SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104525; File No. SR-CBOE-2025-095]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rules Related to Processing of Auction Responses and Length of Auction Timers

December 30, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on December 23, 2025, Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[3] and Rule 19b-4(f)(6) thereunder.[4] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to extend the sunset date for certain functionality relating to the processing of auction responses to June 30, 20256 [sic] and reduce the maximum length of auction periods for certain auction mechanisms to 1000 milliseconds. The text of the proposed rule change is available on the Commission's website (https://www.sec.gov/rules/sro.shtml), the

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

[2]   17 CFR 240.19b-4.

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

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

Exchange's website (https://www.cboe.com/us/options/regulation/rule_filings/bzx/), and at the principal office of the Exchange.

II.   **Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

        A.   **Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

        1.   Purpose

The Exchange currently offers a variety of auction mechanisms which provide price improvement opportunities for eligible orders. Particularly, the Exchange offers the following auction mechanisms: Complex Order Auction ("COA"),[5] Step Up Mechanism ("SUM"),[6] Automated Improvement Mechanism ("AIM"),[7] Complex AIM ("C-AIM"),[8] Solicitation Auction Mechanism ("SAM"),[9] and Complex SAM ("C-SAM").[10] The Exchange notes that eligible orders ("auctioned orders") are electronically exposed for an Exchange-determined period (collectively referred to herein as "auction response period") in accordance with the

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[5]   See Rule 5.33(d).

[6]   See Rule 5.35.

[7]   See Rule 5.37.

[8]   See Rule 5.38.

[9]   See Rule 5.39.

[10]   See Rule 5.40.

applicable Exchange Rule, during which time Users may submit responses (collectively referred to herein as "auction responses" or "auction response messages") to an auction message.

In June 2023, in order to provide responses to these auctions with increased opportunities to participate in the auction, even during periods of high message traffic, and thus potentially provide customers with additional opportunities for price improvement, the Exchange adopted new functionality that applies across all of its auction mechanisms to increase the likelihood that timely submitted auction responses may participate in the applicable auction, even during periods of high message traffic.[11] Under this functionality, at the time an auction response period ends, the System continues to process its inbound queue for any messages that were received by the System before the end of the auction period (including auction responses) for up to an Exchange-determined period of time, not to exceed 100 milliseconds (which the Exchange may determine on a class-by-class basis which would apply to all auction mechanisms and which would be announced with reasonable advanced notice via Exchange Notice).[12] That is, any auction responses that were in the queue before the conclusion of the auction (as identified by the Network Interface Card ("NIC") timestamp on the message) would be processed as long as the Exchange-determined time on a class-by-class basis (not to exceed 100 milliseconds) is not exceeded. Only auction responses received prior to the execution of the applicable auction are eligible to be processed for that auction. The applicable auction will execute once all messages, including auction responses, received before the end time of the auction response period have been processed or the Exchange-determined maximum time limit of up to 100 milliseconds has

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[11] See Rule 5.25(c); see also Securities Exchange Act Release No. 97738 (June 15, 2023), 88 FR 40878 (June 22, 2023) (SR-CBOE-2022-051). This functionality applies to COA, SUM, AIM, SAM, C-AIM, and C-SAM.

[12] The auction response processing time is currently set to 100 milliseconds for all classes, except S&P 500 Index options ("SPX options"), for which the time is currently set to 900 milliseconds. See Cboe Exchange Notice C2024111903, available at https://www.cboe.com/notices/content/?id=51420.

elapsed, whichever occurs first. This continuation of processing the queue for an additional amount of time for messages that were received before the end of the auction allows for auction responses that would otherwise have been canceled due to the conclusion of the auction response period to still have an opportunity to participate in the auction.

In April 2025, the Exchange proposed to increase the permissible maximum length of this Exchange-determined time period with respect to SPX options.[13] Specifically, the Exchange amended Rule 5.25(c) to provide that with respect to SPX options, this Exchange-determined period of time for this continuation of auction response processing plus the length of the auction response or exposure period, as applicable,[14] may not exceed 1000 milliseconds (which the Exchange will continue to announce with reasonable advance notice via Exchange Notice). For example, Rule 5.37(c)(3) permits the Exchange to determine the length of the AIM auction period, which may be no less than 100 milliseconds and currently no more than three seconds (i.e., 3000 milliseconds).[15] Currently, the Exchange has set the length of the AIM auction period as 100 milliseconds for SPX options and the length of the auction response processing time as 900 milliseconds.

The Rules currently provide that after December 31, 2025, the maximum length of this Exchange-determined period of time for this continuation of auction response processing for SPX will revert back to 100 milliseconds. The Exchange proposes to extend the sunset date to

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[13]   See Securities Exchange Act Release No. 102966 (May 1, 2025), 90 FR 19330 (May 7, 2025) (SR-CBOE-2025-031). The Exchange currently lists SPX options on a group basis pursuant to Rule 4.13(f), with a.m.-settled SPX options trading under symbol SPX and p.m.-settled SPX options trading under symbol SPXW. Pursuant to Rule 1.5(c), this rule applies to both groups.

[14]   Current lengths of auction response and exposure periods are available at cboe_options_product_configurations.xlsx. The COA and AIM/C-AIM auction response periods are currently set to 100 milliseconds for SPX options (other auctions are not currently activated for SPX).

[15]   As discussed below, the Exchange proposes to reduce the maximum length of the AIM auction period to one second (i.e., 1000 milliseconds).

June 30, 2026. The Exchange believes extension of the sunset date for the maximum amount of additional time for processing will continue to result in more auction responses being executed in auctions for SPX options, particularly in times of high message traffic.

The Exchange also proposes to amend Rules 5.33(d)(3), 5.37(c)(3), and 5.38(c)(3) to reduce the maximum length of the COA response time interval, AIM auction period, and C-AIM Auction period, respectively, to one second from three seconds. This is consistent with the maximum time period for SPX options set forth in Rule 5.25(c) described above. Specifically, with respect to SPX options, the longest an auction period could be under Rule 5.25(c) is 1000 milliseconds if the auction response processing time is zero.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[16] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[17] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[18] requirement

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[16]   15 U.S.C. 78f(b).

[17]   15 U.S.C. 78f(b)(5).

[18]   Id.

that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change will remove impediments to a free and open market, as it will allow the Exchange's System to continue to process nearly all timely submitted auction responses for SPX options auctions, particularly in times of volatility and high message traffic. The sunset period permitted the Exchange to evaluate whether a longer auction response processing time would continue to be appropriate in times of high volatility. The Exchange believes that to be the case, as it has proposed to make this longer auction response processing time permanent (and applicable to all classes rather than just SPX options).[19] In support of this proposal to extend the sunset date, in 2025 prior to May 12, 2025 (the date on which the Exchange implemented the longer auction processing response time for SPX options), the percentage of auction responses in SPX that were received by the System before the end of the auction period (i.e., had received a NIC timestamp) but were rejected because the Exchange could not process them before the end of the auction response or exposure period, as applicable, plus shorter buffer time, reached over 20% on several occasions and averaged approximately 7.64%. Between May 12 and December 4, 2025, this percentage was nearly 0 (the maximum percentage of rejected auction responses on a trading day during this timeframe was 0.03%). Therefore, the data demonstrates that the longer auction response processing time has resulted in the System's ability to process nearly all timely submitted auction responses for SPX options.

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[19] See Securities Exchange Act Release No. 104159 (September 30, 2025), 90 FR 48094 (October 3, 2025) (SR-CBOE-2025-074).

Despite the maximum auction response processing time being 900 milliseconds, the daily average length of the auction response processing time used between May 12 and December 4, 2025, has been below 100 milliseconds on all but four trading days. However, the maximum 900 millisecond buffer has been necessary for auctions on all but 15 trading days (approximately 90% of trading days) during that time period.[20] Therefore, as expected, in the vast majority of cases, the additional time needed after the conclusion of an auction response period, if any, to process all pending auction responses is significantly shorter than the proposed maximum, but the longer maximum time has been beneficial during times of high message traffic and volatility. This is a further benefit of being able to increase the length of the auction response processing time rather than the length of an auction response period. Unlike an auction response period, which must run in its entirety, the auction response processing is adaptable. For example, if the System is "caught up" and processes all auction responses received prior to the completion of a 100 millisecond auction response period within 50 milliseconds after the end of the auction period, the total processing time would be 150 milliseconds. The System only uses the portion of the auction response processing time it needs to process responses with timestamps prior to the end of the auction period (and uses no part of that time if unnecessary to do so).[21]

Given the significantly reduced number of auction responses that have been rejected during the time period since the 900 millisecond auction processing time was implemented, and thus the significant number of auction responses that have been able to participate in auctions

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[20]   The shortest amount of the maximum buffer used on a trading day was nearly 700 milliseconds since May 12, 2025.

[21]   To the extent the Exchange determines a lesser amount of time would be sufficient for SPX options, the Exchange could implement an additional amount of time for processing auction responses that is less than the combined time of 1000 milliseconds, which time would be announced with reasonable advance notice to market participants via Exchange Notice. The Exchange generally gives notice one to two weeks in advance of implementation for changes such as this; however, shorter notice may be provided if the Exchange believes it is necessary to maintain fair and orderly markets.

rather than be rejected, the Exchange believes the proposed rule change will permit the Exchange to leave this functionality in place without disruption to market participants to the benefit of investors. The Exchange believes the longer auction response processing time for SPX options continues to appropriately balance providing investors with timely processing of their SPX options quote and order messages and providing investors who submit SPX orders that are auctioned with additional liquidity. The extension of the sunset date will allow more investors additional opportunities to receive price improvement through an auction mechanism for their SPX orders. Further, the Exchange believes the extension of the sunset date will result in increased execution opportunities for liquidity providers that submit auction responses and enhance the potential for price improvement for SPX orders submitted to each mechanism to the benefit of investors and public interest.[22]

The Exchange believes the proposed rule change to reduce the maximum length of the auction periods for COA, AIM, and C-AIM will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, as it will bring consistency among the Exchange's Rules. Specifically, as noted above, despite the Rules providing that the Exchange could set the length of COA, AIM, and C-AIM auctions as high as 3000 milliseconds, practically, under Rule 5.25(c), for SPX options, those auctions could be no higher than 1000 milliseconds. Additionally, given the increased speeds of electronic trading, a three-second auction is no

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[22] The Exchange has undertaken various steps to improve the performance (including to reduce latency) of the matching engine on which SPX trades. For example, the Exchange has made various hardware and software upgrades. See, e.g., Exchange Notice C2025112400, Cboe C1 Options Exchange Matching Engine Enhancements (November 24, 2025), available at Cboe C1 Options Exchange Matching Engine Enhancements. The Exchange continues to evaluate other potential means that may improve performance and reduce latency for SPX and all options. The extended sunset period will permit the Exchange to continue to evaluate whether a longer auction response processing time will continue to be appropriate in times of high volatility and message traffic and continue to pursue permanent approval of the longer auction response processing time for SPX and all options.

longer practical. Each of these three auctions is currently set to 100 milliseconds, and the

Exchange has no intention of needing to have an auction last more than one second.

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

The Exchange does not believe that the proposed rule change will impose any burden on

competition that is not necessary or appropriate in furtherance of the purposes of the Act. The

Exchange does not believe that the proposed rule change will impose any burden on intramarket

competition that is not necessary or appropriate in furtherance of the purposes of the Act, as the

proposed extension of the sunset date, and thus continuation of a permissible 900 milliseconds of

additional auction response processing, would apply equally to all Trading Permit Holders that

submit auction responses in SPX options. Additionally, the length of any COA, AIM, or C-AIM

auction (even with a reduced maximum length of one second from three seconds) will apply in

the same manner to all Trading Permit Holders. The Exchange does not believe the proposed

rule change will impose any burden on intermarket competition that is not necessary or

appropriate in furtherance of the purposes of the Act, as the proposed rule change maintains

functionality related to the processing of auction responses that may only participate in auctions

that occur on the Exchange. With respect to the maximum length of auction timers, the proposed

maximum length is consistent with the maximum auction period for comparable auction on other

option exchanges.[23]

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[23]   See, e.g., MIAX Rules 5.15A(a)(2)(i)(C) (maximum auction period of one second for MIAX Price
         Improvement Mechanism ("PRIME") (including PRIME for complex orders, pursuant to Interpretation and
         Policy .12 of that rule), which is similar to AIM); and 5.18(d)(3) (maximum auction period of 500
         milliseconds for the complex order auction).

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

The Exchange neither solicited nor received written comments on the proposed rule

change.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection

of investors or the public interest; (ii) impose any significant burden on competition; and (iii)

become operative for 30 days from the date on which it was filed, or such shorter time as the

Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act[24]

and Rule 19b-4(f)(6) thereunder.[25]

A proposed rule change filed under Rule 19b-4(f)(6)[26] normally does not become

operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-

4(f)(6)(iii),[27] the Commission may designate a shorter time if such action is consistent with the

protection of investors and the public interest. The Exchange has asked the Commission to

waive the 30-day operative delay so that the proposed rule change may become operative upon

filing. Under current CBOE rules, after December 31, 2025, the maximum length of the auction

response processing time for non-FLEX SPX options would revert back to 100 milliseconds

from the current threshold of 1000 milliseconds. The Exchange proposes to extend this sunset

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[24]   15 U.S.C. 78s(b)(3)(A).

[25]   17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give
         the Commission written notice of its intent to file the proposed rule change, along with a brief description
         and text of the proposed rule change, at least five business days prior to the date of filing of the proposed
         rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this
         requirement.

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

[27]   17 CFR 240.19b-4(f)(6)(iii).

date to June 30, 2026 and, according to the Exchange, waiver of the operative delay will benefit investors because it will permit the Exchange to retain this functionality without interruption to the market.

With respect to the proposed decrease the maximum length of COA, AIM, and C-AIM auction periods, the Exchange stated that under the proposed rule change, these auctions will continue to function as they do today, as the length of the auction periods for each of these auctions is currently 100 milliseconds, well below the proposed maximum of 1000 milliseconds.[28] The Exchange also observed that the proposed maximum of 1000 milliseconds is consistent with the practical maximum time imposed by Rule 5.25(c) for SPX options.

The proposed rule change provides a temporary extension of the existing auction response processing time for non-FLEX SPX options while the Exchange concurrently seeks to make the rule permitting the longer auction response processing time for these options permanent,[29] decreases the maximum length of COA, AIM, and C-AIM auction periods in a manner that allows these auctions to continue to operate as they do today without disruption to market participants, and raises no novel regulatory issues. Therefore, waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the operative delay and designates the proposal operative upon filing.[30]

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such

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[28]   See supra note 12.

[29]   See Securities Exchange Act Release No. 104159 (September 30, 2025), 90 FR 48094 (October 3, 2025) (SR-CBOE-2025-074).

[30]   For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV.   Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/rules/sro.shtml); or

- Send an email to rule-comments@sec.gov. Please include file number SR-CBOE-2025-095 on the subject line.

Paper Comments:

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

All submissions should refer to file number SR-CBOE-2025-095. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (https://www.sec.gov/rules/sro.shtml). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit

only information that you wish to make available publicly. We may redact in part or withhold

entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-CBOE-2025-095 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.[31]

Sherry R. Haywood,

Assistant Secretary.

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[31]   17 CFR 200.30-3(a)(12).