e., Day orders) may continue to be submitted after 9:28 a.m. as trading may occur on the continuous book.

LLOO orders until the Opening Auction has concluded. Any portion of such order that remains unexecuted after the Opening Auction concludes will revert to RHO limit order treatment.

Proposed Rule 11.23(b)(2)(B)(i) would set forth the “Standard Opening Process” as described above and currently provided for in existing Rule 11.23(b)(2)(B). However, the Standard Opening Process would only apply if the conditions of proposed Rule 11.23(b)(2)(B)(i) or (ii) are met. Specifically, the Opening Auction price will be established pursuant to the Standard Opening Process if (i) there is a Valid NBBO and the Indicative Price is within the NBBO-established Collar Price Range, or (ii) there is no Valid NBBO and the Indicative Price is within the FLSET-established Collar Price Range.

Proposed Rule 11.23(b)(2)(B)(iii) would delay the Opening Auction and set forth an alternative Opening Auction Process in subparagraphs (a) and (b), as discussed below, if the conditions in proposed Rules 11.23(b)(2)(B)(i) or (ii) are not met.

*(a) Initial Five-Second Delay Period (9:30:00 - 9:30:05)*

The System will check every second from 9:30:00 to 9:30:05 to determine whether (1) there is a Valid NBBO and the Indicative Price is within the NBBO-established Collar Price Range, or (2) there is no Valid NBBO and the Indicative Price is within the FLSET-established Collar Price Range. If either condition is met during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

If, during any one-second check, there is no Indicative Price (i.e., there is no longer crossed interest), the Opening Auction would occur immediately pursuant to

proposed Rule 11.23(2)(B)(v), which provides that the BZX Official Opening Price will be the price of the FLSET.

*(b) Collar Widening and Extended Delay Period (9:30:05 - 9:34:30)*

If the Opening Auction has not occurred by 9:30:05, the System will widen the Collar Price Range in the direction of the Indicative Price by 5% of the Volume Based Tie Breaker<sup>24</sup> as of 9:30:05 a.m. (the “Widening Amount”).<sup>25</sup> The Volume Based Tie Breaker will be locked in at 9:30:05 and will be used for all subsequent collar widenings. If the Indicative Price is within the widened Collar Price Range, the Opening Auction price will be established pursuant to the Standard Opening Auction Process. If the Indicative Price is not within the widened Collar Price Range, the Opening Auction will be further delayed, as discussed below.

Proposed Rules 11.23(b)(2)(B)(iii)(b)(1) through (4) would set forth the delay of the Opening Auction if no auction occurred between 9:30:05 and 9:34:30. Specifically, the proposed Rules would provide:

(1) The System will check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:30:05 and 9:30:30 a.m. If the Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

(2) If by 9:30:30 a.m. the Indicative Price is not within the widened Collar Price Range, the Collar Price Range will again widen by the Widening Amount (based on the

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<sup>24</sup> As referenced in the definition of Volume Based Tie Breaker, if there is no Valid NBBO, the FLSET will be used as the Volume Based Tie Breaker. See Exchange Rule 11.23(a)(23).

<sup>25</sup> The Exchange notes that Widening Amount will be locked-in as of 9:30:05 and will not change between 9:30:05 and 9:34:30 even in the event that a round lot trade (i.e., a FLSET) reported to the consolidated tape after that 9:30:05.

locked-in 9:30:05 Volume Based Tie Breaker). The System will check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:30:30 and 9:31:30 a.m. If an Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

(3) If by 9:31:30 a.m. the Indicative Price is not within the widened Collar Price Range, the Collar Price Range will again widen by the Widening Amount. The System will check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:31:30 and 9:32:30 a.m. If an Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

(4) If by 9:32:30 a.m. the Indicative Price is not within the widened Collar Price Range, the Collar Price Range will again widen by the Widening Amount. The System will check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:32:30 and 9:33:30 a.m. If an Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

(5) If by 9:33:30 a.m. the Indicative Price is not within the widened Collar Price Range, the Collar Price Range will again widen by the Widening Amount. The System will check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:33:30 and 9:34:30 a.m. If an Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

(6) If no Opening Auction has occurred by 9:34:30 a.m., the Opening Auction will occur pursuant to the Standard Opening Auction Process using the expanded Collar Price Range as of 9:34:30.

The Exchange notes that if, during any one-second check after 9:30:05, there is no longer an Indicative Price (i.e., there is no longer crossed interest), the Opening Auction would occur immediately pursuant to proposed Rule 11.23(2)(B)(v).<sup>26</sup> The Exchange is proposing to stop extending the Opening Auction Process at 9:34:30 a.m. in part to ensure that the Exchange is able to disseminate the BZX Official Opening Price with sufficient time to be used in the determination of the opening price<sup>27</sup> pursuant to the Plan to Address Extraordinary Market Volatility (the “LULD Plan”), from which the reference price<sup>28</sup> is used to calculate the LULD price bands. Specifically, the reference price for trading is typically the opening price on the primary listing exchange in an NMS Stock if such opening price occurs less than five minutes after the start of Regular Trading Hours. Therefore, because under the proposal the Opening Auction Process would occur no later

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<sup>26</sup> The Exchange notes that the BZX Official Opening Price will be the price of the FLSET, which will be the previous BZX Official Closing Price unless an FLSET occurred after 9:30:00.

<sup>27</sup> For purposes of the Plan, “opening price” shall mean the price of a transaction that opens trading on the primary listing exchange. If the primary listing exchange opens with quotations, the “opening price” shall mean the closing price of the NMS Stock on the primary listing exchange on the previous trading day, or if no such closing price exists, the last sale on the primary listing exchange.  
See section I(I) of the Plan.

<sup>28</sup> For purposes of the plan, “reference price” shall have the meaning provided in Section V of the Plan. See section I(R) of the Plan. Section V of the Plan provides that the LULD price bands are based on a reference price for each NMS Stock that, for purposes of the first reference price for a trading day shall be the opening price on the primary listing exchange in an NMS Stock if such opening price occurs less than five minutes after the start of Regular Trading Hours. If the opening price on the primary listing exchange in an NMS Stock does not occur within five minutes after the start of Regular Trading Hours, the first reference price for a trading day shall be the arithmetic mean price of eligible reported transactions for the NMS Stock over the preceding five minute time period. If there is no opening price on the primary listing exchange in an NMS Stock and no trades have occurred by 9:35:00, the previous reference price shall remain in effect.

than 9:34:30, the LULD price bands would be determined based on the BZX Official Opening Price.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act.<sup>29</sup> Specifically, the proposed change is consistent with Section 6(b)(5) of the Act,<sup>30</sup> because it would promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. The Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act, which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and to enforce compliance by the Exchange's Members and persons associated with its Members with the Act, the rules and regulations thereunder, and the rules of the Exchange.<sup>31</sup> Generally, the Exchange believes that the proposed changes will improve the price discovery process in the Opening Auction for securities listed on the Exchange along with additional benefits set forth below.

First, the Exchange believes proposed Rules 11.23(b)(2)(B)(i) and (ii) are consistent with the Act as the proposed paragraphs are substantially similar to existing Rule 11.23(b)(2)(B) and involve no change in the Opening Auction functionality. Second, the Exchange believes proposed Rule 11.23(b)(2)(B)(iii) would promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free

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<sup>29</sup> 15 U.S.C. 78f(b).

<sup>30</sup> 15 U.S.C. 78f(b)(5).

<sup>31</sup> 15 U.S.C. 78f(b)(1).

and open market and a national market system and, in general, protect investors and the public interest. The proposal is designed to increase the likelihood that auction eligible orders that are priced equally or more aggressive than the Indicative Price of the security are able to participate in the Opening Auction at a price that reflects current market conditions, instead of being canceled because they are priced outside the FLSET-established Collar Price Range.

As stated above, current Rule 11.23(b)(2)(B) provides that in the event there is no Valid NBBO, the FLSET will be used as the Volume Based Tie Breaker and basis for calculating the Collar Price Range. Because the current Opening Auction Process occurs at 9:30:00 a.m., such a Collar Price Range is based on an FLSET that may not have occurred recently or may not otherwise be reflective of current market conditions. As a result, the Exchange has observed instances where auction eligible orders priced in-line with the Indicative Price were not executed in the Opening Auction because they were outside the FLSET-established Collar Price Range. The Exchange believes it is important to ensure that the BZX Opening Process is designed to allow executions to occur at a price that accurately reflects current market conditions and allows willing buyers and sellers to execute.

Further to this point, Market-On-Open orders (also known as MOO orders)<sup>32</sup> are market orders only eligible for execution in the Opening Auction that are designed for participants that want to get an execution without regard to price. Because such orders are not price sensitive, they are more likely to cross contra-side orders outside of the Collar

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<sup>32</sup> As defined in Rule 11.23(a)(16), the term “Market-On-Open” or “MOO” shall mean a BZX market order that is designated for execution only in the Opening Auction.



Price Range and the Exchange believes that the proposed changes will create a better opening process for such MOO orders.

The Exchange also believes the proposal strikes an appropriate balance by providing additional time for the Opening Auction Process to facilitate more meaningful price formation that better reflects current market conditions for BZX-listed securities, while limiting any delay to ensure the BZX Official Opening Price is reported to SIP<sup>33</sup> by 9:35 a.m. and is therefore used to set the LULD price bands. The Exchange notes that, while there will be no LULD price bands until the Exchange disseminates a reference price and thus there will be no LULD price bands during the period before the Opening Auction Process occurs, this is a tradeoff that already exists as it relates to the opening process on the New York Stock Exchange LLC (“NYSE”), which may delay the opening process for an indefinite period of time. The Exchange also notes that LULD price bands disseminated during the circumstances in which the proposed delay would be applied are more likely to be based on a price that may not be reflective of current market conditions. For example, in situations where the proposed delay would be applied, the LULD price bands would be based off an FLSET from the prior trading day, and thus the LULD price bands could be based on a stale price. The Exchange is only proposing to delay the Opening Auction in circumstances where there is crossed interest and either (1) there is a Valid NBBO but the Indicative Price is outside the NBBO-established Collar Price Range, or (2) there is no Valid NBBO and the Indicative Price is outside the FLSET-established Collar Price Range, meaning that there are parties willing to execute at a

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<sup>33</sup> The SIP links the U.S. markets by processing and consolidating all protected bid/ask quotes and trades from every trading venue into a single data feed.

particular price but the Collar Price Range established using either the NBBO or FLSET is not reflective of current market conditions. Therefore, the Exchange believes any potential drawback in a delay of the LULD price bands is mitigated by the limited circumstances in which the delay would occur and that any LULD price bands disseminated during such a delay may not be reflective of current market conditions. Delaying the opening auction process under certain circumstances provides an opportunity for more meaningful price formation that is more representative of current market conditions, especially in thinly traded or less liquid securities which are by definition less likely to have executions during the period before the Opening Auction Process occurs.

Separately, the Exchange believes that creating functionality that could delay the Opening Auction Process by four minutes and 30 seconds is consistent with the Act because it also ensures that the Exchange's opening process is used to determine the LULD price band reference price. If the opening price on a primary listing exchange is not reported to the SIPs within five minutes after the start of Regular Trading Hours, the first reference price for a trading day is the arithmetic mean price of eligible reported transactions for the NMS stock over the preceding five minute period.<sup>34</sup> However, if no eligible reported transactions have occurred in the NMS stock over the preceding five minute period, there will be no reference price and thus no LULD price bands in the security until an eligible reported transaction occurs. The Exchange believes that LULD price bands are an important mechanism for investor protection, especially in thinly traded or illiquid securities and, as such, is proposing to calculate a BZX Official

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<sup>34</sup> See Section V(B)(2) of the Plan.

Opening Price no later than 9:34:30 a.m. which will allow it to continue to report the BZX Official Opening price to the SIP prior to 9:35 a.m. so that it serves as the reference price on which the LULD price bands are based.

To the extent that the Exchange's proposed opening process results in a more accurate BZX Official Opening Price it follows that such a price would also provide a better foundation for the LULD price bands without negatively impacting the LULD process because the Exchange would continue to provide the BZX Official Opening Price to the SIP prior to 9:35. As a result, the Exchange believes that the proposal would promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors and the public interest.

The Exchange notes that the concept of delaying an auction and widening the Collar Price Range as provided in proposed paragraphs 11.23(b)(2)(B)(iii)(b)(1) through (5) is similar to the Twelfth Amendment of the Plan ("Amendment 12") and corresponding amendments by the primary listing exchanges. Specifically, Amendment 12 was created to improve re-openings following a trading pause,<sup>35</sup> with an eye towards carefully balancing halt auction price quality and the speed with which continuous trading can be resumed. Amendment 12 provided that auction halt periods would be extended if either the auction price at which the most shares would be traded is outside the range of the pre-defined price threshold collars (the "price threshold collars") or there

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<sup>35</sup> A "trading pause" refers to a function of the LULD mechanism provided under the Plan. Specifically, the Plan sets for procedures that provide for market-wide LULD requirements that prevent trades in individual NMS stocks from occurring outside of the specified price bands and provides for trading pauses to accommodate more fundamental price moves.

is a market order share imbalance. Further, Amendment 12 provided that the price threshold collars would be widened in the event that the auction's halt period is extended. In its approval of Amendment 12, the Commission stated that it is appropriate in the public interest, for the protection of investors and the maintenance of a fair and orderly market to provide that a trading pause continue until the primary listing exchange has reopened trading using its established reopening procedures, even if such reopening is more than 10 minutes after the beginning of a trading pause, and to require that trading centers may not resume trading in an NMS Stock following a trading pause without price bands in such NMS Stock. The Commission stated that these two provisions together support a more standardized process for reopening trading after a trading pause has been declared.

As a primary listing exchange, the Exchange amended Rule 11.23(d) to incorporate the provisions of Amendment 12.<sup>36</sup> The Exchange notes that the purpose of Amendment 12 and corresponding Exchange amendment was intended to delay a halt auction to attract offsetting interest and improve price discovery, while the purpose of this proposal is intended to delay the Opening Auction Process in order to provide the Opening Auction price additional time to reflect current market conditions to arrive at a price that better reflects current market conditions and allows willing buyers and sellers

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<sup>36</sup> See Securities Exchange Act No. 75879 (October 26, 2016) 81 FR 75875 (November 1, 2016) (SR-BatsBZX-2016-61) (Notice of Filing of a Proposed Rule Change To Amend Exchange Rule 11.23, Auctions, To Enhance the Reopening Auction Process Following a Trading Halt Declared Pursuant to the Plan To Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS). See also Securities Exchange Act No. 79885 (January 26, 2017) 82 FR 8968 (February 1, 2017) (SR-BatsBZX-2016-61) (Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 1, To Amend Exchange Rule 11.23, Auctions, To Enhance the Reopening Auction Process Following a Trading Halt Declared Pursuant to the Plan To Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS)

to execute.. While Exchange Rule 11.23(d) and Amendment 12 apply only to re-opening auctions that are single venue liquidity events and this proposal applies to the opening auction which is not a single venue liquidity event,<sup>37</sup> applying a common functionality across the two remains logical because the Exchange believes that delaying the Opening Auction Process under certain conditions such that the delay will be coincident with the increasing liquidity that comes shortly after the beginning of Regular Trading Hours, which the Exchange believes is similar to extending halt auctions in order to allow for greater participation and simultaneous expansion of executable price range. Even though trading is ongoing while the Opening Auction Process is underway, orders on the Continuous Book are included in the Opening Auction Process and the increased liquidity around the open will generally increase liquidity in the Opening Auction Process even if market participants are entering orders in the Continuous Book rather than auction specific orders. To this point, both are designed to balance auction price quality and the speed with which an auction can occur and thus continuous trading can be resumed, in the case of a halt auction, or when the Opening Auction Process completes, in the case of an Opening Auction. Further, this consistency in approach offers a process that market participants are already familiar with. Having consistent auction processes benefits all investors because market participants are already familiar with the proposed functionality and will not have to learn a new set of nuanced rules designed to accomplish the same end goal, will understand how the functionality operates because of its common usage in the LULD context, and will generally help with quick understanding and adoption while

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<sup>37</sup> The Exchange's Opening Auction is not a single venue liquidity event because trading is occurring on the Exchange's Continuous book and at away market centers before and during the Opening Auction.

reducing the need for market participants to build systems designed to accommodate an entirely new process. Therefore, the Exchange believes the proposal is appropriate, in the public interest, for the protection of investors and the maintenance of a fair and orderly market.

The Exchange believes its proposal to allow odd-lot executions to establish the BZX Official Opening Price is consistent with Section 6(b)(5) of the Act because it will enable the Exchange to disseminate an opening price that more accurately reflects current market conditions and investor interest. By allowing either round-lot or odd-lot executions to set the BZX Official Opening Price, the Exchange will provide market participants with more timely and accurate pricing information, thereby promoting fair and orderly markets and protecting investors and the public interest. Additionally, a BZX Official Opening Price that more accurately reflects current market conditions will contribute to more appropriate LULD price bands. More accurate LULD bands better protect investors by preventing erroneous trades that deviate significantly from prevailing market prices while avoiding unnecessary trading halts that could result from bands based on stale or unrepresentative opening prices.

The Exchange also believes its proposal to move the last two sentences of existing Rule 11.23(b)(2)(B) to paragraphs 11.23(b)(2)(B)(iv) and (v), respectively, is consistent with Section 6(b)(5) of the Act because it will improve the clarity and readability of the rule without altering its substantive operation. Clear and well-organized rules enable market participants to better understand their obligations and the Exchange's procedures, thereby facilitating compliance and promoting fair and orderly markets. Further, the proposal to remove the provision of paragraph 11.23(b)(2)(B)(v) that states the FLSET

will be the previous BZX Official Closing Price is consistent with Section 6(b)(5) of the Act and the new proposed functionality, which would allow for an FLSET to occur between 9:30 and 9:34:30. This change eliminates an outdated provision that would be inconsistent with the Exchange's enhanced ability to establish a current-day FLSET during the opening period, thereby ensuring the rule accurately reflects the Exchange's operational procedures and provides market participants with the most current and relevant pricing information. Finally, the Exchange believes its proposed clarifications to Rules 11.23(b)(1)(A) and (B) to reflect that the Opening Auction may occur at a time other than 9:30 a.m. will allow the Exchange to more easily administer its rules, and Members can more clearly understand how the Opening Auction Process may occur. Specifically, the proposed amendments to Rules 11.23(b)(1)(A) and (B) will add clarity, transparency and internal consistency to Exchange rules making them easier to navigate, in light of the other proposed Rule changes described herein.

**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 not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, allowing the Exchange to make the above proposed modifications will allow the Exchange to better compete with other exchanges as a listing venue by improving the Exchange's auction process by allowing executions to occur at prices that better reflect current market conditions. The Exchange believes the proposed amendments will improve the Exchange's auction process, allowing it to better compete as both a listing and execution venue.

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

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

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

The Exchange does not consent to an extension of the time period for Securities and Exchange Commission (the “Commission”) action on the proposed rule change specified in Section 19(b)(2) of the Act.<sup>38</sup>

**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)**

Not applicable.

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

The proposed rule change is not based on a rule either of another self-regulatory organization or of the Commission.

**Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

**Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

**Item 11. Exhibits**

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

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15 U.S.C. 78s(b)(2).



Exhibit 2-4. Not applicable.

Exhibit 5. Proposed rule text.

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CboeBZX-2026-004]

[Insert date]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Amend the Opening Auction Process Provided Under Rule 11.23(b)(2)(B) to Delay the Opening Auction Under Certain Market Conditions in Order to Improve Price Discovery and Allow Executions to Occur at Prices that Better Reflect Current Market Conditions

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on [insert date], Cboe 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 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. (“BZX” or the “Exchange”) is filing with the Securities and Exchange Commission (“Commission” or “SEC”) a proposal to amend the Opening Auction Process provided under Rule 11.23(b)(2)(B) to delay the Opening Auction under certain market conditions in order to improve price discovery and allow executions to occur at prices that better reflect current market conditions. The text of the proposed rule change is provided in Exhibit 5.

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

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

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/](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 Exchange proposes to amend Rule 11.23(b)(2)(B) to delay the Opening Auction under certain market conditions to improve price discovery and allow executions to occur at prices that better reflect current market conditions. Specifically, as proposed, the Rule would provide that when (1) there is a Valid National Best Bid and Offer

(“NBBO”)<sup>3</sup> but the Indicative Price<sup>4</sup> is outside the Collar Price Range<sup>5</sup> established using the NBBO (the “NBBO-established Collar Price Range”) or (2) there is no Valid NBBO and the Indicative Price is outside the Collar Price Range established using the Final Last Sale Eligible Trade (“FLSET”)<sup>6</sup> (the “FLSET-established Collar Price Range”), the

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<sup>3</sup> As provided in Rule 11.23(a)(23), a NBBO is a Valid NBBO where: (i) there is both a NBB and NBO for the security; (ii) the NBBO is not crossed; and (iii) the midpoint of the NBBO is less than the Maximum Percentage away from both the NBB and the NBO. See Exchange Rule 11.23(a)(23). The Maximum Percentage will vary depending on the price of the NBBO midpoint. Currently, the Maximum Percentages are as follows: for a NBBO midpoint price less than or equal to \$25, the Maximum Percentage is 5%; for a NBBO midpoint price greater than \$25 but less than or equal to \$50, the Maximum Percentage is 2.5%; for a NBBO midpoint price greater than \$50, the Maximum Percentage is 1.5%. See Section 1.5 (Definitions) of the US Equities Auction Process at [https://cdn.cboe.com/resources/membership/Cboe\\_US\\_Equities\\_Auction\\_Process.pdf](https://cdn.cboe.com/resources/membership/Cboe_US_Equities_Auction_Process.pdf).

<sup>4</sup> The term “Indicative Price” shall mean the price at which the most shares from the Auction Book and the Continuous Book would match. In the event of a volume based tie at multiple price levels, the Indicative Price will be the price which results in the minimum total imbalance. In the event of a volume based tie and a tie in minimum total imbalance at multiple price levels, the Indicative Price will be the price closest to the Volume Based Tie Breaker. See Exchange Rule 11.23(a)(10). The term “Volume Based Tie Breaker” shall mean the midpoint of the NBBO for a particular security where the NBBO is a Valid NBBO. A NBBO is a Valid NBBO where: (i) there is both a NBB and NBO for the security; (ii) the NBBO is not crossed; and (iii) the midpoint of the NBBO is less than the Maximum Percentage away from both the NBB and the NBO. The Maximum Percentage will be determined by the Exchange and will be published in a circular distributed to Members with reasonable advance notice prior to initial implementation and any change thereto. Where the NBBO is not a Valid NBBO, the price of the Final Last Sale Eligible Trade will be used. See Exchange Rule 11.23(a)(23).

<sup>5</sup> The term “Collar Price Range” shall mean the range from a set percentage below the Collar Midpoint (as defined below) to above the Collar Midpoint, such set percentage being dependent on the value of the Collar Midpoint at the time of the auction, as described below. The Collar Midpoint will be the Volume Based Tie Breaker for all applicable auctions, except for IPO Auctions in ETPs (as defined in Rule 11.8, Interpretation and Policy .02(d)(2)), for which the Collar Midpoint will be the issue price. Specifically, the Collar Price Range will be determined as follows: where the Collar Midpoint is \$25.00 or less, the Collar Price Range shall be the range from 10% below the Collar Midpoint to 10% above the Collar Midpoint; where the Collar Midpoint is greater than \$25.00 but less than or equal to \$50.00, the Collar Price Range shall be the range from 5% below the Collar Midpoint to 5% above the Collar Midpoint; and where the Collar Midpoint is greater than \$50.00, the Collar Price Range shall be the range from 3% below the Collar Midpoint to 3% above the Collar Midpoint. See Exchange Rule 11.23(a)(6).

<sup>6</sup> The term “Final Last Sale Eligible Trade” shall mean the last round lot trade occurring during Regular Trading Hours on the Exchange if the trade was executed within the last one second prior to either the Closing Auction or, for Halt Auctions, trading in the security being halted. Where the trade was not executed within the last one second, the last round lot trade reported to the consolidated tape received by the Exchange during Regular Trading Hours and, where applicable, prior to trading in the security being halted will be used. If there is no qualifying trade for the current day, the BZX Official Closing Price from the previous trading day will be used. See Exchange Rule 11.23(a)(9). As noted in the definition of Final Last Sale Eligible Trade, if no qualifying trade occurs on the current day, the BZX Official Closing Price from the previous day

Opening Auction will be delayed until market conditions improve or the delay period has lapsed, as further described below. In addition to these changes above, the Exchange proposes to amend the definition of “BZX Official Opening Price” to allow odd lot trades to set the BZX Official Opening Price.

The Exchange notes that the official opening price disseminated by the primary listing market (such as the BZX Official Opening Price)<sup>7</sup> provides market participants valuable information that is typically used to calculate the initial limit up-limit down (“LULD”) price bands<sup>8</sup> and also may serve as the basis for trading strategies for that trading day.<sup>9</sup> The Exchange believes the proposal will result in 1) fewer LULD Halts due to LULD bands that are based on a stale price (i.e., the BZX Official Closing Price); and 2) more accurate Collar Price Ranges that are based on current market conditions rather than the BZX Official Closing Price. The Exchange believes the benefit of allowing crossed auction interest to execute at the price that better reflects market conditions for a given security, outweighs any minimal and finite delay in the dissemination of the BZX Official Opening Price and LULD price bands. As such, the Exchange believes that this

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will be used. Under Rule 11.23(c)(2)(B)(ii), the BZX Official Closing Price may, in certain circumstances, be determined using the time-weighted average price of the NBBO midpoint measured over the last five minutes of Regular Trading Hours. Consequently, both the BZX Official Closing Price and the Final Last Sale Eligible Trade may be determined based on a time-weighted average price calculation rather than an actual trade.

<sup>7</sup> The term “BZX Official Opening Price” shall mean the price disseminated to the consolidated tape as the market center opening trade. See Exchange Rule 11.23(a)(5).

<sup>8</sup> The LULD Plan to Address Extraordinary Market Volatility (the “LULD Plan”) provides for a market-wide LULD mechanism intended to address extraordinary market volatility in NMS Stocks, as defined in Rule 600(b)(55) of Regulation NMS under the Exchange Act. The LULD Plan sets forth procedures that provide for market-wide LULD requirements to prevent trades in individual NMS Stocks and from occurring outside the specified LULD price bands”.

<sup>9</sup> The Exchange further notes that the official opening price is not as important or time sensitive as the official closing price disseminated by the primary listing market, which is used for the pricing and valuation of certain indices, funds and derivative products.

proposal strikes an appropriate balance by providing additional time for the Opening Auction Process to facilitate more meaningful price formation that better reflects current market conditions for BZX-listed securities, while limiting any delay to ensure the BZX Official Opening Price is still reported to the Securities Information Processor (“SIP”)<sup>10</sup> by 9:35 a.m. and used to set the LULD price bands.

*Background – Current Opening Auction Process*

As noted above, the Exchange proposes to amend its Opening Auction Process to allow, under limited circumstances, a delay that would enable additional information to be incorporated into the determination of the Opening Auction price. Currently, Rule 11.23(b)(2)(B) sets forth the process by which the BZX Official Opening Price is determined for BZX-listed securities during the Opening Auction Process (hereinafter referred to as the “Standard Opening Process”). Specifically, as currently provided in Rule 11.23(b)(2)(B), the Opening Auction price will be the price level within the Collar Price Range that maximizes the number of shares executed between the Continuous Book<sup>11</sup> and Auction Book<sup>12</sup> in the Opening Auction. In the event of a volume based tie at multiple price levels, the Opening Auction price will be the price which results in the minimum total imbalance. In the event of a volume based tie and a tie in minimum total imbalance at multiple price levels, the Opening Auction price will be the price closest to the Volume Based Tie Breaker.<sup>13</sup>

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<sup>10</sup> The SIP links the U.S. markets by processing and consolidating all protected bid/ask quotes and trades from every trading venue into a single data feed.

<sup>11</sup> The term “Continuous Book” shall mean all orders on the BZX Book that are not Eligible Auction Orders. See Exchange Rule 11.23(a)(7).

<sup>12</sup> The term “Auction Book” shall mean all Eligible Auction Orders on the BZX Book. See Exchange Rule 11.23(a)(1).

<sup>13</sup> The term “Volume Based Tie Breaker” shall mean the midpoint of the NBBO for a particular

The Collar Price Range for an Opening Auction is the range from a set percentage below the Collar Midpoint (which is generally the Volume Based Tie Breaker) to above the Collar Midpoint.<sup>14</sup> The Collar Midpoint (and Volume Based Tie Breaker) will be the midpoint of the NBBO where there is a Valid NBBO. Where there is no Valid NBBO, the FLSET will be used as the Collar Midpoint (and Volume Based Tie Breaker).

Proposal

The Exchange notes, however, that because the FLSET<sup>15</sup> is typically based on the most recent execution in a security during Regular Trading Hours,<sup>16</sup> its value may be significantly away from the Indicative Price at the time of the Opening Auction Process.<sup>17</sup> As a result, the Exchange has observed instances where auction eligible orders priced in-line with the Indicative Price were not executed in the Opening Auction because they were outside the FLSET-established Collar Price Range. Based on analysis by the Exchange and feedback from market participants, certain of these instances prevented orders from executing in the Opening Auction at prices that would have been acceptable to both parties.

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security where the NBBO is a Valid NBBO. A NBBO is a Valid NBBO where: (i) there is both a NBB and NBO for the security; (ii) the NBBO is not crossed; and (iii) the midpoint of the NBBO is less than the Maximum Percentage away from both the NBB and the NBO. The Maximum Percentage will be determined by the Exchange and will be published in a circular distributed to Members with reasonable advance notice prior to initial implementation and any change thereto. Where the NBBO is not a Valid NBBO, the price of the Final Last Sale Eligible Trade will be used. See Exchange Rule 11.23(a)(23).

<sup>14</sup> Supra note 5.

<sup>15</sup> Supra note 6.

<sup>16</sup> See Exchange Rule 1.5(w).

<sup>17</sup> The Exchange notes that such price differences may be particularly exacerbated for leveraged exchange-traded products (“ETPs”).

To address the circumstances described, above, the Exchange is proposing to change its Opening Auction process in circumstances where the Indicative Price is outside the Collar Price Range – whether an FLSET-established Collar Price Range or NBBO-established Collar Price Range. The proposal is designed to prevent the cancellation of auction eligible orders priced equally or more aggressively than the Indicative Price, which the Exchange believes will result in Opening Auctions that occur at a price that better reflects current market conditions. The proposed process follows the general framework of the LULD re-opening process provided under existing Exchange Rules.<sup>18</sup>

The Exchange proposes to modify the definition of BZX Official Opening Price in Rule 11.23(a)(5). Existing Rule 11.23(a)(5) provides that the term “BZX Official Opening Price” shall mean the price disseminated to the consolidated tape as the market center opening trade.<sup>19</sup> Based on this rule text, the Exchange currently allows only round-lot trades to set the BZX Official Opening Price. The Exchange now proposes to revise the definition to provide that the term “BZX Official Opening Price” shall mean the price disseminated to the consolidated tape as the market center official open (rather than market center opening trade). This change would align the Exchange’s terminology with the terms used in specification documents related to the Consolidated Tape System Participation Input Binary Specification (“CTS SIP”)<sup>20</sup> and would encompass both odd-

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<sup>18</sup> See Exchange Rule 11.23(d)(2)(C).

<sup>19</sup> Market center opening trade is a term that is consistent with a sale condition set forth in the Consolidated Tape System (“CTS”) participant input binary specification document. See e.g., [CTS Input Specification](#). The market center opening trade sale condition requires a round-lot execution.

<sup>20</sup> “Market Center Official Open” indicates the official opening value as determined by a market center for purposes of the Consolidated Tape System (“CTS”) participant input binary specification document. See e.g., [CTS Input Specification](#).



lot and round-lot executions. The proposed change would allow the Exchange to determine the BZX Official Opening Price by execution of either a round-lot or an odd-lot trade in the Opening Auction. The Exchange believes it is important to allow an odd-lot execution in the Opening Auction to set the BZX Official Opening Price because such a price would better reflect current market conditions.

The Exchange also proposes to expand the definition of BZX Official Opening Price to provide that the BZX Opening Auction price shall be the BZX Official Opening Price for issues that participate in the BZX Opening Auction. In the event there is no Opening Auction for an issue, the BZX Official Opening Price will be the price of the Final Last Sale Eligible Trade. This additional language is being moved from existing Rule 11.23(b)(2)(B) to more clearly explain how the BZX Official Opening Price is determined. The Exchange does not propose to move (and therefore proposes to eliminate) the portion of existing Rule 11.23(b)(2)(B) that provides that the FLSET will be the previous BZX Official Closing Price, because as proposed an FLSET may occur between 9:30:00 and 9:34:30, as described further below.

Next, as the proposal would allow the Opening Auction to occur later than 9:30 a.m. ET in certain circumstances, the Exchange also proposes to modify Rules 11.23(b)(1)(A) and (B) to reflect this variable timing. Specifically, as amended Rule 11.23(b)(1)(A) would state that Users may submit orders to the Exchange as set forth in Rule 11.1. Any Eligible Auction Orders designated for the Opening Auction will be queued for participation in the Opening Auction. Users may submit limit-on-open (“LOO”) and market-on-open (“MOO”) orders until 9:28 a.m., at which point any additional

LOO and MOO orders submitted to the Exchange will be rejected. Regular Hours Only<sup>21</sup> (“RHO”) market orders will also be rejected from 9:28 a.m. until the Opening Auction has concluded. Users may submit late-limit-on-open<sup>22</sup> (“LLOO”) orders from 9:28 a.m. until the Opening Auction has concluded. Any LLOO orders submitted before 9:28 a.m. or after the Opening Auction has concluded will be rejected. RHO limit orders submitted from 9:28 a.m. until the Opening Auction has concluded will be treated as LLOO orders.<sup>23</sup> Any portion of such order that remains unexecuted after the Opening Auction concludes will revert to RHO limit order treatment. As amended, Rule 11.23(b)(1)(B) would state that Eligible Auction Orders designated for the Opening Auction may not be cancelled or modified from 9:28 a.m. until the Opening Auction has concluded except that RHO limit orders designated for the Opening Auction may be modified, but not cancelled, from 9:28 a.m. until the time the Opening Auction has concluded. Any such RHO limit orders modified from 9:28 a.m. until the Opening Auction has concluded will be treated as LLOO orders until the Opening Auction has concluded. Any portion of such order that remains unexecuted after the Opening Auction concludes will revert to RHO limit order treatment.

Proposed Rule 11.23(b)(2)(B)(i) would set forth the “Standard Opening Process” as described above and currently provided for in existing Rule 11.23(b)(2)(B). However, the Standard Opening Process would only apply if the conditions of proposed Rule 11.23(b)(2)(B)(i) or (ii) are met. Specifically, the Opening Auction price will be

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<sup>21</sup> See Exchange Rule 11.9(b)(7).

<sup>22</sup> See Exchange Rule 11.23(a)(12).

<sup>23</sup> Consistent with Rule 11.1, Continuous book orders (i.e., Day orders) may continue to be submitted after 9:28 a.m. as trading may occur on the continuous book.

established pursuant to the Standard Opening Process if (i) there is a Valid NBBO and the Indicative Price is within the NBBO-established Collar Price Range, or (ii) there is no Valid NBBO and the Indicative Price is within the FLSET-established Collar Price Range.

Proposed Rule 11.23(b)(2)(B)(iii) would delay the Opening Auction and set forth an alternative Opening Auction Process in subparagraphs (a) and (b), as discussed below, if the conditions in proposed Rules 11.23(b)(2)(B)(i) or (ii) are not met.

*(a) Initial Five-Second Delay Period (9:30:00 - 9:30:05)*

The System will check every second from 9:30:00 to 9:30:05 to determine whether (1) there is a Valid NBBO and the Indicative Price is within the NBBO-established Collar Price Range, or (2) there is no Valid NBBO and the Indicative Price is within the FLSET-established Collar Price Range. If either condition is met during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

If, during any one-second check, there is no Indicative Price (i.e., there is no longer crossed interest), the Opening Auction would occur immediately pursuant to proposed Rule 11.23(2)(B)(v), which provides that the BZX Official Opening Price will be the price of the FLSET.

*(b) Collar Widening and Extended Delay Period (9:30:05 - 9:34:30)*

If the Opening Auction has not occurred by 9:30:05, the System will widen the Collar Price Range in the direction of the Indicative Price by 5% of the Volume Based

Tie Breaker<sup>24</sup> as of 9:30:05 a.m. (the “Widening Amount”).<sup>25</sup> The Volume Based Tie Breaker will be locked in at 9:30:05 and will be used for all subsequent collar widenings. If the Indicative Price is within the widened Collar Price Range, the Opening Auction price will be established pursuant to the Standard Opening Auction Process. If the Indicative Price is not within the widened Collar Price Range, the Opening Auction will be further delayed, as discussed below.

Proposed Rules 11.23(b)(2)(B)(iii)(b)(1) through (4) would set forth the delay of the Opening Auction if no auction occurred between 9:30:05 and 9:34:30. Specifically, the proposed Rules would provide:

(1) The System will check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:30:05 and 9:30:30 a.m. If the Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

(2) If by 9:30:30 a.m. the Indicative Price is not within the widened Collar Price Range, the Collar Price Range will again widen by the Widening Amount (based on the locked-in 9:30:05 Volume Based Tie Breaker). The System will check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:30:30 and 9:31:30 a.m. If an Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

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<sup>24</sup> As referenced in the definition of Volume Based Tie Breaker, if there is no Valid NBBO, the FLSET will be used as the Volume Based Tie Breaker. See Exchange Rule 11.23(a)(23).

<sup>25</sup> The Exchange notes that Widening Amount will be locked-in as of 9:30:05 and will not change between 9:30:05 and 9:34:30 even in the event that a round lot trade (i.e., a FLSET) reported to the consolidated tape after that 9:30:05.

(3) If by 9:31:30 a.m. the Indicative Price is not within the widened Collar Price Range, the Collar Price Range will again widen by the Widening Amount. The System will check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:31:30 and 9:32:30 a.m. If an Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

(4) If by 9:32:30 a.m. the Indicative Price is not within the widened Collar Price Range, the Collar Price Range will again widen by the Widening Amount. The System will check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:32:30 and 9:33:30 a.m. If an Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

(5) If by 9:33:30 a.m. the Indicative Price is not within the widened Collar Price Range, the Collar Price Range will again widen by the Widening Amount. The System will check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:33:30 and 9:34:30 a.m. If an Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

(6) If no Opening Auction has occurred by 9:34:30 a.m., the Opening Auction will occur pursuant to the Standard Opening Auction Process using the expanded Collar Price Range as of 9:34:30.

The Exchange notes that if, during any one-second check after 9:30:05, there is no longer an Indicative Price (i.e., there is no longer crossed interest), the Opening Auction

would occur immediately pursuant to proposed Rule 11.23(2)(B)(v).<sup>26</sup> The Exchange is proposing to stop extending the Opening Auction Process at 9:34:30 a.m. in part to ensure that the Exchange is able to disseminate the BZX Official Opening Price with sufficient time to be used in the determination of the opening price<sup>27</sup> pursuant to the Plan to Address Extraordinary Market Volatility (the “LULD Plan”), from which the reference price<sup>28</sup> is used to calculate the LULD price bands. Specifically, the reference price for trading is typically the opening price on the primary listing exchange in an NMS Stock if such opening price occurs less than five minutes after the start of Regular Trading Hours. Therefore, because under the proposal the Opening Auction Process would occur no later than 9:34:30, the LULD price bands would be determined based on the BZX Official Opening Price.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act.<sup>29</sup> Specifically, the proposed change is consistent with Section 6(b)(5) of

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<sup>26</sup> The Exchange notes that the BZX Official Opening Price will be the price of the FLSET, which will be the previous BZX Official Closing Price unless an FLSET occurred after 9:30:00.

<sup>27</sup> For purposes of the Plan, “opening price” shall mean the price of a transaction that opens trading on the primary listing exchange. If the primary listing exchange opens with quotations, the “opening price” shall mean the closing price of the NMS Stock on the primary listing exchange on the previous trading day, or if no such closing price exists, the last sale on the primary listing exchange.  
See section I(I) of the Plan.

<sup>28</sup> For purposes of the plan, “reference price” shall have the meaning provided in Section V of the Plan. See section I(R) of the Plan. Section V of the Plan provides that the LULD price bands are based on a reference price for each NMS Stock that, for purposes of the first reference price for a trading day shall be the opening price on the primary listing exchange in an NMS Stock if such opening price occurs less than five minutes after the start of Regular Trading Hours. If the opening price on the primary listing exchange in an NMS Stock does not occur within five minutes after the start of Regular Trading Hours, the first reference price for a trading day shall be the arithmetic mean price of eligible reported transactions for the NMS Stock over the preceding five minute time period. If there is no opening price on the primary listing exchange in an NMS Stock and no trades have occurred by 9:35:00, the previous reference price shall remain in effect.

<sup>29</sup> 15 U.S.C. 78f(b).

the Act,<sup>30</sup> because it would promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. The Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act, which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and to enforce compliance by the Exchange's Members and persons associated with its Members with the Act, the rules and regulations thereunder, and the rules of the Exchange.<sup>31</sup> Generally, the Exchange believes that the proposed changes will improve the price discovery process in the Opening Auction for securities listed on the Exchange along with additional benefits set forth below.

First, the Exchange believes proposed Rules 11.23(b)(2)(B)(i) and (ii) are consistent with the Act as the proposed paragraphs are substantially similar to existing Rule 11.23(b)(2)(B) and involve no change in the Opening Auction functionality. Second, the Exchange believes proposed Rule 11.23(b)(2)(B)(iii) would promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors and the public interest. The proposal is designed to increase the likelihood that auction eligible orders that are priced equally or more aggressive than the Indicative Price of the security are able to participate in the Opening Auction at a price that reflects current market conditions, instead of being canceled because they are priced outside the FLSET-established Collar Price Range.

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<sup>30</sup> 15 U.S.C. 78f(b)(5).

<sup>31</sup> 15 U.S.C. 78f(b)(1).

As stated above, current Rule 11.23(b)(2)(B) provides that in the event there is no Valid NBBO, the FLSET will be used as the Volume Based Tie Breaker and basis for calculating the Collar Price Range. Because the current Opening Auction Process occurs at 9:30:00 a.m., such a Collar Price Range is based on an FLSET that may not have occurred recently or may not otherwise be reflective of current market conditions. As a result, the Exchange has observed instances where auction eligible orders priced in-line with the Indicative Price were not executed in the Opening Auction because they were outside the FLSET-established Collar Price Range. The Exchange believes it is important to ensure that the BZX Opening Process is designed to allow executions to occur at a price that accurately reflects current market conditions and allows willing buyers and sellers to execute.

Further to this point, Market-On-Open orders (also known as MOO orders)<sup>32</sup> are market orders only eligible for execution in the Opening Auction that are designed for participants that want to get an execution without regard to price. Because such orders are not price sensitive, they are more likely to cross contra-side orders outside of the Collar Price Range and the Exchange believes that the proposed changes will create a better opening process for such MOO orders.

The Exchange also believes the proposal strikes an appropriate balance by providing additional time for the Opening Auction Process to facilitate more meaningful price formation that better reflects current market conditions for BZX-listed securities, while limiting any delay to ensure the BZX Official Opening Price is reported to SIP<sup>33</sup> by

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<sup>32</sup> As defined in Rule 11.23(a)(16), the term “Market-On-Open” or “MOO” shall mean a BZX market order that is designated for execution only in the Opening Auction.

<sup>33</sup> The SIP links the U.S. markets by processing and consolidating all protected bid/ask quotes and



9:35 a.m. and is therefore used to set the LULD price bands. The Exchange notes that, while there will be no LULD price bands until the Exchange disseminates a reference price and thus there will be no LULD price bands during the period before the Opening Auction Process occurs, this is a tradeoff that already exists as it relates to the opening process on the New York Stock Exchange LLC (“NYSE”), which may delay the opening process for an indefinite period of time. The Exchange also notes that LULD price bands disseminated during the circumstances in which the proposed delay would be applied are more likely to be based on a price that may not be reflective of current market conditions. For example, in situations where the proposed delay would be applied, the LULD price bands would be based off an FLSET from the prior trading day, and thus the LULD price bands could be based on a stale price. The Exchange is only proposing to delay the Opening Auction in circumstances where there is crossed interest and either (1) there is a Valid NBBO but the Indicative Price is outside the NBBO-established Collar Price Range, or (2) there is no Valid NBBO and the Indicative Price is outside the FLSET-established Collar Price Range, meaning that there are parties willing to execute at a particular price but the Collar Price Range established using either the NBBO or FLSET is not reflective of current market conditions. Therefore, the Exchange believes any potential drawback in a delay of the LULD price bands is mitigated by the limited circumstances in which the delay would occur and that any LULD price bands disseminated during such a delay may not be reflective of current market conditions. Delaying the opening auction process under certain circumstances provides an opportunity for more meaningful price formation that is more representative of current

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trades from every trading venue into a single data feed.

market conditions, especially in thinly traded or less liquid securities which are by definition less likely to have executions during the period before the Opening Auction Process occurs.

Separately, the Exchange believes that creating functionality that could delay the Opening Auction Process by four minutes and 30 seconds is consistent with the Act because it also ensures that the Exchange's opening process is used to determine the LULD price band reference price. If the opening price on a primary listing exchange is not reported to the SIPs within five minutes after the start of Regular Trading Hours, the first reference price for a trading day is the arithmetic mean price of eligible reported transactions for the NMS stock over the preceding five minute period.<sup>34</sup> However, if no eligible reported transactions have occurred in the NMS stock over the preceding five minute period, there will be no reference price and thus no LULD price bands in the security until an eligible reported transaction occurs. The Exchange believes that LULD price bands are an important mechanism for investor protection, especially in thinly traded or illiquid securities and, as such, is proposing to calculate a BZX Official Opening Price no later than 9:34:30 a.m. which will allow it to continue to report the BZX Official Opening price to the SIP prior to 9:35 a.m. so that it serves as the reference price on which the LULD price bands are based.

To the extent that the Exchange's proposed opening process results in a more accurate BZX Official Opening Price it follows that such a price would also provide a better foundation for the LULD price bands without negatively impacting the LULD process because the Exchange would continue to provide the BZX Official Opening Price

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<sup>34</sup> See Section V(B)(2) of the Plan.

to the SIP prior to 9:35. As a result, the Exchange believes that the proposal would promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors and the public interest.

The Exchange notes that the concept of delaying an auction and widening the Collar Price Range as provided in proposed paragraphs 11.23(b)(2)(B)(iii)(b)(1) through (5) is similar to the Twelfth Amendment of the Plan (“Amendment 12”) and corresponding amendments by the primary listing exchanges. Specifically, Amendment 12 was created to improve re-openings following a trading pause,<sup>35</sup> with an eye towards carefully balancing halt auction price quality and the speed with which continuous trading can be resumed. Amendment 12 provided that auction halt periods would be extended if either the auction price at which the most shares would be traded is outside the range of the pre-defined price threshold collars (the “price threshold collars”) or there is a market order share imbalance. Further, Amendment 12 provided that the price threshold collars would be widened in the event that the auction's halt period is extended. In its approval of Amendment 12, the Commission stated that it is appropriate in the public interest, for the protection of investors and the maintenance of a fair and orderly market to provide that a trading pause continue until the primary listing exchange has reopened trading using its established reopening procedures, even if such reopening is more than 10 minutes after the beginning of a trading pause, and to require that trading centers may not resume trading in an NMS Stock following a trading pause without price

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A “trading pause” refers to a function of the LULD mechanism provided under the Plan. Specifically, the Plan sets for procedures that provide for market-wide LULD requirements that prevent trades in individual NMS stocks from occurring outside of the specified price bands and provides for trading pauses to accommodate more fundamental price moves.

bands in such NMS Stock. The Commission stated that these two provisions together support a more standardized process for reopening trading after a trading pause has been declared.

As a primary listing exchange, the Exchange amended Rule 11.23(d) to incorporate the provisions of Amendment 12.<sup>36</sup> The Exchange notes that the purpose of Amendment 12 and corresponding Exchange amendment was intended to delay a halt auction to attract offsetting interest and improve price discovery, while the purpose of this proposal is intended to delay the Opening Auction Process in order to provide the Opening Auction price additional time to reflect current market conditions to arrive at a price that better reflects current market conditions and allows willing buyers and sellers to execute.. While Exchange Rule 11.23(d) and Amendment 12 apply only to re-opening auctions that are single venue liquidity events and this proposal applies to the opening auction which is not a single venue liquidity event,<sup>37</sup> applying a common functionality across the two remains logical because the Exchange believes that delaying the Opening Auction Process under certain conditions such that the delay will be coincident with the increasing liquidity that comes shortly after the beginning of Regular Trading Hours, which the Exchange believes is similar to extending halt auctions in order to allow for

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<sup>36</sup> See Securities Exchange Act No. 75879 (October 26, 2016) 81 FR 75875 (November 1, 2016) (SR-BatsBZX-2016-61) (Notice of Filing of a Proposed Rule Change To Amend Exchange Rule 11.23, Auctions, To Enhance the Reopening Auction Process Following a Trading Halt Declared Pursuant to the Plan To Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS). See also Securities Exchange Act No. 79885 (January 26, 2017) 82 FR 8968 (February 1, 2017) (SR-BatsBZX-2016-61) (Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 1, To Amend Exchange Rule 11.23, Auctions, To Enhance the Reopening Auction Process Following a Trading Halt Declared Pursuant to the Plan To Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS)

<sup>37</sup> The Exchange's Opening Auction is not a single venue liquidity event because trading is occurring on the Exchange's Continuous book and at away market centers before and during the Opening Auction.

greater participation and simultaneous expansion of executable price range. Even though trading is ongoing while the Opening Auction Process is underway, orders on the Continuous Book are included in the Opening Auction Process and the increased liquidity around the open will generally increase liquidity in the Opening Auction Process even if market participants are entering orders in the Continuous Book rather than auction specific orders. To this point, both are designed to balance auction price quality and the speed with which an auction can occur and thus continuous trading can be resumed, in the case of a halt auction, or when the Opening Auction Process completes, in the case of an Opening Auction. Further, this consistency in approach offers a process that market participants are already familiar with. Having consistent auction processes benefits all investors because market participants are already familiar with the proposed functionality and will not have to learn a new set of nuanced rules designed to accomplish the same end goal, will understand how the functionality operates because of its common usage in the LULD context, and will generally help with quick understanding and adoption while reducing the need for market participants to build systems designed to accommodate an entirely new process. Therefore, the Exchange believes the proposal is appropriate, in the public interest, for the protection of investors and the maintenance of a fair and orderly market.

The Exchange believes its proposal to allow odd-lot executions to establish the BZX Official Opening Price is consistent with Section 6(b)(5) of the Act because it will enable the Exchange to disseminate an opening price that more accurately reflects current market conditions and investor interest. By allowing either round-lot or odd-lot executions to set the BZX Official Opening Price, the Exchange will provide market

participants with more timely and accurate pricing information, thereby promoting fair and orderly markets and protecting investors and the public interest. Additionally, a BZX Official Opening Price that more accurately reflects current market conditions will contribute to more appropriate LULD price bands. More accurate LULD bands better protect investors by preventing erroneous trades that deviate significantly from prevailing market prices while avoiding unnecessary trading halts that could result from bands based on stale or unrepresentative opening prices.

The Exchange also believes its proposal to move the last two sentences of existing Rule 11.23(b)(2)(B) to paragraphs 11.23(b)(2)(B)(iv) and (v), respectively, is consistent with Section 6(b)(5) of the Act because it will improve the clarity and readability of the rule without altering its substantive operation. Clear and well-organized rules enable market participants to better understand their obligations and the Exchange's procedures, thereby facilitating compliance and promoting fair and orderly markets. Further, the proposal to remove the provision of paragraph 11.23(b)(2)(B)(v) that states the FLSET will be the previous BZX Official Closing Price is consistent with Section 6(b)(5) of the Act and the new proposed functionality, which would allow for an FLSET to occur between 9:30 and 9:34:30. This change eliminates an outdated provision that would be inconsistent with the Exchange's enhanced ability to establish a current-day FLSET during the opening period, thereby ensuring the rule accurately reflects the Exchange's operational procedures and provides market participants with the most current and relevant pricing information. Finally, the Exchange believes its proposed clarifications to Rules 11.23(b)(1)(A) and (B) to reflect that the Opening Auction may occur at a time other than 9:30 a.m. will allow the Exchange to more easily administer its rules, and

Members can more clearly understand how the Opening Auction Process may occur. Specifically, the proposed amendments to Rules 11.23(b)(1)(A) and (B) will add clarity, transparency and internal consistency to Exchange rules making them easier to navigate, in light of the other proposed Rule changes described herein.

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 not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, allowing the Exchange to make the above proposed modifications will allow the Exchange to better compete with other exchanges as a listing venue by improving the Exchange's auction process by allowing executions to occur at prices that better reflect current market conditions. The Exchange believes the proposed amendments will improve the Exchange's auction process, allowing it to better compete as both a listing and execution venue.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

A. by order approve or disapprove such proposed rule change, or

B. institute proceedings to determine whether the proposed rule change should be disapproved.

#### **IV. Solicitation of Comments**

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

##### Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-CboeBZX-2026-004 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-2026-004. 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-2026-004 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>38</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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

## EXHIBIT 5

(additions are underlined; deletions are [bracketed])

\* \* \* \* \*

Rules of Cboe BZX Exchange, Inc.

\* \* \* \* \*

Rule 11.23. Auctions

(a) Definitions

(1)-(4) No change.

(5) The term “BZX Official Opening Price” shall mean the price disseminated to the consolidated tape as the market center [opening trade] official open. The Opening Auction price will be the BZX Official Opening Price. In the event that there is no Opening Auction for an issue, the BZX Official Opening Price will be the price of the Final Last Sale Eligible Trade.

(6)-(8) No change.

(9) The term “Final Last Sale Eligible Trade” or “FLSET” shall mean the last round lot trade occurring during Regular Trading Hours on the Exchange if the trade was executed within the last one second prior to either the Closing Auction or, for Halt Auctions, trading in the security being halted. Where the trade was not executed within the last one second, the last round lot trade reported to the consolidated tape received by the Exchange during Regular Trading Hours and, where applicable, prior to trading in the security being halted will be used. If there is no qualifying trade for the current day, the BZX Official Closing Price from the previous trading day will be used.

(10)-(24) No change.

(b) *Opening Auction*

(1) Order Entry and Cancellation Before Opening Auction

(A) Users may submit orders to the Exchange as set forth in Rule 11.1. Any Eligible Auction Orders designated for the Opening Auction will be queued [until 9:30 a.m. at which time they will be eligible to be executed] for participation in the Opening Auction. Users may submit LOO and MOO orders until 9:28 a.m., at which point any additional LOO and MOO orders submitted to the Exchange will be rejected. RHO market orders will also be rejected [between]from 9:28 a.m. [and 9:30 a.m.]until the Opening Auction has concluded. Users may submit LLOO orders [between]from 9:28 a.m. [and 9:30 a.m.]until the Opening Auction has concluded. Any LLOO orders submitted before 9:28 a.m. or after [9:30 a.m.]the Opening Auction has concluded will be rejected. RHO limit orders submitted

[between]from 9:28 a.m. [and 9:30 a.m.]until the Opening Auction has concluded will be treated as LLOO orders until the Opening Auction has concluded. Any portion of such order that remains unexecuted after the Opening Auction concludes will revert to RHO limit order treatment.

(B) Eligible Auction Orders designated for the Opening Auction may not be cancelled or modified [between]from 9:28 a.m. [and 9:30 a.m.]until the Opening Auction has concluded except that RHO limit orders designated for the Opening Auction may be modified, but not cancelled, [between]from 9:28 a.m. [and 9:30 a.m.]until the time the Opening Auction has concluded. Any such RHO limit orders modified [between]from 9:28 a.m. [and 9:30 a.m.]until the Opening Auction has concluded will be treated as LLOO orders until the Opening Auction has concluded. Any portion of such order that remains unexecuted after the Opening Auction concludes will revert to RHO limit order treatment.

(C) No change.

(2) Opening Auction Process. The Exchange will conduct an Opening Auction for all BZX listed securities.

(A) No change.

(B) Determination of BZX Official Opening Price. The Opening Auction price will be [established by determining the price level within the Collar Price Range that maximizes the number of shares executed between the Continuous Book and Auction Book in the Opening Auction. In the event of a volume based tie at multiple price levels, the Opening Auction price will be the price which results in the minimum total imbalance. In the event of a volume based tie and a tie in minimum total imbalance at multiple price levels, the Opening Auction price will be the price closest to the Volume Based Tie Breaker. The Opening Auction price will be [the BZX Official Opening Price. In the event that there is no Opening Auction for an issue, the BZX Official Opening Price will be the price of the Final Last Sale Eligible Trade, which will be the previous BZX Official Closing Price.]determined as follows:

(i) If there is a Valid NBBO and the Indicative Price is within the Collar Price Range established by the NBBO, the Opening Auction price will be established by determining the price level within the Collar Price Range that maximizes the number of shares executed between the Continuous Book and Auction Book in the Opening Auction (the “Standard Opening Auction Process”). In the event of a volume based tie at multiple price levels, the Opening Auction price will be the price which results in the minimum total imbalance. In the event of a volume based tie and a tie in minimum total imbalance at multiple price levels, the Opening Auction price will be the price closest to the Volume Based Tie Breaker.

(ii) If there is no Valid NBBO and the Indicative Price is within the Collar Price Range established by the Final Last Sale Eligible Trade, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

(iii) If the Indicative Price is outside the Collar Price Range established by the NBBO or Final Last Sale Eligible Trade the Opening Auction will be delayed and will occur as set forth below.

(a) At 9:30:00 a.m., the System will check every second from 9:30:00 to 9:30:05 to determine whether (1) there is a Valid NBBO and the Indicative Price is within the NBBO-established Collar Price Range, or (2) there is no Valid NBBO and the Indicative Price is within the FLSET-established Collar Price Range. If either condition is met during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process. If, during any one-second check, there is no Indicative Price (i.e., there is no longer crossed interest), the Opening Auction would occur immediately pursuant to Rule 11.23(b)(2)(B)(v), which provides that the BZX Official Opening Price will be the price of the FLSET.

(b) If the Opening Auction has not occurred by 9:30:05, the System will widen the Collar Price Range in the direction of the Indicative Price by 5% of the Volume Based Tie Breaker, which will be the Final Last Sale Eligible Trade, as of 9:30:05 a.m. (the “Widening Amount”). The Volume Based Tie Breaker will be locked in at 9:30:05 and will be used for all subsequent collar widenings. If the Indicative Price is within the widened Collar Price Range, the Opening Auction price will be established pursuant to the Standard Opening Auction Process. If the Indicative Price is not within the widened Collar Price Range, the Opening Auction will be delayed as follows:

(1) The System will check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:30:05 and 9:30:30 a.m. If an Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

(2) If by 9:30:30 a.m. the Indicative Price is not within the widened Collar Price Range, the Collar Price Range will again widen by the Widening Amount (based on the locked-in 9:30:05 FLSET). The System will check to see whether the Indicative Price is inside the widened Collar Price Range every

second between 9:30:30 and 9:31:30 a.m. If an Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

(3) If by 9:31:30 a.m. the Indicative Price is not within the widened Collar Price Range, the Collar Price Range will again widen by the Widening Amount (based on the locked-in 9:30:05 FLSET). The System will check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:31:30 and 9:32:30 a.m. If an Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

(4) If by 9:32:30 a.m. the Indicative Price is not within the widened Collar Price Range, the Collar Price Range will again widen by the Widening Amount. The System will check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:32:30 and 9:33:30 a.m. If an Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

(5) If by 9:33:30 a.m. the Indicative Price is not within the widened Collar Price Range, the Collar Price Range will again widen by the Widening Amount. The System will check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:33:30 and 9:34:30 a.m. If an Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price will be established pursuant to the Standard Opening Auction Process.

(6) If no Opening Auction has occurred by 9:34:30 a.m., the Opening Auction will occur pursuant to the Standard Opening Auction Process using the expanded Collar Price Range as of 9:34:30.

(C) No change.

(3) No change.

(c)-(i) No change.

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