

# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103869; File No. SR-CboeBZX-2025-086]

## Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Order Approving a Proposed Rule Change to Amend Rule 11.23 Regarding the Closing Auction

September 4, 2025.

### I. Introduction

On July 10, 2025, Cboe BZX Exchange, Inc. (“Exchange” or “BZX”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposal to amend BZX Rule 11.23 to revise the pricing of Late-Limit-On-Close (“LLOC”) and Limit-On-Close (“LOC”) orders, and the entry, modification, and cancellation times applicable to LLOC and LOC orders. The proposed rule change was published for comment in the Federal Register on July 22, 2025.<sup>3</sup> The Commission received no comments on the proposed rule change. This order grants approval of the proposed rule change.

### II. Description of the Proposed Rule Change

#### A. Background

Pursuant to BZX Rule 11.23(c), the Exchange conducts a Closing Auction to establish the BZX Official Closing Price.<sup>4</sup> The Exchange offers three order types that are designated to participate in the Closing Auction. A Market-On-Close (“MOC”)<sup>5</sup> order is a BZX market order that

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

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

<sup>3</sup> See Securities Exchange Act Release No. 103492 (July 17, 2025), 90 FR 34542 (“Notice”).

<sup>4</sup> The term “BZX Official Closing Price” shall mean the price disseminated to the consolidated tape as the market center closing trade. See BZX Rule 11.23(a)(3).

<sup>5</sup> See Exchange Rule 11.23(a)(15).

is designated for execution only in the Closing Auction or Cboe Market Close.<sup>6</sup> An LOC order is a BZX limit order that is designated for execution only in the Closing Auction.<sup>7</sup> An LLOC order is a BZX limit order that is designated for execution only in the Closing Auction, but if an LLOC bid or offer has a limit price that is more aggressive than the NBB<sup>8</sup> or NBO,<sup>9</sup> the price of such bid or offer is adjusted to be equal to the NBB or NBO, respectively, at the time of receipt by the Exchange.<sup>10</sup> Each of the three aforementioned order types is also defined as an Eligible Auction Order under Rule 11.23(a)(8). The Closing Auction occurs at approximately 4:00 p.m. ET<sup>11</sup> on each day that BZX is open for trading. The Exchange has set forth detailed parameters around the ability of Users<sup>12</sup> to submit, modify, and cancel orders prior to conducting the Closing Auction and arriving at the BZX Official Closing Price.<sup>13</sup>

#### B. Proposed Changes to Closing Auction Orders

The Exchange proposes to amend BZX Rule 11.23(a)(11) and BZX Rule 11.23(a)(13) to revise how LLOC and LOC orders are priced. Additionally, the Exchange proposes to amend BZX Rule 11.23(c)(1)(A) and BZX Rule 11.23(c)(1)(B) to change the time by which market makers and

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<sup>6</sup> See BZX Rule 11.28. Cboe Market Close is a closing match process for non-BZX-listed securities. See BZX Rule 11.28. The proposed changes do not affect the operation of Cboe Market Close.

<sup>7</sup> See BZX Rule 11.23(a)(13).

<sup>8</sup> See BZX Rule 1.5(o).

<sup>9</sup> Id.

<sup>10</sup> See BZX Rule 11.23(a)(11). Where the NBB or NBO becomes more aggressive, the limit price of the LLOC bid or offer will be adjusted to the more aggressive price, provided that the more aggressive price is not more aggressive than the original User entered limit price. See id. The limit price of an LLOC order will not be adjusted to a less aggressive price, unless otherwise provided by Exchange Rules. See id. If there is no NBB or NBO, the LLOC bid or offer will assume its entered limit price. See id.

<sup>11</sup> Hereinafter, all times referenced shall be in Eastern Time (ET).

<sup>12</sup> The term “User” shall mean any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3. Id. at 34543 at n. 4.

<sup>13</sup> For a detailed description of the BZX Closing Auction, see Notice, supra note 3, at 34544-45.

other Users must submit, modify, or cancel their LLOC and LOC orders.<sup>14</sup>

#### *Late-Limit-On-Close Orders*

An LLOC order currently has its price adjusted to the NBB or NBO if the limit price of the LLOC order is more aggressive than the NBB or NBO upon the Exchange's receipt of the LLOC order.<sup>15</sup> If the NBB or NBO becomes more aggressive, the price of the LLOC order will be adjusted to the more aggressive price, so long as that price is not more aggressive than the original limit price entered by the User.<sup>16</sup> The limit price of an LLOC order will not be adjusted to a less aggressive price unless otherwise provided by Exchange Rules.<sup>17</sup> The Exchange proposes to permit an LLOC order to have its limit price adjusted to both more aggressive prices and less aggressive prices, so long as the adjusted price is not priced higher (for buy orders) or lower (for sell orders) than its User-entered limit price.<sup>18</sup>

The Exchange also proposes to introduce language that it believes better describes the behavior of LLOC orders when the NBB or NBO, respectively, is not available.<sup>19</sup> The Exchange proposes that if there is no NBB or NBO available upon receipt of the LLOC bid or offer by the Exchange, that LLOC bid or offer, respectively, will assume its entered limit price. Additionally, if the NBB or NBO becomes unavailable after the respective LLOC bid or offer has been adjusted to the NBB or NBO before it becomes unavailable, the respective LLOC bid or offer will maintain its most recent adjusted price and would not have its price adjusted until the NBB or NBO,

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<sup>14</sup> See Notice, supra note 3, at 34545.

<sup>15</sup> See id. (citing Exchange Rule 11.23(a)(11)).

<sup>16</sup> Id.

<sup>17</sup> Id.

<sup>18</sup> Id.

<sup>19</sup> See Notice, supra note 3, at 34546.

respectively, was available.<sup>20</sup>

In addition to permitting LLOC orders to be re-priced to both higher and lower prices as described above, the Exchange also proposes to amend the time at which Users, including those serving as LMMs, may begin to submit LLOC orders to the Exchange.<sup>21</sup> Currently, LLOC orders may not be submitted before 3:59 p.m. and any LLOC order submitted prior to 3:59 p.m. will be rejected. Now, the Exchange proposes to amend Rule 11.23(c)(1)(A) to permit LMMs and other Users to submit LLOC orders to the Exchange beginning at 3:55 p.m.<sup>22</sup> The Exchange also proposes that once entered, Users may not modify or cancel an LLOC order.<sup>23</sup> LLOC orders will continue to be accepted until 4:00 p.m.

#### *Limit-On-Close Orders*

The Exchange proposes to amend Rule 11.23(c)(1)(A) to limit the ability of LMMs and other Users to modify or cancel LOC orders between 3:55 p.m. and 3:59 p.m. While LMMs and other Users will retain the ability to submit LOC orders until 3:59 p.m., the Exchange proposes that LOC orders cannot be modified or cancelled between 3:55 p.m. and 3:59 p.m., regardless of when the LOC order was received by the Exchange.<sup>24</sup>

In addition, the Exchange proposes to amend Rule 11.23(a)(13) to introduce re-pricing behavior for LOC orders entered in BZX-listed corporate securities (as described in Rule 14.8 and Rule 14.9).<sup>25</sup> As proposed, an LOC order in a BZX-listed corporate security entered between 3:55

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<sup>20</sup> Id.

<sup>21</sup> Id.

<sup>22</sup> Id.

<sup>23</sup> Id.

<sup>24</sup> See Notice, supra note 3, at 34547.

<sup>25</sup> Id. (citing Exchange Rule 14.8 (General Listing Requirements – Tier I) and Exchange Rule 14.9 (General Listing Requirements – Tier II)). A BZX-listed corporate security includes a Company’s Primary Equity Security as well as rights, warrants, preferred and secondary classes of stock, and closed-end management

p.m. and 3:59 p.m. will be accepted at its limit price, unless the limit price is higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price.<sup>26</sup> LOC orders in BZX-listed corporate securities that have a limit price that is priced higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price will be re-priced to the 3:55 p.m. Reference Price.<sup>27</sup> If there is no Reference Price available in a particular security due to a lack of liquidity on the BZX Book, the LOC order will not be re-priced and will maintain its original limit price. The Exchange does not propose to amend the price of LOC orders entered in BZX-listed ETPs. An LOC order entered in a BZX-listed ETP will be accepted at its limit price and will not have its price adjusted by the System.

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>28</sup> Specifically, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>29</sup> which requires that the rules of a national securities exchange be designed, among other things, to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect

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investment companies registered under the Investment Company Act of 1940 (“Closed-End Funds”). Id. at n. 50.

<sup>26</sup> Id. (citing Exchange Rule 11.23(a)(19)). The term “Reference Price” shall mean the price within the Reference Price Range that maximizes the number of Eligible Auction Order shares associated with the less of the Reference Buy Shares and the Reference Sell Shares as determined at each price level within the Reference Price Range, that minimizes the absolute difference between Reference Buy Shares and Reference Sell Shares, and minimizes the distance from the Volume Based Tie Breaker. Id. at n. 51.

<sup>27</sup> See Notice, supra note 3, at 34547. The Exchange states that if the System is not able to ingest the 3:55 p.m. Reference Price due to a technical or systems issue at the Exchange, the LOC order will be re-priced upon receipt of the first available Reference Price after System recovery. If the Closing Auction cannot be completed due to a technical or systems issue at the Exchange, the LOC order will not be re-priced and will maintain its original, User-entered limit price. Id. at n. 52.

<sup>28</sup> In approving this proposed rule change the Commission notes that it has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>29</sup> 15 U.S.C. 78f(b)(5).

the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest, and not be designed to permit unfair discrimination between customers, issuers, brokers or dealers.

The proposed changes limit price movement through the prohibition of order modifications and cancellations during certain time periods ahead of the Closing Auction,<sup>30</sup> extend the time by which Users can submit LLOC and LOC orders and amend how LOC orders and LLOC orders are re-priced under certain circumstances. The proposed changes are intended to provide LMMs and other Users with additional information about the potential price at which an LOC or LLOC order designated for execution in the Closing Auction may execute, which may provide a more accurate BZX Official Closing Price. Further, the proposal potentially reduces the level of price volatility ahead of the Closing Auction by limiting activity at certain times, while continuing to allow LLMs and other Users opportunities to submit imbalance offsetting orders, which enable LMMs and other Users to control their LLOC and LOC price-forming orders.

The proposal to limit the re-pricing of LOC orders submitted between 3:55 p.m. and 3:59 p.m., to only those cases in which the limit price is higher (for buy orders) or lower (for sell orders) than the 3:55 p.m. Reference Price of BZX-listed corporate securities is also reasonably designed to minimize the amount of price volatility ahead of the Closing Auction. While the Exchange proposes to introduce this re-pricing behavior only for BZX-listed corporate securities rather than all BZX-listed securities, the Exchange noted that segmentation between corporate securities and all other securities already exists under BZX Rule 11.23(c)(2)(B) in that securities other than BZX-listed

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<sup>30</sup> The Exchange notes that the rules of other national securities exchanges similarly prohibit modifications and cancellations to MOC, LOC, and Imbalance-Only orders. See Notice, supra note 3, at 34548 (citing Nasdaq Equity 4, Rule 4702(b)(11)(A) (“Market On Close Order”); Nasdaq Equity 4, Rule 4702(b)(12)(A) (“Limit On Close Order”); Nasdaq Equity 4, Rule 4702(13)(A) (“Imbalance Only Order”); NYSE Arca Rule 7.35-E(d)(2)(A)-(B)).

corporate securities have alternative methods in determining the BZX Official Closing Price that are not available to BZX-listed corporate securities.<sup>31</sup> The Exchange further states its proposal seeks to balance feedback from the LMMs and other Users who trade BZX-listed corporate securities that desire less price volatility approaching the Closing Auction with the needs of the LMMs responsible for submitting price-forming LOC orders ahead of the Closing Auction in ETPs, some of which tend to have volatile price swings that are anticipated based on the underlying holdings and makeup of the product.<sup>32</sup>

#### IV. Conclusion

For the reasons set forth above, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, the requirements of Section 6(b)(5) of the Act.<sup>33</sup>

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>34</sup> that the

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<sup>31</sup> See Notice, supra note 3, at 34547 (citing Exchange Rule 11.23(c)(2)(B)(i), Exchange Rule 11.23(c)(2)(B)(ii)(a), and Exchange Rule 11.23(c)(2)(B)(ii)(b)).

<sup>32</sup> Id.

<sup>33</sup> 15 U.S.C. 78f(b)(5).

<sup>34</sup> 15 U.S.C. 78s(b)(2).

proposed rule change (SR-CboeBZX-2025-086) be, and hereby is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>35</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>35</sup> 17 CFR 200.30-3(a)(12) and 17 CFR 200.30(a)(76).