SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105080; File No. SR-CBOE-2025-074]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified and Superseded by Amendment No. 1, to Amend Functionality Relating to the Processing of Auction Responses

March 25, 2026.

I. Introduction

On September 30, 2025, Cboe Exchange, Inc. ("Exchange" or "Cboe") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 ("Act")[2] and Rule 19b-4 thereunder,[3] a proposed rule change to amend the maximum amount of time permitted for processing auction responses in non-FLEX classes. The proposed rule change was published for comment in the Federal Register on October 3, 2025.[4] On November 3, 2025, pursuant to Section 19(b)(2)(A)(ii)(I) of the Act,[5] the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.[6] On December 17, 2025, the Commission instituted proceedings under

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

2 15 U.S.C. 78a.

3 17 CFR 240.19b-4.

4 See Securities Exchange Act Release No. 104159 (September 30, 2025), 90 FR 48094 ("Notice").

5 See 15 U.S.C. 78s(b)(2)(A)(ii)(I).

6 See Securities Exchange Act Release No. 104173, 90 FR 51424 (November 17, 2025). The Commission designated January 1, 2026, as the date by which the Commission shall approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.

Section 19(b)(2)(B) of the Act[7] to determine whether to approve or disapprove the proposed rule change.[8] On March 18, 2026, the Exchange submitted Amendment No. 1 to the proposed rule change, which amended and superseded the proposed rule change in its entirety.[9] The Commission has not received any comments on the proposal. The Commission is publishing this Notice and Order to solicit comment on Amendment No. 1 in Sections II and III below, which sections are being published verbatim as filed by the Exchange, and to approve the proposed rule change, as modified and superseded by Amendment No. 1, on an accelerated basis.

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

The Exchange proposes to amend its functionality relating to the processing of auction responses. The Exchange initially submitted this rule filing SR-CBOE-2025-074 to the Securities and Exchange Commission (the "Commission") on September 30, 2025 (the "Initial Rule Filing"). This Amendment No. 1 supersedes the Initial Rule Filing and replaces it in its entirety. This Amendment No. 1 provides additional support for the proposal and makes minor changes to the rule text[10] but makes no substantive changes to the proposal. The text of the proposed rule change is also available on the Commission's website

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7 15 U.S.C. 78s(b)(2)(B).

8 See Securities Exchange Act Release No. 104440, 90 FR 59928 (December 22, 2025) ("OIP"). The Commission designated April 1, 2026, as the date by which the Commission shall approve or disapprove the proposed rule change.

9 Amendment No. 1 to the proposed rule change is available at: https://www.sec.gov/rules-regulations/public-comments/sr-cboe-2025-074.

10 Specifically, this Amendment No. 1 moved the term "non-FLEX" to directly before the phrase "auction mechanisms" for grammatical purposes, but this did not change the substance of the proposal, which was to exclude FLEX auctions from the auction response processing time period. Additionally, this Amendment No. 1 moved the word "and" from before Solicitation Auction Mechanism ("SAM") to before Complex SAM ("C-SAM"), as C-SAM is the last item in the list.

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

III. 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 V 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"),[11] Step Up Mechanism ("SUM"),[12] Automated Improvement Mechanism ("AIM"),[13] Complex AIM ("C-AIM"),[14] Solicitation Auction Mechanism ("SAM"),[15] Complex SAM ("C-SAM"),[16] FLEX Auction process,[17] FLEX

11 See Rule 5.33(d).

12 See Rule 5.35.

13 See Rule 5.37.

14 See Rule 5.38.

15 See Rule 5.39.

16 See Rule 5.40.

17 See Rule 5.72(c).

AIM,[18] and FLEX SAM.[19] 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 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.

By way of background, Trading Permit Holders ("TPHs") may submit auction responses via logical port connectivity.[20] Each logical port corresponds to a single running order handler application.[21] Each order handler application processes the messages it receives from the connected TPH. This processing includes determining whether the message contains the required information to enter the System and where to send that message within the System (i.e., to which matching engine). Messages are sent from an order handler application to a matching engine via User Datagram Protocol ("UDP"). The Exchange has multiple matching engines, each of which controls the book for one or more classes of options listed for trading on the Exchange. The Exchange may run multiple matching engine applications on a single server. Once at a matching engine, the message is received at a server Network Interface Card ("NIC"), which timestamps each message upon arrival and places it in a queue. Currently, each matching engine processes all messages it receives from a single queue from the NIC and prioritizes the

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18 See Rule 5.73.

19 See Rule 5.74.

20 A User connects to the Exchange using a logical port available through an API, such as the industry-standard FIX or BOE protocol. Logical ports represent a technical port established by the Exchange within the Exchange's trading system for the delivery and/or receipt of trading messages, including orders, cancels, and auction responses.

21 The Exchange has numerous order handlers and uses an algorithm to determine at random which ports connect to which order handlers. This algorithm attempts to spread out a single TPH's ports across order handlers as well as balance the number of ports that connect to a single order handler.

processing of all message traffic, including auction responses, in the order in which the NIC receives each message (i.e., in time priority).

Auction response messages wait in the same queue as all other order and quote message traffic. As such, if an auction response is submitted at a time where there is a deep queue of other message traffic, such as mass cancellation messages or other orders and quotes, it is possible that the auction response may not be "processed" by the System in sufficient time (i.e., prior to the end of the auction response period).[22] Particularly, the queued auction response may not be able to participate in the applicable auction mechanism because the System had unprocessed (queued) messages at the time of the auction execution despite the fact that the User submitted the auction response prior to the end of the auction response period. Auctioned orders may therefore be missing out on potential price improvement that may have otherwise resulted if queued timely auction response(s) were able to participate in the auction.

To address the issue of missed auction responses, in June 2023, 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 in orders, and thus potentially provide customers with additional opportunities for price improvement.[23] Under this functionality, at the time an auction response

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[22] For example, it takes the Exchange's system approximately 10 microseconds to process a single order/quote or auction response message and, on average, approximately 190 microseconds to process a mass cancel message. As such, under the current system, an auction response that is entered after a mass cancel message is more likely to be detrimentally delayed as compared to a mass cancel message that is entered after an auction response (i.e., a 190 microsecond "wait time" versus a 10 microsecond "wait time").

[23] 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, C-SAM, FLEX Auction Process, FLEX AIM, and FLEX SAM.

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). That is, any auction responses that were in the queue before the conclusion of the auction (as identified by the 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 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 May 2025, the Exchange increased the permissible maximum length of this Exchange-determined time period for SPX options.[24] Specifically, with respect to SPX options, this Exchange-determined period of time for this continuation of auction response processing plus the

[24] See Securities Exchange Act Release No. 102966 (May 1, 2025), 90 FR 19330 (May 7, 2025) (SR-CBOE-2025-031); see also Cboe Exchange Notice C2025042903, available at https://www.cboe.com/notices/content/?id=54332.

length of the auction response or exposure period, as applicable,[25] may not exceed 1000 milliseconds (which the Exchange announces with reasonable advance notice via Exchange Notice).[26] The Exchange increased the additional processing time so that more auction responses could be executed in SPX auctions, particularly in times of high message traffic. This increase in processing time is currently in place until June 30, 2026[27] and applies to non-FLEX SPX options only.

Presently, all classes have the benefit of the additional auction response processing time following auctions (900 milliseconds for non-SPX options and 100 milliseconds for all other classes). Therefore, after TPHs may submit auction responses via logical port connectivity, as described above, the applicable order handler application for that logical port processes those messages and sends them to the appropriate matching engine for the class identified in the auction response. The NIC at the matching engine then timestamps each message upon arrival and places it in a queue in time priority. As noted above, auction response messages wait in the same queue as all other order and quote message traffic. At the end of an auction response period, the System continues to process its inbound queue for any messages, including auction responses, the System received before the end of the auction period based on the messages' NIC

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[25] Current lengths of auction response and exposure periods are available at cboe_options_product_configurations.xlsx.

[26] The auction response processing time is currently set to 900 milliseconds (with auction timers set to 100 milliseconds) for S&P 500 Index options ("SPX options")

[27] The Exchange extended this sunset date from December 31, 2025, to June 30, 2026. See Securities Exchange Act Release No. 104525 (December 30, 2025), 91 FR 303 (January 5, 2026) (SR-CBOE-2025-095).

timestamp, for up to 100 milliseconds (up to 900 milliseconds for non-FLEX SPX options).[28] In other words, the System processes any auction responses that were in the queue with a NIC timestamp earlier than the time of the conclusion during this additional processing time. The applicable auction will execute once all messages, including auction responses, with NIC timestamps earlier than the end time of the auction response period have been processed or the additional auction response processing time has lapsed, whichever occurs first. The Exchange has observed the benefits of a longer auction processing time in non-FLEX SPX option auctions, namely that nearly all auction responses that are received (based on NIC timestamp) by the System prior to the end of the application auction have opportunities to participate in the auction, as opposed to being canceled (as further discussed below). In other non-FLEX classes, the Exchange has observed at times (particularly in higher volume classes and during times of volatility or higher market activity) auction responses continue to be cancelled, because the System is unable to process all timely received auction responses before the end of the auction and 100 milliseconds auction response processing time. The Exchange believes auctions in these classes would benefit from a longer auction response processing time in the same way non-FLEX SPX options have benefitted.

Therefore, the proposed rule change makes a longer auction response processing time available to all non-FLEX classes (the proposed exclusion of FLEX classes is further discussed below) and makes the longer auction response processing time available to non-FLEX SPX

[28] As noted above, the auction response processing time is currently set to 900 milliseconds for SPX options and 100 milliseconds for all other classes. See Cboe Exchange Notices C2025042903, available at https://www.cboe.com/notices/content/?id=54332; and C2024111903, available at https://www.cboe.com/notices/content/?id=51420.

options on a permanent basis. Specifically, the Exchange proposes to amend Rule 5.25(c) to provide that the Exchange-determined period of time[29] during which the System will, at the conclusion of an auction response or exposure period, continue to process any messages in its inbound queue that were received by the System before the end of the auction response or exposure period (as identified by each message's NIC timestamp), plus the length of the auction response or exposure period, as applicable, may not exceed 1000 milliseconds. The Exchange believes the proposed maximum amount of additional time for processing will result in more auction responses being executed in all non-FLEX classes, particularly in times of high message traffic.

Additionally, as noted above, the proposed rule change removes the applicability of the auction response processing time to FLEX auctions (i.e., FLEX Auction Process, FLEX AIM, and FLEX SAM). The Exchange believes the additional processing time is unnecessary for FLEX auctions given lower liquidity levels in the FLEX market and longer FLEX auction response periods. As a result, unlike in non-FLEX classes, the Exchange has not observed missed auction responses in FLEX auctions.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[30] Specifically, the

[29] The Exchange may determine this time period on a class-by-class basis. See Rule 5.25(c).

[30] 15 U.S.C. 78f(b).

Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[31] 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)[32] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change will remove impediments to a free and open market, as it will allow the Exchange's System to potentially process more, if not all, timely submitted auction responses in all non-FLEX classes (rather than just non-FLEX SPX options), particularly in times of volatility and high message traffic, which may ultimately provide further opportunities for auctioned orders to receive price improvement to the benefit of investors. The Exchange believes the proposed rule change will continue to appropriately balance providing investors with timely processing of their options quote and order messages and providing investors who submit orders that are auctioned with additional liquidity. Indeed, the proposed rule change may allow more investors additional opportunities to receive price improvement through an auction mechanism. Additionally, because the proposed functionality may provide liquidity providers that submit auction responses with additional execution

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31 15 U.S.C. 78f(b)(5).

32 Id.

opportunities in auctions, the Exchange believes liquidity providers may be further encouraged to submit more auction responses, which may contribute to a deeper, more liquid auction process that provides investors with additional price improvement opportunities. The Exchange believes the proposal will continue to allow the Exchange to set each auction response period or exposure time to an amount of time that provides TPHs submitting responses with sufficient time to respond to, compete for, and provide price improvement for orders, but also continues to provide auctioned orders with improved execution opportunities and minimal impact on market and execution risk.

The Exchange believes the proposed rule change will result in increased execution opportunities for liquidity providers that submit auction responses and enhance the potential for price improvement for orders submitted to each mechanism to the benefit of investors and public interest. The proposed rule change will permit the Exchange to set a longer time period in all non-FLEX classes in which the System may process auction responses the System receives before the end of an auction response or exposure period (as identified by each auction response message's NIC timestamp). The Exchange believes the proposed increase in maximum time will increase the possibility that timely submitted auction responses are processed by the Exchange and have an opportunity for execution in the applicable auction mechanism, even if there is a deep pending message queue. The Exchange believes the proposed maximum amount of additional time for processing will permit the Exchange to respond to times of high message traffic. The Exchange generally experiences significant increases in volumes and messages traffic when the market experiences volatility. As a result, the Exchange has observed deeper pending message queues, which results in an increased number of timely received auction

responses not being processed as part of the execution at the conclusion of an auction. Based on these observations, the Exchange believes the proposed maximum time may increase the number of timely received auction responses that may execute against an auction order.[33]

The Exchange believes the proposed rule change 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 because of the adaptability of the auction response processing time functionality, pursuant to which the System uses only the additional processing time it needs. This generally relates to the amount of message activity (and thus the length of the message queue) at the time of an auction occurs unlike an auction response or exposure period, which must run in its entirety. 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 timestamped prior to the end of the auction period. The Exchange believes this is preferable to extending the auction response or exposure period, which must run in its entirety. For example, if an auction response period is extended to 200 milliseconds with no

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[33] 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 made hardware and software upgrades. See https://www.cboe.com/notices/content/?id=53830. Additionally, the Exchange adopted an excessive mass cancel and purge charge to encourage efficient use of network and system capacity and reduce the incentive for market participants to engage in excessive mass cancellation and purge activity, which may create latency and impact other market participants' ability to receive timely executions. See Securities Exchange Act Release No. 103040 (May 14, 2025), 90 FR 21525 (May 20, 2025) (SR-CBOE-2025-033). The Exchange regularly evaluates other potential means that may improve performance and reduce latency for all options.

additional processing time, the total processing time would always be 200 milliseconds regardless of the message queue.

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. For example, in 2025 prior to May 12 (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 September 5, 2025, this percentage was nearly 0. The Exchange notes during that time period of having the maximum auction response processing time be 900 milliseconds, the average length of that time period used since that time was only about 14 milliseconds. While this is a relatively small amount of auction response processing time being used on average, between May 12, 2025 and February 27, 2026, the maximum 900 milliseconds of auction response processing time was used on 178 of 214, or 83% of, trading days. This data demonstrates the benefits of the dynamic nature of the auction response processing time, as the System uses only the additional processing time based on the message queue at the time.

For example, suppose an auction begins at 10:00:00:000 a.m. one day with an auction response period of 100 milliseconds. The auction response period ends at 10:00:00:100 a.m., but there is a message queue requiring an additional 14 milliseconds to process all timely received responses. Therefore, executions for the auction occur at 10:00:00:114 a.m. and consider all

timely auction responses, despite the fact that the maximum response processing time was set to 900 milliseconds. Now suppose a major news event occurred at 2:00 p.m. that same day, causing market activity (and the System's message queue) to increase. An auction is then initiated at 2:30:00:000 p.m. that same day. The auction response period ends at 2:30:00:100 p.m., but there is a message queue requiring an additional 824 milliseconds to process all timely received auction responses. Therefore, executions for the auction occur at 2:30:00:924 p.m. and consider all timely received auction responses.[34]

Currently, only non-FLEX SPX options have the benefit of having this longer auction response processing time, while other non-FLEX classes have the benefit of only an additional 100 milliseconds of processing time. However, across all classes trading on the Exchange, between May 12, 2025 and February 27, 2026, the Exchange has observed that each matching engine has experienced delays in message queues that have resulted in auctions not being able to process all timely received (based on NIC timestamp) auction messages within the 100 milliseconds of additional response processing time at least once per trading day. In other words, at least once per trading day during that time period, the System cancelled timely received auction responses because the System was unable to "catch up" in the message queue on each matching engine within 100 milliseconds after the end of the auction. Therefore, at least once per trading on each matching engine, auctioned orders missed potential execution and price opportunities. The Exchange also observed instances in certain classes when the System needed

[34] For comparison, if the Exchange instead maximized the auction response period to 1 second, executions for the first auction would have occurred at 10:00:01 a.m., and executions for the second auction would have occurred at 2:30:01 p.m.

more than 400 milliseconds to process all timely received auction responses but could only had 100 milliseconds available under the current Rule.

Pursuant to the proposed rule change, the Exchange could set the auction response processing time for any non-FLEX class up to 900 milliseconds, which, based on current data, would result in the processing of all timely received auction responses in all classes. While no non-FLEX class other than SPX options currently needs 900 milliseconds to process all timely received auction responses, even if the Exchange set this buffer amount to 900 milliseconds, as described above, the System would only use the time it needed to catch up, so there is no harm or impact in providing a maximum of 900 milliseconds of auction response processing time even if a class only needs 50 milliseconds or 450 milliseconds.[35] Additionally, applying a longer auction response processing time can account for changes in volumes and market activity, as well as times of higher volatility. Options volumes continue to increase across the industry, and the market can become volatile at any moment. Therefore, while classes may currently not need more than 450 milliseconds of additional auction response processing time, it is possible certain classes may need more time in the future because volume in the class has significantly increased or volatility has become more extreme.

The proposed rule change will result in the System being able to process timely auction responses if volume increases and volatility spikes result in longer queue times than those that have occurred to date without having to reject responses and potentially reduce execution and price improvement opportunities. This would have no impact on current trading because any

[35] As demonstrated above, this generally results in auction executions occurring more quickly than if the Exchange instead lengthened auction response or exposure times.

"excess" time permitted by the rule is ultimately unused and executions would occur after an auction as soon as the System is caught up (it would not need to wait for the entire maximum auction response processing time to elapse). The Exchange believes this is preferable to increasing the length of the auction response or exposure period, as executions after an auction would always have to wait for the end of that longer auction response or exposure period to occur. For example, if the Exchange increases the length of the auction response time to one second, executions would always occur one second after the initiation of the auction (and auction responses may still not be concerned if there is queue), compared to executions occurring after the amount additional processing time necessary after the conclusion of a shorter auction response or exposure period. The application of a flexible buffer time as proposed permits the System to only use the time it needs and permits executions as timely as possible while still considering all timely received auction responses. During times of higher market activity, including when the markets are more volatile, there is generally more message traffic in general. The longer maximum buffer time may be necessary during those times, even if less frequent, to account for longer message queues when those market conditions exist. However, the majority of the time, the System may only need a small portion of this buffer time to get caught up, regardless of how long the maximum auction response processing time is set.

This data demonstrates the effectiveness of the longer auction response processing time for SPX options. The proposed rule change would permit the Exchange to retain this longer auction response period for SPX and thus retain these benefits, as well as extend these benefits to other classes traded on the Exchange. Given that times of high volatility are unpredictable, and impact all classes, having the longer auction response processing time available at all times will

permit the Exchange to continue to achieve these results when volatile times do occur. Additionally, given the continued increase in options volumes across the industry (and thus all classes), the Exchange believes all classes could benefit from the additional processing times.

While the proposed increase is significant, the Exchange notes that the combined maximum length of the auction response or exposure period plus the auction response processing period is the same length as the maximum permissible auction response or exposure period for certain auctions.[36] Therefore, the Commission has already determined that letting a executions after a price improvement auction occur up to 1000 milliseconds is consistent with the Act (which would permit the combined maximum auction response period plus maximum auction response processing time to be 1000 milliseconds for auctions). Given that the current length of the non-FLEX auctions is 100 milliseconds (except for SUM auctions, for which the exposure period is 50 milliseconds), and the auction response processing time is 100 milliseconds (except for SPX, for which it is 900 milliseconds pursuant to the current temporary rule), the proposed rule change would increase the total maximum processing time (auction response period plus response processing) for all non-FLEX classes other than SPX by 800 milliseconds (850 milliseconds for SUM auctions) and would keep the maximum processing time for non-FLEX SPX options the same. The proposed rule change provides the Exchange with flexibility to increase the number of auction responses that can participate in an auction without increasing the length of an auction (and may permit the Exchange to reduce the length of an auction). While

[36] See Rule 5.33(d)(3), 5.35(b)(1), 5.37(c)(3), and 5.38(c)(3), 5.39(c)(3), and 5.40(c)(3) (which permit the Exchange to set the length of the COA, SUM, AIM, C-AIM, SAM, and C-SAM exposure and auction response periods, as applicable, up to one second). Current lengths of auction response and exposure periods are available at cboe_options_product_configurations.xlsx.

the Exchange may increase the length of auction response periods to accommodate more auction responses, the Exchange believes shifting some of the already permissible auction response or exposure period time to the auction response processing time that may occur after the conclusion of the auction response or exposure period better addresses the issue of missed auction responses. Particularly, the Exchange believes the proposed rule change will accommodate more auction responses while also mitigating market risk that may accompany a longer auction period by setting the length of an auction response period to a timeframe that both allows an adequate amount of time for TPHs to respond to an auction message and provides the auctioned order with fast executions.

Additionally, the Exchange understands some TPHs choose to submit auction responses towards the end of an auction response period to better ensure the response is at a price that the market participant is willing to trade given the market at the time the auction response period concludes. For example, from October 1, 2025 through February 28, 2026, nearly one-quarter of AIM responses and approximately 13% of COA responses were submitted within the last 20 milliseconds of the applicable auctions, which represent meaningful amounts of liquidity submitted into these auctions. This is particularly true during times of higher volatility, which times generally result in higher message traffic and thus make it more likely these auction responses will not participate in the auction. As such, extending the auction response or exposure period in each auction would not prevent auction responses from continuing to miss the auction notwithstanding being submitted timely. Therefore, the Exchange believes extending the auction response processing time is preferable to extending the auction response or exposure

period, which the Exchange believes would not prevent auction responses from continuing to miss the auction notwithstanding being submitted timely.

The Exchange believes the proposed increase in maximum auction response processing time for all options will provide an adequate amount of time to provide pending auction responses with execution opportunities in times of high message traffic and will continue to have a de minimis impact on other message traffic. Even in times of high message traffic, auction responses continue to represent a small percentage of volume on the Exchange. Auction responses account for a small fraction of message traffic submitted to the Exchange. The Exchange believes the processing of such a small amount of message traffic, even after the conclusion of an auction response period, would therefore continue to have de minimis, if any, impact on the processing of non-auction response messages waiting in the queue, even if that processing occurs over a longer timeframe. The Exchange also notes that all messages are currently processed one at a time by the System. Therefore, the System still needs to "process" all pending auction responses, regardless of whether that processing involves canceling the pending auction response because it wasn't processed in time to participate in the auction or actually processing the response to participate in the auction. Either way, the non-auction response messages will still have to wait for processing of any pending responses ahead of it, regardless of the length of the auction response processing time. Further, updates to prices in the market will still be processed in the same order, and thus executions of the responses at the end of the auction response processing time will not trade through the market at that time. The Exchange notes the proposed rule change makes no changes to how the auction response processing functionality will work (or how any auctions work). Additionally, all message traffic

(including auction responses) will continue to be processed in time-priority. Therefore, the Exchange believes any impact of processing additional auction responses for inclusion in an auction rather than cancelling those responses will have minimal impact on message traffic behind them.

The Exchange continues to believe 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 will be shorter than the proposed maximum (and possibly zero). As discussed above, 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. To the extent the Exchange determines a lesser amount of time would be sufficient, 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.[37] However, as demonstrated above, there is no impact if the Exchange designates an amount of processing time that is "too long," as that extra time just goes unused. Additionally, in practice, the Exchange generally discusses with market participants potential changes to the length of auction response or exposure periods and to the auction response processing timer. Further, given the Exchange will provide advanced notice of any change, market participants may contact the Exchange to discuss any proposed changes.

The markets experience periods of high volatility, which generally results in increased market traffic. The Exchange has observed during these higher market traffic times an increase

[37] 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.

in the number of auction responses not being able to participate in auctions, notwithstanding being submitted timely within the auction response period, except recently in SPX given the longer auction processing time during the current sunset period. This higher traffic generally occurs across all classes. The Exchange believes permitting an increased auction response processing time in all classes would better provide market participants with additional opportunities for price improvements with very little, if any, impact to non-auction response message traffic, thereby removing impediments to a free and open market and ultimately protecting and benefiting investors. Additionally, because the proposed rule change may provide liquidity providers that submit auction responses with additional execution opportunities in auctions, the Exchange believes they may be further encouraged to submit more auction responses, which may contribute to a deeper, more liquid auction process that provides investors with additional price improvement opportunities

Given the current maximum auction response processing time in classes other than SPX (and if the current higher time applicable to SPX were to sunset), investors may miss out on opportunities to receive price improvement through the Exchange's auction mechanisms, even if such responses were submitted timely but not processed due to the System being otherwise occupied processing messages in queue ahead of it. The Exchange, therefore, believes its proposal will make it more likely that the System processes timely submitted auction responses and includes them in applicable auctions during periods of high message traffic, thus providing them with more opportunities to execute against auctioned orders.

The Exchange does not believe the proposed functionality raises any novel legal or regulatory issues as the proposed maximum auction response processing time is significantly

shorter than the longest maximum auction response or exposure period permissible in the Exchange's Rules.[38] As discussed above, the proposed rule change effectively only increases the permissible response processing time by no more than 850 milliseconds. The Exchange notes the proposed rule change makes no changes to how the auction response processing functionality will work (or how any auctions work). Additionally, all message traffic (including auction responses) will continue to be processed in time-priority, including market price updates, and thus the System is designed to prevent trade-throughs. Further, as noted above, the auction response or exposure period for all non-FLEX auctions on the Exchange permitted by Rules that have been previously filed with the Commission as being consistent with the Act may be no longer than one second. Even if the System uses the maximum buffer time, that means execution following an auction would occur one second following the beginning of an auction. Therefore, the proposed rule change is consistent with the length of time in the Rules that an auction may occur. The proposed rule change merely shifts some of the permissible auction response or exposure period time to the auction response processing time that may occur after the conclusion of the auction response or exposure period. As described above, the Exchange believes being able to have more time available as auction response processing time rather than increased auction response or exposure period time is beneficial due to the dynamic nature of the auction response processing time. This is because the Exchange can then set a shorter auction response or exposure period time, such as 100 milliseconds, and only use additional time when necessary,

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[38] See Rules 5.33(d)(3), 5.37(c)(3), and 5.38(c)(3) (which permits the Exchange to set the length of the COA, AIM, and C-AIM, respectively, auction response periods up to three seconds). Given that the auction response processing time plus the length of the auction response or exposure period may not exceed 1000 milliseconds, the maximum auction response processing time will be significantly less than the maximum auction response time currently permissible under the Exchange's Rules.

rather than for all auctions, which is what occurs if the Exchange were to lengthen the auction response or exposure period time. The Exchange believes, therefore, the proposed rule change promotes just and equitable principles of trade, removes impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protects investors and the public interest, because it will provide investors in all non-FLEX classes with additional execution and price improvement opportunities while processing investors' quote and order messages in a timely manner.

The proposed rule change excludes FLEX auctions from the rule that increases the auction response processing time. The terms of FLEX options are customized by users, and liquidity providers generally need additional time to consider these non-standard terms of a FLEX-auctioned order to price and manage associated risk of the auction option before submitting a response. This is reflected by the much longer lengths of FLEX auctions, which may last three seconds to five minutes,[39] compared to non-FLEX Auctions (which may last no more than one second) that are intended to result in nearly instantaneous matching of auctioned orders and responses. As a result of the customized nature of the FLEX market, as well as lack of book with resting quotes that Market-Makers continuously update, there is generally less liquidity and volume in FLEX options. As a result, FLEX auctions generally do not receive significant numbers of responses as can occur in auctions for non-FLEX auctions for options with standardized terms. Therefore, the Exchange believes additional auction response processing time is unnecessary for FLEX auctions.

[39] See Rules 5.72(c)(1)(F), 5.73(c)(3), and 5.74(c)(3).

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 changes will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as the proposed rule change would apply equally to TPHs that submit auction responses. The proposed rule change would permit a longer auction response processing time for all non-FLEX classes on the Exchange (rather than just one as is the case today), and thus market participants in all classes would be able to benefit from this increased processing time, including reducing the likelihood that their auction responses are rejected. Additionally, as noted above, the Exchange believes the proposed increase in the maximum auction response processing time will have little to no impact on non-auction response message traffic and continues to be designed to prevent trade-throughs given all messages, including market price updates, will continue to be processed in time priority. 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 change affects how the System processes auction responses that may only participate in auctions that occur on the Exchange.

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

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

IV. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified and superseded by Amendment No. 1 ("Amended Proposal"), is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[40] In particular, the Commission finds that the Amended Proposal is consistent with Section 6(b)(5) of the Act,[41] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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.

As discussed above, currently, at the conclusion of an auction response or exposure period, the Exchange-determined period of additional processing time for timely-received auction messages may not exceed 100 milliseconds; except that, with respect to non-FLEX SPX options, this Exchange-determined period of additional processing time plus the length of the auction response or exposure period, as applicable, may not exceed 1000 milliseconds ("1000 millisecond maximum processing time").[42] The Amended Proposal would apply to all non-FLEX classes the 1000 millisecond maximum processing time currently applicable to non-FLEX SPX options, make

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40 In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

41 15 U.S.C. 78f(b)(5).

42 See Rule 5.25. This aspect of auction response processing for non-FLEX SPX options is set to expire on June 30, 2026. Id. With auction timers set to 100 milliseconds for non-FLEX auctions (except for SUM auctions, for which the exposure period is 50 milliseconds), the 1000 millisecond maximum processing time provides 900 milliseconds of additional auction response processing time after the auction response or exposure period concludes. See Amendment No. 1, supra note 9, at 7 n. 17, 42-43.

the 1000 millisecond maximum processing time permanent for non-FLEX SPX options, and eliminate additional auction message processing time for FLEX auctions.[43]

In the OIP, the Commission expressed concern that the Initial Rule Filing did not set forth data directly supporting the proposed increase in the maximum processing time for non-FLEX classes other than SPX, or support for the proposed removal of additional auction response processing times for FLEX auctions.[44] The Commission believes that the Amended Proposal addresses these concerns, and is reasonably designed to remove impediments to and perfect the mechanism of a free and open market and a national market system.

The Amended Proposal demonstrates that the 100 milliseconds of additional auction message processing time currently available for non-FLEX classes other than SPX can be insufficient to allow the Exchange to process all timely-received auction responses. The Exchange states that between May 12, 2025 and February 27, 2026, at least once per trading day, each of its matching engines experienced delays in message queues that resulted in the Exchange not being able to process all timely-received auction messages within the 100 milliseconds of additional response processing time currently available.[45] As a result, according to the Exchange, this meant that, at least once per trading day during that time period, auctioned orders missed potential execution and price improvement opportunities.[46] The Exchange also states

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43 See proposed Rule 5.25; see also Amendment No. 1, supra note 9, at 34.

44 See OIP, supra note 8, 90 FR at 59930.

45 See Amendment No. 1, supra note 9, at 15.

46 Id.

that there have been instances in certain classes when it needed more than 400 milliseconds to process all timely-received auction responses but only had 100 milliseconds available.[47]

The Commission believes that the Amended Proposal, by applying the 1000 millisecond maximum processing time to all non-FLEX classes, is reasonably designed to improve the Exchange's ability to process all timely-received auction responses and provide enhanced opportunities for executions, potentially with price improvement, through an auction mechanism. The Commission also believes that it is appropriate and consistent with the Act for the Exchange to apply to all non-FLEX classes the same 1000 millisecond maximum processing time that it currently applies to non-FLEX SPX classes, in light of the Exchange's experience with non-FLEX SPX classes. In this vein, the Exchange states that, for a time period before it implemented the 1000 millisecond maximum processing time for non-FLEX SPX options, the Exchange cancelled, on average, 7.64% of timely-received auction responses—and on some occasions over 20% of timely-received auction responses—because the Exchange could not process them before the end of the then-applicable maximum processing time period.[48] But according to the Exchange, this percentage became nearly zero after the Exchange implemented the 1000 millisecond maximum processing time for non-FLEX SPX classes.[49]

In addition, the Commission believes the Amended Proposal is consistent with the Act insofar as it designed to be tailored to the Exchange's processing needs, which may vary depending on the amount of message activity and length of the message queue at the time of an

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47 Id.

48 Id. at 13.

49 Id.

auction.[50] As the Exchange has stated, it uses only the portion of the processing time that it needs to process responses timestamped prior to the end of the auction period.[51] In other words, the 1000 millisecond maximum processing time is a ceiling but not a floor, such that the Exchange will use less than the full 1000 milliseconds of additional processing time when doing so is conducive to processing all timely-received auction messages.[52] While, according to the Exchange, no non-FLEX class other than SPX currently needs 900 milliseconds to process all timely-received auction responses, the portion of the 1000 millisecond maximum processing time that is not needed for a particular auction would go unused and the auction would occur once the Exchange has processed all timely-received messages.[53] At the same time, the 1000 millisecond maximum processing time would provide the Exchange with flexibility to process longer auction message queues than those experienced to date in non-FLEX classes other than SPX, which could occur as a result of increases in volume or volatility.[54]

Broadly, the Commission believes that the application of the 1000 millisecond maximum processing time to all non-FLEX classes could incentivize competition in the Exchange's auctions by increasing the likelihood of all timely-submitted responses participating in an execution at the end of an auction, especially during periods of high message traffic. Increasing the number of competitive responses in an auction could also increase price improvement opportunities for any order submitted into an auction. Additionally, all message traffic

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50 Id.

51 Id.

52 The Amended Proposal sets forth examples of this Exchange behavior. Id. at 13-14.

53 Id. at 16.

54 Id. at 18.

(including auction responses) will continue to be processed in time-priority. The Commission emphasizes that the extension of processing time is only available to TPHs that have submitted an auction response within the response period for each auction.

Finally, the Commission believes that the proposed removal of additional auction response processing times for FLEX auctions is adequately supported by the Amended Proposal and reasonably designed to remove impediments to and perfect the mechanism of a free and open market and a national market system. Specifically, the Amended Proposal identifies attributes of FLEX options and auctions that demonstrate that additional processing time for the Exchange's FLEX auctions does not meaningfully enhance the Exchange's ability to process timely-submitted FLEX auction messages. These attributes include: (i) FLEX options have customized terms and liquidity providers generally need additional time to consider these non-standard terms to price and manage associated risk of the auction option before submitting a response;[55] (ii) there is no book with resting quotes for FLEX options that market makers continuously update;[56] (iii) FLEX auctions are much longer (ranging from three seconds to five minutes) than non-FLEX auctions;[57] and (iv) FLEX auctions generally do not receive a significant number of responses as compared to auctions for options with standardized terms.[58]

Accordingly, the Commission finds that the Amended Proposal is consistent with Section 6(b)(5) of the Act.[59]

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55 Id. at 24.

56 Id.

57 Id.

58 Id.

59 15 U.S.C. 78f(b)(5).

V. Solicitation of Comments on Amendment No. 1 to the Proposed Rule Change

Interested persons are invited to submit written data, views, and arguments concerning whether Amendment No. 1 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-2025-074 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-2025-074. 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-2025-074 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

VI. Accelerated Approval of the Proposed Rule Change, as Modified and Superseded by Amendment No. 1

The Commission finds good cause to approve the Amended Proposal prior to the thirtieth day after the date of publication of notice of the filing of Amendment No. 1 in the Federal Register. Amendment No. 1 provides additional detail regarding the processing of auction responses, further justification for the proposal, and additional data with respect to the time of submission of responses into certain auctions and the duration of auction response processing periods. Amendment No. 1 also makes non-substantive changes that update current rule text and correct grammar. Amendment No. 1, without altering the purpose of the Initial Rule Filing, strengthens the Initial Rule Filing by providing additional clarity, support, and data, as explained above and set forth fully in Sections II and III above.

The Commission therefore finds that Amendment No. 1 raises no novel regulatory issues that have not previously been subject to comment and is reasonably designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,[60] to approve the Amended Proposal on an accelerated basis prior to the 30th day after publication of notice of the filing of Amendment No. 1 in the Federal Register.

[60] 15 U.S.C. 78s(b)(2).

VII. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[61] that the proposed rule change (SR-CBOE-2025-074), as modified and superseded by Amendment No. 1, be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[62]

Sherry R. Haywood,

Assistant Secretary.

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61 Id.

62 17 CFR 200.30-3(a)(12).