SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106945; File No. SR-CBOE-2026-024]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of Amendment No. 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 2, to Allow Stop-Limit Complex Orders and Establish Stop Complex Order Auctions as a New Type of Auction Mechanism

November 19, 2026.

I. Introduction

On March 9, 2026, Cboe Exchange, Inc. ("Exchange" or "Cboe") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] a proposed rule change to provide for stop-limit complex orders as a type of complex order and to adopt the stop limit complex order auction ("SCOA") as an auction mechanism to facilitate auctions for stop-limit complex orders. The proposed rule change was published for comment in the Federal Register on March 26, 2026.[3] The Commission received no comments regarding the proposed rule change. On May 5, 2026, pursuant to Section 19(b)(2) of the Act, [4] 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.[5] On June

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

2 17 CFR 240.19b-4.

3 See Securities Exchange Act Release No. 105064 (Mar. 23, 2026), 91 FR 14736.

4 15 U.S.C. 78s(b)(2).

5 See Securities Exchange Act Release No. 105371 (May 5, 2026), 91 FR 25393 (May 8, 2026). The Commission designated June 24, 2026, as the date by which the Commission shall approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.

24, 2026, the Commission instituted proceedings under Section 19(b)(2)(B) of the Act[6] to determine whether to approve or disapprove the proposed rule change.[7] On September 21, 2026, the Commission designated a longer time for Commission action on the proposed rule change.[8] On November 12, 2026, the Exchange filed Amendment No. 1 to the proposed rule change. On November 18, 2026, the Exchange filed Amendment No. 2 to the proposed rule change, which replaces and supersedes the original filing, as modified by Amendment No. 1, in its entirety.[9] The Commission is publishing this notice and order to solicit comment on Amendment No. 2 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 by Amendment No. 2, on an accelerated basis.

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

Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend certain of its rules regarding complex orders and complex order auctions to accommodate stop-limit complex orders and establish Stop-Limit Complex Order Auctions ("SCOA") as a new type of auction mechanism. The text of the proposed rule change is provided in Exhibit 5.

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6 15 U.S.C. 78s(b)(2)(B).

7 See Securities Exchange Act Release No. 105771 (Jun. 24, 2026), 91 FR 39143 (Jun. 29, 2026).

8 See Securities Exchange Act Release No. 106444 (Sept. 21, 2026), 91 FR 60661 (Sept. 24, 2026).

9 Amendment No. 2 revises the proposal to: (1) streamline and clarify the text of the proposed rules; (2) amend the definition of Market-Maker SBBO to include stock-option orders; (3) revise the definition of stock-option order to provide that, in classes determined by the Exchange, conforming and non-conforming stock-option orders will not be eligible for SCOA; (4) provide that a SCOA will terminate early upon receipt of a complex order that would post to the Complex Order Book ("COB") on the same side as the order(s) that initiated the SCOA and at a price better than the limit price of any of the orders in the SCOA; (5) provide additional details regarding the allocation of contra-side complex interest to SCOA orders at the conclusion of a SCOA; (6) provide that complex limit orders comprised of legs in different groups of series in a class that are not designated as related groups, and that designate, or default to, the SBBO/trade price trigger condition, will trigger a SCOA only if a complex trade in the strategy occurs at or better than the stop price; (7) state that SCOA order executions must comply with the execution price requirements in Exchange Rule 5.33(f)(2)(A); and (8) provide additional discussion to support the proposal.

The text of the proposed rule change is also available on the Commission's website (https://www.sec.gov/rules/sro.shtml), the Exchange's website (https://www.cboe.com/us/options/regulation/rule_filings/cone/), 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 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 certain Exchange rules regarding complex orders and complex order auctions to establish stop-limit complex orders as a type of complex order and SCOA as a type of electronic auction mechanism that will facilitate auctions for stop-limit complex orders. Specifically, the Exchange proposes to amend Rule 5.33 to (1) define stop-limit complex orders and SCOA, as well as additional terms needed to support stop-limit complex orders and SCOA, (2) describe SCOA processing as a new type of auction for complex orders, and (3) broaden the existing naming convention for auction communications to include SCOA while also updating certain auction references throughout to include SCOA. Additionally, the Exchange proposes to amend Rule 5.21(b), Rule 5.25(c), and Rule 5.34(b) and (c) to include

SCOA in certain references with other types of auctions, thereby applying certain existing safeguards to SCOA. The Exchange also proposes administrative changes to Rule 5.33(a), (b), and (d) to make grammatical corrections.

A "complex order" is an order or quote involving the concurrent execution of two or more different series in the same underlying equity security or index (the "legs" or "components" of the complex order), for the same account, occurring at or near the same time and for the purpose of executing a particular investment strategy with no more than the applicable number of legs.[10] A "Stop-Limit" order is an order to buy (sell) that becomes a limit order[11] when the consolidated last sale price (excluding prices from complex order trades if outside the NBBO) or NBB (NBO) for a particular option contract is equal to or above (below) the specified stop price.[12] Currently, the Exchange offers stop-limit functionality for simple orders only. The Exchange proposes to extend this functionality to complex orders, thereby creating stop-limit complex orders for options.

Taking into account the growth of options trading and customer demand for an automated tool to help manage risk exposure for complex orders more efficiently, the Exchange believes that market participants will use stop-limit complex orders to help manage an entire complex order position, rather than manage specific legs of the strategy individually, as they do today. The Exchange understands market participants currently may enter a stop-limit order on the short leg(s) of a complex order while managing the long leg(s) separately. A stop-limit complex order will provide market participants with the ability to manage both long and short legs simultaneously using a single complex order.

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10 See Rule 1.1.

11 See Rule 1.1, which states that a "limit order" is an order to buy or sell a stated number of option contracts at a specified price or better.

12 See Rule 5.6(c).

To establish stop-limit complex orders, the Exchange proposes to add "stop-limit complex order" in Rule 5.33(b) as a new instruction type that the System[13] will accept as a complex order and "Market-Maker SBBO" as a new term in Rule 5.33(a). As a new type of complex order, a stop-limit complex order means a complex order to buy or sell, as the case may be, two or more different series in the same underlying equity security or index, which are the "legs" or "components" of the complex order, for the same account, occurring at or near the same time and for the purpose of executing a particular investment strategy with no more than the applicable number of legs. Stop-limit complex orders will become limit orders when certain trigger conditions are met, one of which involves Market-Maker quotes in the individual legs of a complex order. Therefore, the Exchange proposes to adopt the new term "Market-Maker SBBO" to mean the best bid and offer for complex orders on the Exchange calculated using only appointed Market-Maker quotes for each option component of a complex strategy. Additionally, the Market-Maker SBBO for a stock-option order means the best bid and offer on the Exchange calculated using only appointed Market-Maker quotes for each option component and the NBBO of the stock component of the strategy.[14] The Exchange believes that the use of the Market-Maker SBBO is preferable to the use of the SBBO because it insulates stop-limit complex orders from inappropriate triggering events that could otherwise be caused by including non-Market-Maker single-leg limit orders in the SBBO. Specifically, using the Market-Maker SBBO will help avoid cascading events where a customer enters a single-leg order with a limit price that is higher than the current best Market-Maker bid. Using the SBBO inclusive

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13 See Rule 1.1, which states that the term "System" means the Exchange's hybrid trading platform that integrates electronic and open outcry trading of option contracts on the Exchange, and includes any connectivity to the foregoing trading platform that is administered by or on behalf of the Exchange, such as a communications hub.

14 The definition of Market-Maker SBBO includes reference to a stock-option order to align with the definition of Synthetic Best Bid and Offer.

of single-leg customer orders could cause resting stop-limit complex orders to trigger on SBBOs that are not reflective of liquidity provider price levels, which could harm stop-limit complex order customers. Further, the execution of the first stop-limit complex order(s) that are inappropriately triggered by inclusion of a non-Market-Maker order into the SBBO may in turn trigger a second investor's stop limit order with a more aggressive stop price, and so on, thereby creating a cascading event of inappropriately-triggered customer stop-limit orders. The Exchange believes that limiting the trigger condition, as described below, to quotes from Market-Makers will be more reflective of the market value and provide a more authentic market valuation to determine if a stop-limit complex order should be triggered.

A stop-limit complex order will become a limit order when either (i) the Market-Maker SBBO or a trade price of a complex strategy for a trade that occurs in the same complex strategy is equal to or higher (lower) than the stop price, or (ii) if designated by the User, a trade price of an underlying security, or the same side bid or ask of the underlying security or the underlying index level, as applicable, is equal to, or higher or lower, as designated by the User, than the designated stop price. In other words, a stop-limit complex order is a conditional order that becomes a limit order when triggered by one of two conditions. Only one of the two possible trigger conditions can be designated for a stop-limit complex order. Stop-limit complex orders are not eligible for execution during any session other than RTH and are not eligible for bulk messages or as orders Direct to PAR.[15]

To facilitate order processing for stop-limit complex orders, the Exchange proposes to establish SCOA as a new type of auction mechanism. The Exchange currently offers a variety of

[15] See Rule 5.6(b), which defines a "Direct to PAR" order as an order a User designates to be routed directly to a specified PAR workstation for manual handling. A PAR workstation is an Exchange-provided order management tool for use on the Exchange's trading floor.

auction mechanisms which provide price improvement opportunities for eligible orders but only one type of single-sided auction mechanism for complex orders, Complex Order Auction ("COA").[16] The Exchange proposes SCOA as a second type of auction mechanism for complex orders, specifically stop-limit complex orders, that is similar to COA. Like COA, SCOA is intended to provide opportunities for price improvement, but it is also designed to maximize execution quantity, particularly given that one event may trigger multiple stop-limit complex orders. SCOA is the only auction mechanism that is available for stop-limit complex orders, and stop-limit complex orders are only eligible for SCOA processing (in other words, all triggered stop-limit complex orders will be processed in a SCOA). Consequently, Rule 5.33(b)(5)(A) is amended to state that a stop-limit complex order is not COA-eligible.

The Exchange notes that SCOA is an electronic auction. In classes determined by the Exchange, a nonconforming stock-option order is not eligible for electronic processing.[17] The Exchange has determined that nonconforming stock-option orders are currently not eligible for electronic processing in any class. Since nonconforming stock-option orders are currently not eligible for electronic processing,[18] SCOA will likewise not be utilized for nonconforming stock-option orders at this time.[19] The Exchange proposes to amend the definition of stock-option order in Rule 5.33(b)(5) to state the Exchange has the authority to determine if nonconforming stock-option orders will be eligible for SCOA on a class basis, and unlike other auction types listed in the definition of stock-option order, that same authority will extend to conforming

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16 See Rule 5.33.

17 See Rule 5.33(b)(5), which describes stock-option order.

18 See id.

19 If the Exchange subsequently determines to make nonconforming stock-option orders of certain classes eligible for electronic processing, the Exchange will announce such functionality through the publication of an Exchange notice.

stock-option orders as well. Rule 5.33(b)(5) currently gives the Exchange the ability to determine by class the ineligibility of nonconforming stock-option orders for the listed auction types.[20] Since the Exchange does not believe there is demand for SCOA for either conforming or nonconforming stock-option orders, the Exchange proposes to amend the definition of stock-option order in Rule 5.33(b)(5) to state that in classes so determined by the Exchange, a conforming or nonconforming stock-option order is not eligible for SCOA. Unlike the authority applicable to the other listed auction types that is limited to nonconforming stock-option orders, this authority will extend to conforming stock-option orders as well as nonconforming stock-option orders and will provide the Exchange with the ability to determine if conforming or nonconforming stock-option orders are ineligible on a class basis for SCOA. Upon launch and because the Exchange does not believe there is currently demand for SCOA for either conforming or nonconforming stock-option orders, the Exchange has determined that neither conforming nor nonconforming stock-option orders will be eligible for SCOA when SCOA launches on the Exchange.[21]

To add SCOA to Rule 5.33 as a new type of auction mechanism for stop-limit complex orders, the Exchange proposes to add the term "Stop-Limit Complex Order Auction" or "SCOA" as a new definition in Rule 5.33(a) and detail SCOA and SCOA processing in Rule 5.33(d). Rule 5.33(d) currently details COA and COA processing. Since both COA and SCOA are auction mechanisms for complex orders, the Exchange proposes to rename Rule 5.33(d) from "Complex Order Auctions (COAs)" to "Auction Types for Complex Orders" and relocate all existing COA

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20 COA, C-AIM, and C-SAM are auction types that are eligible for conforming stock-option orders.

21 If the Exchange subsequently determines to make conforming or nonconforming stock-option orders of certain classes eligible for electronic processing for SCOA, the Exchange will announce such functionality through the publication of an Exchange notice.

provisions currently in Rule 5.33(d) to Rule 5.33(d)(1). Additionally, SCOA will utilize the same system functionality for order entry and messaging as COA. Consequently, the existing naming convention found in Rule 5.33 for order entry, including transaction ID, and auction messaging that currently reference COA (e.g., COA messages) is broadened by replacing the existing "COA" designation with "auction" throughout Rule 5.33. For example, instances of "COA messages" throughout Rule 5.33 are replaced with "auction messages" so as to apply to both COA and SCOA messages within Rule 5.33. Also, language in existing Rule 5.33(d)(3) - *Response Time Interval* is updated to Rule 5.33(d)(1)(C) - *Response Time Interval for COA* to clarify that occurrences of Response Time Interval in that subparagraph are applicable to COA whereas occurrences of Response Time Interval in new Rule 5.33(d)(2)(D) are applicable to SCOA.

The Exchange proposes to further amend Rule 5.33(d) by adding "*Stop-Limit Complex Order Auction (SCOAs)*" as the second type of auction mechanism for complex orders, specifically (and solely) for stop-limit complex orders, as new subparagraph (d)(2). New Rule 5.33(d)(2)(A) establishes that a SCOA is triggered when the trigger condition designated for a stop-limit complex order has been met. There are two possible trigger conditions for a stop-limit complex order: the SBBO/trade price trigger condition and the underlying price trigger condition. However, only one of the two possible types of trigger conditions may apply to a stop-limit complex order, and the trigger condition type is determined when a stop-limit complex order is submitted by the User.[22] If no trigger condition type is designated when a stop-limit complex order is submitted, the default trigger condition will be applied, as described below.

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[22] See Rule 1.1, which states that the term "User" means any TPH or Sponsored User who is authorized to obtain access to the System pursuant to Rule 5.5.

For a stop-limit complex order with the SBBO/trade price trigger condition, the trigger condition is met when either (i) the same side Market-Maker SBBO is equal to or higher (lower) than the stop-limit price, or (ii) a complex trade occurs at a trade price equal to or higher (lower) than the stop-limit price. The SBBO/trade price trigger condition will be the trigger condition for a SCOA if the SBBO/trade price trigger condition is designated as such when an order is submitted or if no trigger condition is designated at the time of order submission since the SBBO/trade price trigger condition functions as the default trigger condition. Stop-limit complex orders comprised of legs in different groups of series in a class that designate the SBBO/trade price trigger condition will only trigger a SCOA if a trade occurs at or better than the stop price. The Exchange may determine to list SPX or VIX on a group basis[23] and may establish system trading parameters on a class-by-class basis for SPX or VIX on a group basis,[24] and consequently proposed Rule 5.33(d)(2)(A)(i) provides the manner in which a stop-limit complex order with legs in different groups of series in a class (as permitted by Rule 4.13(f)) and which are not designated as related groups[25] processed on the same matching engine at the Exchange will trigger under the SBBO/trade price trigger condition. As an example, for stop-limit complex orders with both SPX (or SPXO) and SPXW leg components that have the SBBO/Trade Price trigger condition, the SCOA will only trigger if a trade in the strategy occurs at or better than the stop price. In contrast, stop-limit complex orders with

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23 See Rule 4.13(f).

24 See Rule 1.5(c).

25 See Securities Exchange Act Release No. 34-106696 (October 19, 2026), 91 FR 66744 (October 22, 2026) (SR-CBOE-2026-081). Rule 5.33(g)(6), which previously prohibited all complex orders with legs in different groups of SPX or VIX series from legging into the Simple Book and thereby preventing SPX/SPXW complex orders from legging because those series reside on different matching engines, was amended to add a related group framework to accommodate the listing of SPXO options as part of the SPX class. Because SPXO options will be on the same matching engine as SPX options, Exchange technology will permit SPX/SPXO complex orders to leg, although complex orders that include an SPXW leg with an SPX or SPXO leg will still be unable to do so. The related group framework in Rule 5.33(g)(6) allows complex orders with legs in different groups designated by the Exchange as related groups to leg into the Simple Book, in addition to being posted to the COB.

both SPX and SPXO leg components do not have this same limitation since SPX and SPXO are on the same matching engine and therefore may leg into the Simple Book. Likewise, stop-limit complex orders with only SPXW leg components will process on the same matching engine and may leg into the Simple Book.

For a stop-limit complex order with an underlying price designated as the trigger condition, the order (whether to buy or sell) must be submitted with instructions that designate the price threshold of the underlying security or index as either (i) at or above the underlying price or index level or (ii) at or below the underlying price or index level. If the underlying security is an equity, the SCOA is triggered when the same side bid (ask) of the underlying security is equal to or higher (lower) than the designated stop-limit price or if a last-sale eligible trade price is equal to or higher (lower) than the stop-limit price. If the underlying security is an index, the SCOA is triggered when the underlying index level is equal to or higher (lower) than the designated threshold price. The price threshold must be designated at a price that is higher (lower) than the current value of the underlying security.

Once the trigger condition designated for a stop-limit complex order is met, a SCOA will be initiated, and the System will send an auction message to all subscribers that receive auction messages. An auction message will identify the auction ID, instrument ID, quantity, and side of the market of the stop-limit complex order. If a single stop-limit complex order is triggered, the SCOA starting auction price will be the less aggressive of the order's limit price or the opposite side SBBO. In addition to addressing a single stop-limit complex order, SCOA is an auction mechanism designed to effectively manage order handling in the event that multiple stop-limit complex orders with the same trigger event are elected simultaneously, which has been observed for simple stop and stop-limit orders. If multiple stop-limit complex orders in the same complex instrument are

triggered by the same trigger event, such orders are bundled into the same SCOA, as stated in new Rule 5.33(d)(2)(B). For multiple stop-limit complex orders in the same SCOA with the same trigger event, the SCOA starting auction price will be the less aggressive of either the most aggressive limit price of the orders in the SCOA or the opposite side SBBO.

If multiple stop-limit complex orders are received for the same complex strategy but with different trigger conditions, such orders will not be bundled into the same SCOA. Instead, multiple stop-limit complex orders in the same complex strategy but with different trigger events will be processed as separate SCOAs. SCOAs may process concurrently, and the System may initiate a SCOA in a complex strategy even though another SCOA in that complex strategy is ongoing.

Proposed Rule 5.33(d)(2)(D) defines "Response Time Interval" for SCOA as the period of time during which Users may submit responses to the auction message. The Exchange will establish the Response Time Intervals for SCOA on a class-by-class basis, and as provided in new Rule 5.33(d)(2)(D), the duration of the response time interval may not exceed 1000 milliseconds, which is the same as the maximum duration of the response time interval for COA. Auction Responses to SCOA will be substantially similar to Auction Responses to COA, and consequently, the process of submitting Auction Responses for SCOA in Rule 5.33(b)(2)(E) is substantially similar to the process of submitting Auction Responses for COA in Rule 5.33(b)(1)(D). As is the case for COA, the Exchange will determine on a class-by-class basis if all Users are eligible to submit Auction Response(s) or if only Market-Makers with an appointment in the class and TPHs acting as agent for orders resting at the top of the COB[26] in the relevant complex strategy may submit Auction Response(s). An Auction Response must specify the price, size, side of the market,

[26] See Rule 5.33(a), which defines "Complex Order Book" or "COB" as the Exchange's electronic book of complex orders used for all trading sessions.

and auction ID for the SCOA that the Auction Response is in response to. Auction Response(s) with a permissible Capacity in the applicable minimum increment during the Response Time Interval will be accepted by the System. Auction Responses may be for a quantity that is more than the SCOA order. The System will aggregate the size of Auction Responses submitted at the same price for an EFID[27] and cap the size of the aggregated Auction Responses at the size of the SCOA order. During the Response Time Interval, Auction Responses are not firm and can be modified or withdrawn at any time prior to the end of the Response Time Interval. However, any modified Auction Response will be given a new timestamp by the System, resulting in a loss of priority unless the modification was to decrease the size in the Auction Response. At the end of the Response Time Interval, Auction Responses are firm, and their price and size are guaranteed. Auction Responses are not displayed and may only execute against the SCOA order for which an Auction Response is submitted. The System will cancel any unexecuted Auction Responses or unexecuted portions at the conclusion of the SCOA. In certain circumstances, the System will terminate a SCOA prior to the end of the Response Time Interval.

The System will terminate a SCOA if one of three circumstances is met. First, pursuant to proposed Rule 5.33(d)(2)(D)(i), a SCOA will be terminated early upon receipt of a complex order that would post to the Complex Book on the same side as the order that initiated the SCOA and at a price better than the limit price of any of the orders in the SCOA. This is similar to existing Rule 5.33(d)(1)(C)(i), pursuant to which a COA terminates early when the System receives a non-COA-eligible order on the same side as the COA-eligible order that initiated the COA but with a price better than the COA price. Terminating the SCOA in this circumstance prevents the SCOA order(s) from executing ahead of a newly received complex order resting in the Complex Book at a

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[27] See Rule 1.1, which states that the term "EFID" means an Executing Firm ID.

better price than the limit price of any of the orders in the SCOA. Second, similar to COA[28], a SCOA may be terminated pursuant to proposed Rule 5.33(d)(2)(D)(ii) if orders are received in a leg of the stop-limit complex order that would improve the SBBO on the same side as the SCOA order to a price better than the least aggressively priced order(s) in the SCOA bundle. If the SCOA is terminated in this manner, SCOA orders may be filled against the best auction responses and resting orders to maximize volume executed before posting orders to the COB, if eligible. Third, pursuant to proposed Rule 5.33(d)(2)(D)(iii), a SCOA may also be terminated early if a Priority Customer simple order that would join or improve the SBBO on the same side as the SCOA order(s) to a price equal to the limit price of any of the orders in the SCOA and cause any component of the SBBO to be represented by a Priority Customer. In other words, SCOA may be terminated early if a Priority Customer is received in a leg of the stop-limit complex order(s) that would join the SBBO on the same side as the SCOA order(s) and cause the SBBO on the same side as the SCOA order(s) to equal the limit price of any of the orders in the SCOA.[29] Regardless of which of the three circumstances results in early termination of a SCOA, the SCOA order(s) will be filled to the extent permitted before entry into the COB, if eligible. In any case of early termination, the SCOA will be terminated by the System and any unexecuted orders resulting from the termination will be entered into the COB, if eligible, in accordance with new Rule 5.33(d)(2)(E)(iii).

Since other orders received in a leg of the complex order may result in early termination of a SCOA as described above, the Exchange recognizes it is possible that market activity may be used to interfere with SCOA processing in a way that is contrary to just and equitable principles of trade in the markets. Consequently, the Exchange proposes to amend Interpretations and Policies .03 to

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28 See existing Rule 5.33(d)(3).

29 See Rule 1.1, which states that the term "Priority Customer" means a person or entity that is a Public Customer and is not a Professional.

Rule 5.33 to include SCOA so that if the Exchange identifies a pattern or practice of order submissions by a TPH that results in early termination of a SCOA(s) because such orders cause one of the conditions for early SCOA termination to be met, the actions of the TPH will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 8.1, as is currently the case for COA.

New Rule 5.33(d)(2)(F) establishes the processing of SCOA orders. Once the Response Time Interval has ended, the System will execute a SCOA order, in whole or in part, against complex contra-side interest by using a two-phase allocation algorithm that will allocate Auction Responses and unrelated orders resting in the COB to maximize executed volume. The Exchange believes that SCOA will most often be utilized by market participants to exit existing positions based on market conditions, by executing transactions for their desired quantities once designated price thresholds have been passed. For this reason, SCOA is designed to maximize executable volume as the primary goal of the auction. The first phase of the allocation algorithm ("SCOA Phase 1") will allocate Auction Responses to SCOA orders by matching the least to most aggressively priced SCOA orders to the contra-side interest, filling the best-priced orders last in an attempt to maximize execution quantity. The Exchange believes that this initial phase of the SCOA process is appropriate because SCOA is designed to be utilized by market participants who prioritize fulfillment of their desired execution quantity above the price of a transaction once the designated price threshold set by the investor has been passed. SCOA is intended to be an auction mechanism that gives investors the ability to give greater priority to the execution quantity once a certain condition is met, through an automated process because these types of orders are generally used to mitigate risk, typically by selling existing positions once a specific market price or value has been reached. After SCOA Phase 1 has completed, the second phase of the SCOA allocation

algorithm ("SCOA Phase 2") will commence and redistribute Auction Responses matched to orders during SCOA Phase 1 processing by using the standard Price-Time allocation algorithm from Rule 5.32(a)(1)(A), which provides that resting orders and quotes on the Book with the highest bid and lowest offer have priority and if there are two or more resting orders or quotes at the same price, the System prioritizes them at the same price in the order in which the System received them. This two-phase SCOA allocation algorithm is designed to maximize execution quantity while also optimizing price-improvement opportunity (if possible) for stop-limit complex order customers and ensuring that more aggressively priced orders will be filled. The Exchange notes that SCOA does not allow legging because the SCOA allocation algorithm considers all available complex order liquidity (i.e., SCOA auction responses and interest on the complex order book) and has multiple rounds. The complexity is compounded if legging is included and is further compounded if any of the legging events trip risk control limits for the single-leg book participants (particularly for Market-Makers who rely heavily on risk controls).

The Exchange notes that if auction responses are received in excess of the total quantity of the SCOA order(s), after maximizing executed volume and optimizing price-improvement opportunity, remaining auction responses will be allocated using price-time priority. The Exchange also notes that if the SCOA order(s) are not filled in the auction process, including all price iterations, then they will be added to the COB in sequence and individually eligible for legging at that point (as they are ultimately just complex limit orders at that point). If there are any unfilled order(s) in a SCOA after allocating Auction Responses and unrelated orders resting in the COB, the System will use an iteration process to attempt to fill the remaining orders of the initial SCOA. Upon completion of the initial SCOA, unfilled order(s) will iterate through additional SCOAs at incrementally more aggressive starting prices, determined as the least aggressive of (a) the previous

auction price plus the Exchange default complex drill-through increment, (b) the most aggressive limit price of the complex orders in the SCOA, or (c) the current opposite side SBBO. The iteration process will continue until all orders are filled, the most aggressive limit price of the complex orders in the SCOA has been reached, or the current opposite side SBBO has been used as the auction start price. The System enters any unexecuted portion of a SCOA order that does not execute at the end of the SCOA iterations into the COB, if eligible for entry, and applies a timestamp based on the time it enters the COB. The System cancels any unexecuted portion of a SCOA order that does not execute at the end of the SCOA iterations if not eligible for entry into the COB, in accordance with the instructions for the stop-limit complex order.

The Exchange proposes additional amendments to Rule 5.33 to apply certain existing provisions of the rule to SCOA or add SCOA as an auction mechanism applicable to existing rule provisions. Specifically, the definition of "Regular Trading" in Rule 5.33(a) is amended to add SCOA to the existing COA reference, thereby excluding complex orders processed through COA or SCOA from the definition of regular trading since complex orders processed during the COA or SCOA process are not part of regular trading of complex orders. Since the Exchange intends to treat SCOA in a similar manner as COA regarding the Exchange's determination of terms and Capacities,[30] the Exchange also proposes to amend Rule 5.33(b) to allow the Exchange to determine which Capacities are eligible for SCOA and which order types are eligible for SCOA. Specifically, the Exchange proposes to add SCOA to references of COA in Rule 5.33(b)(2) to permit the Exchange to determine Capacities for SCOA and to clarify that complex orders submitted to the Exchange with Capacities not eligible for SCOA will route to PAR for manual handling or

[30] See Rule 1.1, which states that "Capacity" means the capacity in which a User submits an order, such as an order for the account of a Market-Maker or Public Customer.

cancellation.[31] As previously discussed, the instruction type of Stock-Option Order as provided in Rule 5.33(b)(5) is amended to state that, like COA and other auction mechanisms, a nonconforming stock-option order is not eligible for SCOA processing, and Stock-Option Order is also amended to clarify that the Exchange may determine SCOA eligibility for stock-option orders on a class basis. Additionally, SCOA is added to COA references in Rule 5.33(k) so that a SCOA will end if any component or underlying security of a SCOA order is halted.

The Exchange also proposes to apply certain provisions in Rules 5.21, 5.25, and 5.34 to SCOA as well as COA regarding complex order handling, message traffic mitigation, and protection mechanisms and risk controls for complex orders because these system functionalities will be applied to SCOA in the same manner as COA. Specifically, the Exchange proposes to amend Rule 5.21(b)(3) by modifying language limiting the reference to response auctions for complex orders to COA by including SCOA in that provision, thereby stating that Rule 5.33 should be referenced for a description of how COA and SCOA responses will operate during a limit up-limit down state. The proposed amendment to Rule 5.25(c) adds SCOA to the list of the Exchange's auction mechanisms, thereby applying the message traffic mitigation requirements for auction response processing to SCOA. The Exchange also proposes to amend Rule 5.34(b) and (c) to include SCOA with existing references to COA to extend existing order and quote price protection mechanisms and risk controls for complex orders that currently apply to COA to SCOA auction responses and complex order drill-through processing. The Exchange proposes to amend Rules 5.34(b)(3) and 5.34(b)(5)(C) to apply debit/credit price reasonability checks and price range reasonability checks, respectively, to SCOA responses. For Order and Quote Price Protection

[31] Exchange determinations regarding Capacities pursuant to Rule 5.33(b)(2) are made separately for COA, SCOA, or for entry into the COB, and a determination for one of these types of order processing is not applied to the other two.

Mechanisms and Risk Controls, the Exchange also proposes to amend Rule 5.34(b)(6) to apply drill-through protection to SCOA so that a SCOA may be initiated at drill through prices. Furthermore, the Exchange proposes to add SCOA to the risk monitor mechanism in Rule 5.34(c)(4). Specifically, the Exchange proposes to amend Rule 5.34(c)(4)(B)(i) to allow a User to specify whether volume or executions in SCOA, in addition to existing auction mechanisms named in the rule, will count toward the User's class, EFID, or EFID Group limit. Option volume resulting from SCOA processing may be excluded from certain risk monitor mechanism risk parameters when so designated by a User, namely the volume parameter in Rule 5.34(c)(4)(A)(i) and the count parameter in Rule 5.34(c)(4)(A)(iii). Additionally, under proposed Rule 5.34(c)(4)(F), SCOA responses are named as a type of complex order within the rule so that individual trades executed as part of a complex order response may be counted when determining that the volume, notional, count, or risk trips limit as well as percentage limit have been reached. Use of this functionality is optional, and a User may continue to include executions resulting from these exchange auctions in their risk parameters.

The Exchange also proposes to make grammatical corrections to (1) update existing Rule 5.33(d)(4), which will be renumbered as 5.33(d)(1)(D), by changing "appointed" to "appointment" when referencing the appointment of a Market-Maker, and (2) remove the second comma from the second sentence under Stock-Option Order in Rule 5.33(b)(5).

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.[32] Specifically, the

[32] 15 U.S.C. 78f(b).

Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[33] 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)[34] 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 change would remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors and the public interest by making available to investors a type of complex order that incorporates the functionality of a stop-limit order. A stop-limit complex order can effectively be used by a market participant to replace manual monitoring and management a market participant must currently engage in to gain the benefits of stop-limit functionality. As stated previously, the Exchange believes that stop-limit complex orders will generally be utilized by market participants to close existing positions when specific market conditions have been met. Because such situations may arise quickly, stop-limit complex orders provide market participants with an automated way to place the closing order without the manual monitoring that is currently needed, thereby helping to ensure that an order may execute in a timely manner once the desired threshold has been met. Market participants may choose to execute a transaction once certain

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33 15 U.S.C. 78f(b)(5).

34 Id.

market conditions are met as a way to help manage and reduce the risk of extreme loss. Stop-limit complex orders provide investors an execution and risk management tool to execute transactions without manually monitoring for certain market conditions (such as when the underlying security of a complex instrument is above or below a specific value as determined by the investor, or the price of the complex instrument is above or below a specific value as determined by the investor) and executing transactions when such market conditions are met, as is done today. The introduction of a stop-limit complex order gives market participants who wish to utilize this order type an automated way of monitoring for conditions in which they desire an execution to occur, thereby creating operational efficiencies for the market. The Exchange believes the proposed rules are appropriate in that complex orders are recognized by market participants as useful, both as an investment and a risk management strategy, and adding stop-limit order functionality to complex orders provides even greater utility. The proposed rules will provide an efficient mechanism for carrying out investor strategies.

The Exchange also believes auctioning triggered stop-limit complex orders through a SCOA will provide those orders with additional opportunities for price improvement and executions, particularly given that multiple stop-limit complex orders may be triggered by the same event. SCOA is necessary as a new auction mechanism to accommodate stop-limit complex order auctions because SCOA functionality that bundles multiple orders is unique to the SCOA auction mechanism. The Exchange believes that when multiple stop-limit complex orders are triggered by the same event, bundling into a single SCOA will have better execution outcomes than processing multiple individual orders in separate auctions, as a single auction message will be most efficient for those receiving and responding to the auction message, rather than having to process multiple messages in a very small time interval. Further, the SCOA

allocation method is unique and designed to maximize the number of contracts executed, which is important because stop-limit orders are intended specifically to mitigate risk upon the occurrence of a triggering market condition and provide benefit only if executed upon observation of the triggering event. A stop-limit order that is triggered and does not receive an execution may leave the customer with an open position that was intended to be closed upon a triggering event. Thus, maximizing the number of contracts executed at the conclusion of a SCOA is of high importance. Pursuant to the proposed trigger process, the System will initiate the SCOA process for all stop-limit complex orders once designated conditions are met. Through the SCOA process, the Exchange intends to allocate resting interest and auction responses against auctioned stop-limit orders to maximize executed volume, thereby filling stop-limit complex orders to the extent possible based on the auction responses received for the SCOA and resting interest in the COB. The Exchange believes this allocation method will benefit investors because it will result in execution of as many contracts of the auctioned order(s) as possible. The Exchange believes that the proposal to initiate a SCOA once the designated trigger condition for a stop-limit complex order has been met removes impediments to, and perfects the mechanisms of, a free and open market and a national market system and, in general, protects investors and the public interest because the Exchange will initiate a SCOA for a stop-limit complex order in accordance with the User's instructions. Additionally, through the SCOA functionality that bundles multiple stop-limit complex orders with the same trigger condition into the same SCOA, SCOA processing will pursue price improvement through its allocation algorithm that is designed to maximize execution quantity while optimizing price-improvement opportunities for customers. The proposed execution of SCOA orders following the conclusion of a SCOA is consistent with general principles of customer priority and protects the leg markets. While

SCOA orders may execute against complex contra-side interest only, the prices of these executions must improve the SBBO if there is a Priority Customer representing any leg on the Simple Book as required by Rule 5.33(f)(2)(A)(iv). SCOA order execution must comply with all requirements for execution prices in Rule 5.33(f)(2)(A). The proposed stop-limit complex order rules also promote equal access by providing recipients of the Exchange's data feeds that include auction notifications with the opportunity to interact with orders in a SCOA. The proposed rule also provides for early termination of a SCOA. The Exchange believes the early termination of a SCOA is appropriate to ensure that orders do not execute when certain conditions occur, and such conditions are generally consistent with existing COA early-termination functionality.

The Exchange again notes that the communication functionality for SCOA is the same as the existing functionality for COA, providing Users with the ability to place a stop-limit complex order if they so choose. When utilizing a stop-limit complex order, Users also have the choice to select the trigger condition for the order and must designate a limit price. Market participants who wish to place a stop-limit complex order have the flexibility to choose one of two types of trigger conditions which, if met, would execute the stop-limit complex order for SCOA processing. The trigger conditions rely on certain option or underlying prices, or index levels. The Exchange believes it is appropriate to use the Market-Maker SBBO for one of the trigger conditions because it will help insulate a stop-limit complex order from being triggered by an inappropriate trigger event (such as one or more customer orders placed at an extreme price) that could otherwise be caused by including non-Market-Maker limit orders into the SBBO. Use of the Market-Maker SBBO as a triggering condition is intended to help avoid cascading triggering events that could result from customer stop-limit complex orders with limit prices that are not necessarily reflective of market valuation. Use of the Market-Maker SBBO will help support

greater market stability and execution and provides certain protections to market participants who wish to utilize stop-limit complex orders. The Exchange believes the proposed changes to add stop-limit complex orders and SCOA are not unfairly discriminatory, as the abilities to place a stop-limit order and respond to a SCOA auction message are generally available to all Users. The proposed rule change provides the Exchange with the authority to determine if all Users or only Market-Makers and certain TPHs may respond to auction messages in alignment with Exchange authority for responses to auction messages for COA,[35] and the Exchange believes it is appropriate to limit responses to Market-Makers and certain TPHs if it is necessary to incentivize those Market-Makers or TPHs to provide liquidity and further encourage competition. If the Exchange were to limit responses to only Market-Makers and designated TPHs, the Exchange would do so to encourage more competitive responses because such responses will have a greater likelihood of fulfillment in larger quantities when such responses are at more competitive prices.

Additionally, regarding risk controls and price protection mechanisms, the Exchange believes the proposed change would remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest by providing market participants with enhanced abilities to manage their risk with respect to stop-limit complex orders on the Exchange. The Exchange believes that the proposed rule change will protect investors and the public interest because the proposed extension of reasonability checks and the inclusion of SCOA processing with drill-through protection as a risk monitoring mechanism will assist Users in minimizing their risk exposure, thereby reducing the potential for disruptive, market-wide events. The Exchange also notes that the proposed amendment to Rule 5.33(k) to cancel or reject all auction responses to a SCOA in the event that any component or

[35] See Rule 5.33(d)(1)(D).

underlying to a stop-limit complex order is halted provides an additional layer of protection to market participants by eliminating SCOA processing when trading in underlying securities is not available. Since the proper functioning of the options market relies on the current price or value of an option's underlying security or index for option pricing calculations, the Exchange believes it is generally appropriate to halt options trading, including orders that would utilize SCOA processing, when the underlying price or value has been halted. SCOA will function in the same manner as COA with respect to these protection and risk mechanisms, as well as trading halts, and the proposed amendments are consistent with Cboe Rules as applicable to COA.

Proposed amendments to Rules 5.34(b) and (c) specifically include SCOA with safeguards that exist for COA. The Exchange believes the proposed change to include SCOA in the auction mechanism types that allow Users to specify whether volume or executions in the various named auction mechanisms will count toward the User's class, EFID, or EFID Group limit is reasonable because orders executed through these auction mechanisms are subject to different protections, such as price improvement requirements, as compared to other order types. As a result, these orders have different risk considerations. The Exchange notes that this functionality is optional, and Users may continue to include executions resulting from these exchange auctions in their risk parameters (as is the case today) if they prefer. Additionally, the Exchange believes the proposed changes are not unfairly discriminatory, as the risk controls and protection mechanisms that will be applied to SCOA are currently available for other auction types. Additionally, the risk controls and protection mechanisms are available to all Users and applied uniformly to all Users who may choose to utilize enhanced risk parameter settings.

Last, the Exchange believes correcting grammatical errors by (1) replacing "appointed" with "appointment" in Rule 5.33(d)(1)(D) and (2) removing an unnecessary comma from Stock-Option Order in Rule 5.33(b)(5) will eliminate confusion in these provisions.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is intended to provide market participants with new voluntary functionality to automate a manual monitoring process to determine when to execute an order in the event that a specific condition has been met. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because stop-limit complex orders will be available to all Users and processed in the same manner. A stop-limit complex order is a type of complex order that is intended to achieve the execution of a complex order that Users can achieve today through manual monitoring and order submissions. Stop-limit complex orders offer market participants an automated alternative to this manual process. The proposed rule change provides all Users with the ability to submit a stop-limit complex order, which will be processed through SCOA once the trigger condition for the order has been met. Use of a stop-limit complex order (as well as the trigger condition) will be voluntary and within the discretion of a User, and a User may continue to manage complex orders to achieve an execution of a complex order under certain conditions in the same manner they do today. Additionally, SCOA messaging for an order will be sent to all Users who are recipients of auction messaging data, and all eligible Users generally may submit responses to the auction if they so choose. Furthermore, the Exchange does not believe that the proposed rule will impose any burden on intramarket competition that is not

necessary or appropriate in furtherance of the purposes of the Act, because the proposed changes apply existing risk controls, which are available to all Members, to SCOA in the same way such controls currently apply to COA.

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 changes apply only to a permissible User order instruction regarding how the Exchange will handle and then execute an order. Stop-limit complex orders extend functionality that is available today on the Exchange in stop-limit orders for simple orders to complex orders, and SCOA will utilize certain COA functionality that is currently used on the Exchange. There is no burden on intermarket competition because other exchanges may pursue their own version of a SCOA. The extension of existing functionality to SCOA also includes risk controls, and the Exchange believes that the proposed changes with respect to its Risk Monitor Mechanism will help promote fair and orderly markets by applying existing controls that help prevent erroneous executions, such as buy strategy parameters that may cancel or reject an order executed outside of an acceptable price range. Additionally, to the extent that the proposed changes may make the Exchange a more attractive trading venue for market participants on other exchanges, such market participants may elect to become Exchange market participants.

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 by Amendment No. 2, is consistent with the requirements of the Act and the rules and regulations

thereunder applicable to a national securities exchange.[36] In particular, the Commission finds that the proposed rule change, as modified by Amendment No. 2, is consistent with Section 6(b)(5) of the Act,[37] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to remove impediments to and perfect the mechanism of a free and open market, and, in general, to protect investors and the public interest; and not be designed to regulate by virtue of any authority conferred by the Act matters not related to the purposes of the Act or the administration of the exchange.

As discussed above, the proposal will establish a new order type, stop-limit complex orders, and a new electronic auction mechanism, the SCOA, that is designed to facilitate the execution of stop-limit complex orders.[38] Stop-limit complex orders could help market participants manage risk by allowing them to close an existing position upon the occurrence of a specific triggering event without monitoring the market to determine whether the trigger condition has occurred. In addition, stop-limit complex orders may help market participants manage their complex order exposure more efficiently by allowing them to transact the long and short leg(s) of a complex strategy simultaneously using a single stop-limit complex order, rather than managing the component legs of the complex strategy individually.[39]

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36 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).

37 15 U.S.C. 78f(b)(5).

38 See Amendment No. 2 at 8. In classes determined by the Exchange, conforming and non-conforming stock-option orders will not be eligible for SCOA. See proposed Exchange Rule 5.33(b) (definition of stock-option order). Because the Exchange does not believe there is demand for SCOA for either conforming or nonconforming stock-option orders, the Exchange has determined that neither conforming nor nonconforming stock-option orders will be eligible for SCOA. The Exchange will announce any changes to this determination through an Exchange notice. See Amendment No. 2 at 9.

39 See Amendment No. 2 at 5.

All triggered stop-limit complex orders will be processed in a SCOA.[40] Multiple stop-limit complex orders in the same complex strategy that are triggered by the same event will be processed in the same SCOA, which should enable efficient processing of SCOA orders.[41] Multiple stop-limit complex orders in the same complex strategy but with different trigger events will be processed as separate SCOAs.[42] The process in proposed Exchange Rule 5.33(d)(2)(A) for soliciting responses to a SCOA will be the same as the existing process for soliciting responses to a COA, with auction messages sent to all subscribers to the Exchange's data feeds that deliver auction messages.[43] In addition, consistent with the COA process, the Exchange proposes to permit multiple SCOAs in the same complex strategy to be processed concurrently.[44]

The process for submitting Auction Responses to the proposed SCOA is substantively identical to the process for submitting Auction Responses to the COA.[45] Consistent with the

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40 See Amendment No. 2 at 8. See also proposed Exchange Rule 5.33(b)(5)(A) (definition of COA-Eligible and Do-Not-COA) (stating that a stop-limit complex order is not COA-eligible).

41 See proposed Exchange Rule 5.33(d)(2)(A).

42 See proposed Exchange Rule 5.33(d)(2)(C).

43 See Exchange Rule 5.33(d)(1) (renumbered as Exchange Rule 5.33(d)(1)(A)). For both the SCOA and the COA, the auction message will identify the auction ID, instrument ID (i.e., the complex strategy), quantity, and the side of the market of the order being auctioned. The auction message also may include the Capacity and/or the price of the order, which is (1) the limit order price, (2) the SBO (SBB) (if initiated by a buy (sell) market complex order), or (3) the drill-through price if the order is subject to the drill-through protection in Rule 5.34(b). See proposed Exchange Rule 5.33(d)(2)(A) and Exchange Rule 5.33(d)(1) (renumbered as 5.33(d)(1)(A)). If a single stop-limit complex order is triggered, the SCOA starting auction price will be the less aggressive of the order's limit price or the opposite side SBBO. For multiple stop-limit complex orders in the same SCOA with the same trigger event, the SCOA starting auction price will be the less aggressive of either the most aggressive limit price of the orders in the SCOA or the opposite side SBBO. See Amendment No. 2 at 12-13.

44 See proposed Exchange Rule 5.33(d)(2)(C) and Exchange Rule 5.33(d)(2) (renumbered as Exchange Rule 5.33(d)(1)(B)).

45 For the proposed SCOA and the COA, Auction Responses must specify the price, size, side of the market, and auction ID; Auction Responses may be larger than the auctioned order; the System will aggregate the size of Auction Responses submitted at the same price for an EFID and cap the size of the aggregated Auction Responses at the size of the order being auctioned; Auction Responses are not firm during the Response Time Interval, although the System will apply a new timestamp to nay modified Auction Response (unless the modification was to decrease its size), resulting in a loss of priority; Auction Responses are firm (i.e., guaranteed at their price and size) at the end of the Response Time Interval; the

COA auction process, the Exchange will determine on a class-by-class basis whether (1) all Users or (2) Market-Makers with an appointment in the class and Trading Permit Holders ("TPHs") acting as agent for orders resting at the top of the COB in the relevant complex strategy may submit responses to the SCOA during the Response Time Interval.[46] The Response Time Interval for the SCOA, which the Exchange may determine on a class-by-class basis, and which may not exceed 1,000 milliseconds, is the same as the Response Time Interval for the COA.[47]

At the conclusion of the SCOA Response Time Interval, SCOA order(s) will be executed, in whole or in part, against Auction Responses and unrelated orders resting in the COB according to an algorithm that maximizes executed volume.[48] The first phase of the allocation algorithm will allocate Auction Responses and unrelated orders on the COB to SCOA orders by matching the least to most aggressively priced SCOA orders to contra-side interest, filling the best-priced orders last in an attempt to maximize execution quantity.[49] Maximizing the volume of contracts executed will protect investors and the public interest because such an allocation is consistent with the objectives of market participants that will use stop-limit complex orders to

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Exchange will not display Auction Responses; Auction Responses may execute only against the SCOA or COA order being auctioned; and the System will cancel any unexecuted Auction Responses (or unexecuted portions) at the conclusion of the SCOA or COA auction. See proposed Exchange Rule 5.33(d)(2)(E) and Exchange Rule 5.33(d)(4) (renumbered as Exchange Rule 5.33(d)(1)(D).

46 See proposed Exchange Rule 5.33(d)(2)(B) and Exchange Rule 5.33(d)(3) (renumbered as Exchange Rule 5.33(d)(1)(C)). The Exchange states that if it limits responses to Market Makers and certain TPHs, it would do so to incentivize them to provide liquidity and further encourage competition. See Amendment No. 2 at 26.

47 See proposed Exchange Rule 5.33(d)(2)(D) and Exchange Rule 5.33(d)(3) (renumbered as Exchange Rule 5.33(d)(1)(C).

48 Although stop-limit complex orders executed in the SCOA will execute only against other complex orders on the COB or submitted as Auction Responses during the SCOA auction process, SCOA order(s) that are not executed during the SCOA will be added in sequence to the COB, if eligible and subject to the User's instructions, where they will be eligible to execute against leg market interest. See Amendment No. 2 at 18.

49 See Amendment No. 2 at 16-17.

manage and reduce the risk of loss by closing existing positions. According to the Exchange, these market participants prioritize fulfillment of their orders over the execution price of the transaction.[50] The second phase of the SCOA allocation algorithm will use the Price-Time allocation algorithm in Exchange Rule 5.32(a)(1)(A) to redistribute Auction Responses and orders on the COB that were matched to SCOA orders during first phase of SCOA processing.[51] The Exchange states that the two-phase SCOA allocation algorithm is designed to maximize execution quantity while also providing price-improvement opportunities, if possible, for stop-limit complex order customers and ensuring that more aggressively priced orders are filled.[52] If SCOA Auction Responses exceed the total quantity of the SCOA order(s), after maximizing executed volume and optimizing price-improvement opportunities, the remaining SCOA Auction Responses will be allocated using price time priority.[53]

Upon completion of the initial SCOA, unfilled order(s) will iterate through additional SCOAs at incrementally more aggressive starting prices, determined as the least aggressive of the previous auction price plus the Exchange default complex drill-through increment, the most aggressive limit price of the complex orders in the SCOA, or the opposite side SBBO, until (a) all orders are filled, or (b) the most aggressive limit price or the then-current opposite-side SBBO price has been used as the last auction start price.[54] The additional iterations will protect investors and the public interest by helping to ensure that as many stop-limit complex orders as possible are executed in the SCOA. At the end of SCOA iterations, the System enters any unexecuted SCOA orders into

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50 See id. 17.

51 See id. at 16-17.

52 See id. at 17.

53 See id.

54 See proposed Exchange Rule 5.33(d)(2)(F)(ii).

the COB, if eligible, and cancels any unexecuted SCOA orders that are not eligible for entry into the COB, subject to the User's instructions.[55] Complex orders resting in the COB may execute pursuant to Exchange Rule 5.33(e) following evaluation pursuant to paragraph Exchange Rule 5.33(i) and remain in the COB until they execute or are cancelled.[56]

Executions in the SCOA will comply with the requirements of Exchange Rule 5.33(f)(2)(A).[57] including the complex order priority requirements in Exchange Rule 5.33(f)(2)(A)(iv).[58] These requirements will help to ensure that executions in the SCOA respect the priority of interest, including Priority Customer interest, on the Exchange's Simple Book. In addition, the SCOA will terminate early when the System receives an order in a leg of a stop-limit complex order that would (i) post to the Complex Book on the same side as the order(s) that initiated the SCOA and at a price better than the limit price of any of the orders in the SCOA; (ii) improve the SBBO on the same side as the SCOA order to a price better than the limit price of any of the orders in the SCOA; or (iii) join or improve the SBBO on the same side as the order that initiated the SCOA to a price equal to the limit price of any of the orders in the SCOA and cause any component of the SBBO to be represented by a Priority Customer.[59] These early

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55 See proposed Exchange Rule 5.33(d)(2)(F)(iii).

56 See proposed Exchange Rule 5.33(d)(2)(F)(iii).

57 See Amendment No. 2 at 24. Exchange Rule 5.33(f)(2)(A) states that the System does not execute a complex order pursuant to Exchange Rule 5.33 at a net price: (i) that would cause any component of the complex strategy to be executed at a price of zero; (ii) that would cause any component of the complex strategy to be executed at a price worse than the individual component prices on the Simple Book; or (iii) worse than the price that would be available if the complex order Legged into the Simple Book. See Exchange Rule 5.33(f)(2)(A)(i)-(iii).

58 See Amendment No. 2 at 24. Exchange Rule 5.33(f)(2)(A)(iv) provides that the System will not execute a complex order at a net price that is worse than the SBBO or equal to the SBBO when there is a Priority Customer order on any leg comprising the SBBO and: (a) if a conforming complex order, at least one component of the complex order must execute at a price that improves the BBO for that component by at least one minimum increment; or (b) if a nonconforming complex order, the component(s) of the complex order for the leg(s) with a Priority Customer order at the BBO must execute at a price that improves the price of that Priority Customer order(s) on the Simple Book by at least one minimum increment.

59 See proposed Exchange Rule 5.33(d)(2)(D).

termination provisions are similar to the COA early termination provisions in Exchange Rule 5.33(d)(3) (which will be renumbered as Exchange Rules 5.33(d)(1)(C)) and should help to protect the priority of interest on the Simple Book and in the COB, including Priority Customer interest. If the SCOA terminates early, SCOA order(s) will be filled to the extent permitted before entry into the COB, if eligible.[60] Consistent with the early termination policies applicable to the COA, a pattern or practice of submitting orders that cause the SCOA to end early will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Exchange Rule 8.1.[61]

The proposal will protect investors and the public interest by applying several existing price and risk protections to orders executed in the SCOA. The proposal applies the debit/credit price reasonability checks in Exchange Rule 5.34(b)(3)(D) and the maximum value acceptable price range check in Exchange Rule 5.34(b)(5)(C), which currently apply to COA Auction Responses, to SCOA Auction Responses. Applying these price checks to SCOA Auction Responses will ensure consistent treatment of COA and SCOA Auction Responses and help to prevent orders in the SCOA from executing at prices that could be erroneous. In addition, the proposal incorporates the SCOA, in addition to the COA, into the drill-through protection in Exchange Rule 5.34(b)(6), which will allow a SCOA to be initiated at a drill-through price.[62] The proposal also amends Exchange Rule 5.34(c)(4)(B)(i) to allow Users to specify whether volumes or executions in the SCOA, along with the volumes or executions in other auctions, including the COA, will count toward the User's class, EFID, or EFID Group limit for the volume

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60 See Amendment No. 2 at 15-16.

61 See proposed Exchange Rule 5.33, Interpretation and Policy .03.

62 See Amendment No. 2 at 20.

and count limits that a User may establish under Exchange Rules 4.34(c)(4)(A)(i) and (iii), thereby providing Users with flexibility in applying these risk parameters.[63] In addition, the proposal amends Exchange Rule 5.34(c)(4)(F) to provide that the System counts individual trades executed as part of a SCOA Auction Response, as well as individual trades executed as part of a COA Auction Response, when determining whether the volume, notional, count, or risk trips limit in Exchange Rule 5.34(c)(4) has been reached. Exchange Rule 5.34(c)(4)(F), as amended, further provides that the System counts the percentage executed of a SCOA Auction Response, as well as a COA Auction Response, when determining whether the percentage limit has been reached. Accordingly, Exchange Rule 5.34(c)(4)(F) will treat COA and SCOA Auction Responses consistently for purposes of the risk monitor mechanism in Exchange Rule 5.34(c)(4).

The proposal also amends Exchange Rule 5.31(b)(3) to refer to Exchange Rule 5.33 for a description of how a SCOA, as well as a COA, will operate during a limit up-limit down state, thereby providing clarity regarding the provisions that will apply to a SCOA during a limit up-limit down state. In addition, the proposal amends Exchange Rule 5.25(c) to apply the Exchange's auction response processing to SCOA as well as to the Exchange's other auction mechanisms, thereby providing consistent treatment of responses submitted to the Exchange's auctions.

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63 Exchange Rule 4.34(c)(4) states that, if a User enables the functionality: (A) Each User may establish limits for the following parameters in the Exchange's counting program. The System counts each of the following within a class for an EFID ("class limit") and across all classes for an EFID ("EFID limit") and/or across all classes for a group of EFIDs ("EFID Group") ("EFID Group limit"), over a User-established time period ("interval") and on an absolute basis for a trading day ("absolute limits"): (i) number of contracts executed ("volume"); (ii) notional value of executions ("notional "); (iii) number of executions ("count"); (iv) number of contracts executed as a percentage of number of contracts outstanding within an Exchange-designated time period or during the trading day, as applicable ("percentage"), which the System determines by calculating the percentage of a User's outstanding contracts that executed on each side of the market during the time period or trading day, as applicable, and then summing the series percentages on each side in the class; and (v) number of times the limits established by the parameters under (A)(i)- (iv) above are reached ("risk trips").

The proposal amends Exchange Rule 5.33(a) to add or amend several defined terms. The proposed change to the definition of Regular Trading will treat SCOA auctions in the same manner as COA auctions by excluding both auctions from regular trading. The proposed definitions of Auction Response, Stop Complex Order Auction, and Stop-Limit Complex Order will add clarity to the Exchange's rules. The proposed definition of Market-Maker SBBO, as discussed above, will ensure that only liquidity provider quotes will serve as one of the trigger conditions for a SCOA, thereby helping to prevent a SCOA from being triggered by one or more customer orders that could be entered at extreme prices.

The proposal amends Exchange Rule 5.33(b) to treat SCOA in the same manner as COA for purposes of Exchange Rule 5.33(b)(1) and (2). The proposal amends Exchange Rule 5.33(b)(1) to provide that the Exchange determines which Times-in-Force are available for complex orders, including for eligibility to initiate a SCOA. The proposal amends Exchange Rule 5.33(b)(2) to allow the Exchange to determine which Capacities are eligible for SCOA.[64] In addition, the proposal amends Exchange Rule 5.33(b)(2)(B)(i)(b) to state that the Exchange may determine that a complex order with Capacity M or N may enter the COB if orders on the same side of the market in the complex strategy that initiated a SCOA(s) if there are "x" number of SCOA(s) within "y" milliseconds, counted on a rolling basis (the Exchange determines the number "x" (which must be at least two) and the time period "y" (which may be no more than 2,000).[65]

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64 "Capacity" means the capacity in which a User submits an order, which the User specifies by applying the corresponding code to the order. See Exchange Rule 1.1 (definition of Capacity).

65 Capacities M and N refer, respectively, to orders submitted for the account of a Market-Maker and orders submitted for the account of a market-maker on another options exchange. See Exchange Rule 1.1 (definition of Capacity).

The proposal amends Exchange Rule 5.33(k)(2) to treat SCOA auctions in the same manner as COA auctions during a trading halt. Under Exchange Rule 5.33(k)(2), as amended, the System will cancel or reject all SCOA Responses and end the SCOA early if any component of a SCOA order or underlying security is halted. The proposed change will protect investors by preventing an execution of a SCOA Order(s) when the current price of the underlying security, which is necessary to accurately price the option components of the SCOA Order, is unavailable due to a trading halt.

In addition, the proposal updates cross-references and corrects grammatical errors, which should help to ensure the accuracy of the Exchange's rules.

V. Solicitation of Comments on Amendment No. 2 to the Proposed Rule Change

Interested persons are invited to submit written data, views, and arguments concerning whether Amendment No. 2 is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's internet comment form (https://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include file number SR-CBOE-2026-024 on the subject line.

Paper comments:

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

All submissions should refer to file number SR-CBOE-2026-024 on the subject line. 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 also 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 SRCBOE-2026-024 on the subject line, and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

VI. Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 2

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 2, prior to the thirtieth day after the date of publication of notice of the filing of Amendment No. 2 in the Federal Register. Amendment No. 2 revises the proposal to: (1) streamline and clarify the text of the proposed rules; (2) amend the definition of Market-Maker SBBO to include stock-option orders; (3) revise the definition of stock-option order to provide that, in classes determined by the Exchange, conforming and non-conforming stock-option orders will not be eligible for SCOA; (4) provide that a SCOA will terminate early upon receipt of a complex order that would post to the COB on the same side as the order(s) that initiated the SCOA and at a price better than the limit price of any of the orders in the SCOA; (5) provide additional details regarding the allocation of contra-side complex interest to SCOA orders at the conclusion of a SCOA; (6) provide that complex limit orders comprised of legs in different groups of series in a class that are not designated as related groups, and that designate, or default to, the SBBO/trade price trigger condition, will trigger a SCOA only if a complex trade in the strategy occurs at or better than the stop price; (7) state that SCOA order executions must comply

with the execution price requirements in Exchange Rule 5.33(f)(2)(A); and (8) provide additional discussion to support the proposal.

Amendment No. 2 raises no novel regulatory issues that have not previously been subject to comment and, without altering the purpose of the proposal, strengthens the proposal by providing additional clarity and support, including by providing additional details regarding the allocation of interest at the conclusion of a SCOA. Further, the proposed changes in Amendment No. 2 should help to ensure that the Exchange's rules accurately reflect the operation of the SCOA. Accordingly, for the reasons discussed above, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,[66] to approve the proposed rule change, as modified by Amendment No. 2, on an accelerated basis.

VII. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[67] that the proposed rule change (SR-CBOE-2026-024), as modified by Amendment No. 2, is approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[68]

Vanessa A. Countryman,

Secretary.

66 15 U.S.C. 78s(b)(2).

67 15 U.S.C. 78s(b)(2).

68 17 CFR 200.30-3(a)(12).