

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104000; File No. SR-CboeBZX-2025-126]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt New Rules that Allow for the Trading of Complex Orders on the Exchange

September 18, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 11, 2025, Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) proposes to adopt new rules that allow for the trading of complex orders on the Exchange. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Commission’s website

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

(<https://www.sec.gov/rules/sro.shtml>), the Exchange's website

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

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

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

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

1. Purpose

The Exchange proposes to adopt new rules that describe the trading of complex orders on the Exchange. Proposed new Rule 21.18 (Complex Orders) details the functionality of the System⁵ in the handling of complex orders on the Exchange. The Exchange also proposes changes to existing Rules 16.1 (Definitions), 20.6 (Nullification and Adjustment of Options Transactions including Obvious Errors), 21.1 (Definitions), 21.5 (Minimum Increments), 21.6 (Entry of Orders), 21.7 (Opening Auction Process), 21.14 (Message Traffic Mitigation), 21.16 (Risk Monitor Mechanism), and 21.17 (Additional Price Protection Mechanisms and Risk Controls) in connection with the trading of complex orders.

The proposed rules are based substantially on rules of C2 Options Exchange, Inc. ("C2").

⁵ The term "System" means the automated system for order execution and trade reporting owned and operated by the Exchange. See Rule 21.1(a).

Further, other options exchanges have similar rules that allow for the trading of complex orders.⁶

The Exchange believes that the similarity of its proposed complex order rules to those of other exchanges will allow the Exchange's proposed complex order functionality to fit seamlessly into the greater options marketplace and benefit market participants who are already familiar with similar functionality offered on other exchanges.

Definitions

The Exchange first proposes to amend Rule 16.1 (Definitions) to specify that "BZX Options Book" means the electronic book of simple options orders maintained by the System, also known as the "Simple Book", in order to distinguish it from the Complex Order Book as defined below. The Exchange also proposes to amend Rule 16.1 to provide a definition of Complex Order; the proposed definition is identical to the definition of Complex Order set forth in C2 Rule 1.1. Specifically, a "Complex Order" means an order involving the concurrent execution of two or more different series in the same class (the "legs" or "components" of the complex order), for the same account, occurring at or near the same time in any ratio and for the purpose of executing a particular investment strategy with no more than the applicable number of legs (which number the Exchange determines on a class-by-class basis). The Exchange determines in which classes complex orders are eligible for processing.

Next, the Exchange proposes to amend Rule 21.1(d), which defines "Order Type", to specify that Rule 21.18 sets forth the order types, Order Instructions, and Times-in-Force the Exchange may make available for complex orders. The Exchange also proposes to amend the

⁶ See, e.g., Cboe Exchange, Inc. ("Cboe Options") Rule 5.33; MIAX Options Exchange ("MIAX") Rule 518; Nasdaq ISE, LLC ("ISE") Rules Options 3, Section 14; NYSE Arca, Inc. ("NYSEArca") Rules 6.91-O and 6.91P-O.

definitions of Stop Order⁷ and Stop Limit Order⁸, to specify that for purposes of Stop Order and Stop Limit Order elections, the consolidated last sale price in the option excludes prices from complex order trades if outside of the NBBO. The proposed change aligns the definitions with those set forth in C2 Rule 5.6(b). The Exchange notes that the only difference is that its current definition of Stop Order states that a Stop Order will not be elected if the underlying security is in a “Limit State” as defined in the Limit Up-Limit Down Plan; for C2, this provision is contained separately within C2 Rule 5.32.

Proposed Rule 21.18(a) provides definitions of terms that apply to the trading of complex orders, and such terms are used throughout this proposed rule change. The proposed definitions are identical to those set forth in C2 Rule 5.33(a), except for differences in the definitions of complex strategy and SBBO detailed below. The Exchange proposes to specify that for purposes of Rule 21.18, the included terms will have the meanings specified in proposed paragraph (a). A term defined elsewhere in Exchange Rules will have the same meaning with respect to Rule 21.18, unless otherwise defined in paragraph (a). Below is a summary of the proposed definitions:

- A “Complex Order Auction” or “COA” is an auction of a complex order as set forth in proposed Rule 21.18(d), described below.
- The “Complex Order Book” or “COB” is the Exchange’s electronic book of complex orders. All Members may submit orders to trade against interest or rest in the COB pursuant to the proposed Rule.
- The term “complex strategy” means a particular combination of components and their ratios to one another. New complex strategies can be created by the Exchange

⁷ See Rule 21.1(d)(10).

⁸ See Rule 21.1(d)(11).

or as the result of the receipt of a complex instrument creation request or complex order for a complex strategy that is not currently in the System. The Exchange may limit the number of new complex strategies that may be in the System at a particular time or entered for any executing firm ID (“EFID”)⁹ (which EFID limit would be the same for all Users) at a particular time. As noted above, there is a difference between the proposed definition and the definition of “complex strategy” set forth in C2 Rule 5.33(a). Specifically, the Exchange is proposing to permit new complex strategies to be created by the Exchange. While there is no such provision in C2 Rules, the proposed definition is identical to the definition of “complex strategy” set forth in Cboe Options Rule 5.33. The Exchange believes that permitting the Exchange, as well as customers, to create complex strategies, including commonly traded ones, would allow for the consolidation of liquidity within a single complex strategy that might otherwise be spread across multiple customer-created complex instruments expressing the same or similar exposure profiles.

- The term “legging” is defined in Rule 21.18(g), described below.
- The term “regular trading” means trading of complex orders that occurs during a trading session other than: (a) at the opening or re-opening of the COB for trading following a halt, or (b) during the COA process (as described below and in proposed Rule 21.18(d)).
- The “Synthetic Best Bid or Offer” (“SBBO”) is the best bid and offer on the Exchange for a complex strategy calculated using the best price available on the

⁹ The term “EFIDs” means Executing Firm IDs and shall refer to what the System uses to identify the Member and the clearing number for the execution of orders and quotes submitted to the System with that EFID. A Member may obtain one or more EFIDs from the Exchange (in a form and manner determined by the Exchange). The Exchange assigns an EFID to its Members. See Rule 21.1(k).

Simple Book for each component (or the NBBO for a component if there is no resting interest on the Exchange for that component) of a complex strategy. The Exchange notes that the difference between this proposed definition and the definition of “SBBO” set forth in C2 Rule 5.33(a) relates to display-price sliding functionality on the Exchange, which is not available on C2.¹⁰ On C2, the “SBBO” means the best bid and offer on the Exchange for a complex strategy calculated using the BBO for each component (or the NBBO for a component if the BBO for that component is not available) of a complex strategy from the Simple Book.¹¹ Under C2 rules, the “BBO” is the best bid or offer disseminated on the Exchange.¹² On the Exchange, the display-price sliding functionality provides an automated mechanism that automatically adjusts how orders are displayed to the market while preserving their actual ranking priority within the Exchange's order book. Under the display-price sliding functionality, an order that, at the time of entry, would lock or cross a Protected Quotation of another options exchange will be ranked internally at the locking price in the BZX Options Book (maintaining the user's intended execution priority) and displayed by the System at one minimum price variation below the current NBO (for bids) or to one minimum price variation above the current NBB (for offers). The display-price sliding functionality creates a more nuanced definition of SBBO which relies on best price available, because it must account for the distinction between an order's internal ranking price and its displayed

¹⁰ See Rule 21.1(h).

¹¹ See C2 Rule 5.33(a).

¹² See C2 Rule 1.1.

price. Because of display-price sliding functionality, the Exchange's proposed definition refers to the best price available on the Simple Book rather than the BBO.

- The “Synthetic National Best Bid or Offer” (“SNBBO”) is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy.

Types of Complex Orders

Proposed Rule 21.18(b), Types of Complex Orders, describes the various order types and specific times-in-force for complex orders handled by the System. Proposed Rule 21.18(b) is identical to C2 Rule 5.33(b), except for two differences.

The first difference between the proposed rules and C2 Rules relates to a C2 restriction regarding submission of complex orders through bulk ports. C2 Rule 5.33(b) states that Users may not submit complex orders through bulk ports. Such restriction is not included in the Exchange's proposal as the Exchange will permit Users to submit complex orders through bulk ports, which the Exchange believes will support liquidity provision in complex orders on the Exchange. To support this, the Exchange also proposes an amendment to Rule 21.6 (Entry of Orders). Current Rule 21.6(a) provides that a User may only enter one bid and one offer for a series per EFID per bulk port. The Exchange proposes to amend Rule 21.6(a) to further provide that Users may only enter one bid and one offer for a complex strategy per EFID per bulk port.¹³ The addition of “complex strategy” to this rule provision supports the Exchange's proposal to permit complex interest to be

¹³ The Exchange notes that one of its affiliated options exchanges, Cboe Options, recently filed a rule change with the Commission to amend its Rules related to the submission of bids and offers for certain complex strategies for execution using bulk message functionality. See Securities Exchange Act Release No. 103701 (August 13, 2025), 90 FR 40093 (August 18, 2025) (SR-CBOE-2025-059). The proposed change to Rule 21.6(a) is identical to a proposed change to Cboe Options Rule 5.7(a) set forth in that proposal; unlike the Cboe Options proposal, this rule filing is not permitting bulk message functionality for complex strategies, but just use of complex orders in bulk ports.

submitted through bulk ports. The Exchange believes the proposed rule change will encourage Users that use bulk port functionality to submit bids and offers for a complex strategy to submit their best bids and offers in that strategy and thus provide displayed liquidity to the market and contribute to price discovery. Note firms may have multiple EFIDs and multiple bulk ports and thus will have the ability through separate ports or EFIDs to submit additional bids and offers using bulk messages in the same strategy if they choose.

The second difference between the Exchange's proposed changes to Rule 21.18(b) and related C2 Rules is that the proposed rules do not include provisions set forth in C2 related to "All Sessions Complex Orders" and "RTH Only Complex Orders", as Exchange rules do not allow for a GTH trading session.

Proposed Rule 21.18(b) states that the Exchange determines which Times-in-Force of Day,¹⁴ Good Til Cancelled ("GTC"),¹⁵ Good Til Date ("GTD"),¹⁶ Immediate or Cancel ("IOC")¹⁷, or At the Open ("OPG")¹⁸ are available for complex orders (including for eligibility to enter the

¹⁴ "DAY" shall mean, for an order so designated, a limit order to buy or sell which, if not executed expires at market close. Users may designate bulk messages as Day. See Rule 21.1(f)(3).

¹⁵ "Good Til Cancelled" or "GTC" mean, for an order so designated, that if after entry into the System, the order is not fully executed, the order (or the unexecuted portion thereof) shall remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. Users may not designate bulk messages as GTC. See Rule 21.1(f)(4).

¹⁶ "Good Til Date" or "GTD" shall mean, for orders so designated, that if after entry into the System, the order is not fully executed, the order (or the unexecuted portion thereof) shall remain available for potential display and/or execution for the amount of time specified by the entering User unless canceled by the entering party. Users may not designate bulk messages as GTD. See Rule 21.1(f)(1).

¹⁷ "Immediate Or Cancel" or "IOC" shall mean, for an order so designated, a limit order that is to be executed in whole or in part as soon as such order is received. The portion not so executed immediately on the Exchange or another options exchange is cancelled and is not posted to the BZX Options Book. IOC limit orders that are not designated as Book Only Orders and that cannot be executed in accordance with Rule 21.8 on the System when reaching the Exchange will be eligible for routing away pursuant to Rule 21.9. Users may designate bulk messages as IOC. See Rule 21.1(f)(2).

¹⁸ "At the Open" or "OPG" shall mean, for an order so designated, an order that shall only participate in the opening process on the Exchange. An OPG order not executed in the opening process will be cancelled. Users may not designate bulk messages as OPG. See Rule 21.1(f)(6).

COB and initiate a COA). The Exchange determines which Capacities¹⁹ (*i.e.*, non-broker-dealer customers, broker-dealers that are not Market-Makers on an options exchange, or Market-Makers on an options exchange) are eligible for entry onto the COB. Complex orders may be market or limit orders. Users may designate complex orders as Attributable or Non-Attributable.²⁰ In addition, the Exchange proposes to accept the following complex orders: Complex Only orders, COA-eligible orders, do-not-COA orders, orders with Match Trade Prevention modifiers, Book Only Complex orders, Post Only Complex orders, and Complex Reserve Orders, as such terms are defined below.

The Exchange proposes to allow a Market-Maker to designate orders with a Time-in-Force of Day or IOC to execute only against complex orders in the COB. These orders, defined as “Complex Only Orders” may not leg into the Simple Book. Unless designated as Complex Only, and for all other Times-in-Force and Capacities, a complex order may execute against complex orders in the COB and may Leg into the Simple Book. The Exchange also believes the proposed functionality is analogous to other types of functionality already offered by the Exchange that provides Members the ability to direct the Exchange not to route their orders away from the Exchange²¹ or not to remove liquidity from the Exchange.²² Similar to such analogous features, the Exchange believes that Members may utilize Complex Only Order functionality as part of their strategy to maintain additional control over their executions, in connection with their attempt to provide and not remove liquidity, or in connection with applicable fees for executions.

¹⁹ See Rule 16.1 for definition of “Capacity.”

²⁰ See Rule 21.1(c)(1) and (2).

²¹ See Rule 21.1(d)(7), which describes “Book Only Orders” as orders that do not route to away options exchanges.

²² See Rule 21.1(d)(8), which describes “Post Only Orders” as orders that do not route to away options exchanges or remove liquidity from the Exchange.

A COA-eligible order is a complex order designated to be placed into a Complex Order Auction upon receipt that meets the requirements of Rule 21.18(b)(2), as described below. The Exchange proposes to allow all types of orders to initiate a COA. Under the proposal, certain types of orders will default to initiating a COA upon arrival with the ability to opt-out of initiating a COA and other types of orders will default to not initiating a COA upon arrival with the ability to opt-in to initiating a COA. Specifically, as proposed, complex orders that are marked as IOC will, by default, not initiate a COA upon arrival, but a Member that submits an order marked IOC may elect to opt-in to initiating a COA and any quantity of the IOC order not executed will be cancelled at the end of the COA. Complex orders that are marked as Post Only with any Time-in-Force will not initiate COA upon arrival, and if a Members submits an order marked as Post Only to initiate a COA, the System will cancel the order. Orders with other Times in Force (except OPG) will by default initiate a COA, but a Member may elect to opt-out of initiating a COA. Orders with instructions to (or which default to) initiate a COA are referred to as COA-eligible orders, subject to the additional eligibility requirements set forth in the proposed rule, while orders with instructions not to (or which default not to) initiate a COA are referred to as do-not-COA orders, subject to the additional eligibility requirements set forth in the proposed rule.

The Exchange also proposes to allow the use of certain Match Trade Prevention (“MTP”) Modifiers, which allow a Member to avoid trading against the Member’s own orders or orders of affiliates as specified on an identifier established by the Member (“Unique Identifiers”).²³ As proposed, the System will support, when trading against other complex orders on the COB, complex orders with the following MTP Modifiers defined in Rule 21.1(g): MTP Cancel Newest,²⁴ MTP

²³ See Rule 21.1(g).

²⁴ Pursuant to Rule 21.1(g)(1), an incoming order marked with the MTP Cancel Newest (“MCN”) modifier will not execute against opposite side resting interest marked with any MTP modifier originating from the

Cancel Oldest²⁵ and MTP Cancel Both.²⁶ When Logging (as defined below) into the Simple Book, a complex order with any MTP Modifier will be cancelled if it would execute against any leg on the Simple Book that includes an order with an MTP Modifier and the same Unique Identifier as the complex order.

The Exchange proposes to allow “Book Only” and “Post Only” complex orders. A “Book Only” complex order is a complex order that the System ranks and executes pursuant to Rule 21.18, or cancels or rejects, as applicable (in accordance with the User’s instructions). A “Post Only” complex order is a complex order the System ranks and executes pursuant to Rule 21.18 or cancels or rejects, as applicable (in accordance with the User’s instructions), except the order may not remove liquidity from the COB or the Simple Book. The System cancels or rejects a Post Only market complex order unless it is subject to the drill-through price protection in proposed Rule 21.17(b)(6).

The Exchange also proposes to allow “Complex Reserve Orders.” As proposed, a “Complex Reserve Order” is a complex limit order with both a portion of the quantity displayed (“Display Quantity”) and a reserve portion of the quantity (“Reserve Quantity”) not displayed. Both the Display Quantity and Reserve Quantity of the Complex Reserve Order are available for potential execution pursuant to Rule 21.18 (c) through (e), described below. When entering a Complex

same Unique Identifier. The incoming order marked with the MCN modifier will be cancelled back to the originating User(s). The resting order marked with an MTP modifier will remain on the BZX Options Book.

²⁵ Pursuant to Rule 21.1(g)(2), an incoming order marked with the MTP Cancel Oldest (“MCO”) modifier will not execute against opposite side resting interest marked with any MTP modifier originating from the same Unique Identifier. The resting order marked with the MTP modifier will be cancelled back to the originating User(s). The incoming order marked with the MCO modifier will remain on the BZX Options Book.

²⁶ Pursuant to Rule 21.1(g)(4), an incoming order marked with the MTP Cancel Both (“MCB”) modifier will not execute against opposite side resting interest marked with any MTP modifier originating from the same Unique Identifier. The entire size of both orders will be cancelled back to the originating User(s).

Reserve Order, a User must instruct the Exchange as to the quantity of the Complex Reserve Order to be initially displayed by the System (“Max Floor”). If the Display Quantity of a Complex Reserve Order is fully executed, the System will, in accordance with the User’s instruction, replenish the Display Quantity from the Reserve Quantity using one of the below replenishment instructions. If the remainder of a Complex Reserve Order is less than the replenishment amount, the System will display the entire remainder of the Complex Reserve Order. The System creates a new timestamp for both the Display Quantity and Reserve Quantity of the Complex Reserve Order each time it is replenished from reserve. A User may attach a Random Replenishment instruction to a Complex Reserve Order, where the System randomly replenishes the Display Quantity for the Complex Reserve Order with a number of contracts not outside a replenishment range, which equals the Max Floor plus and minus a replenishment value established by the User when entering a Complex Reserve Order with a Random Replenishment instruction. For any Complex Reserve Order for which a User does not select Random Replenishment, the System will replenish the Display Quantity of the Complex Reserve Order with the number of contracts equal to the Max Floor (or the entire remainder of the Complex Reserve Order if it is less than the replenishment amount).

COB Opening Process

Proposed Rule 21.18(c) describes the process of accepting orders prior to the opening of the COB for trading (including after a trading halt), and the process by which the Exchange will open the COB or re-open the COB following a trading halt (the “Opening Process”).²⁷ The proposed COB opening process is identical to the COB opening process for C2, as set forth in C2 Rule

²⁷ The Exchange also proposes to add Rule 21.7(b)(2)(E) which provides that complex orders do not participate in the opening auction process described in Rule 21.7 and instead may participate in the COB Opening Process pursuant to Rule 21.18(c).

5.33(c). The COB opening process is critical because it establishes fair opening prices for multi-leg option strategies by aggregating overnight information and matching complex orders at optimal prices, preventing market disruption. This process ensures an orderly market opening, protects participants from stale pricing, and maintains market integrity by providing transparent price discovery for complex strategies before continuous trading begins.

Proposed Rule 21.18(c)(1) states that the System accepts complex orders for inclusion in the COB Opening Process at the times and in the manner set forth in Rule 21.7, except the order entry period for complex orders ends when the complex strategy opens. The proposed Rule also states that complex orders entered during the order entry period are not eligible for execution until the COB Opening Process occurs. Proposed Rule 21.18(c)(1) states that beginning at 7:30 a.m. and updated every five seconds thereafter until the initiation of the COB Opening Process, indicative prices and order imbalance information based on complex orders queued in the System for the COB Opening Process will be disseminated by the Exchange.

Pursuant to proposed Rule 21.18(c)(2), the System initiates the COB Opening Process for a complex strategy after a number of seconds (determined by the Exchange) after all legs of the complex strategy are open on the Simple Book. All complex orders the System receives prior to opening a complex strategy pursuant to Rule 21.18(c)(2) are eligible to be matched in the COB Opening Process and not during the Opening Process set forth in Rule 21.7. Under proposed Rule 21.18(c)(2)(A), if there are matching complex orders in a complex strategy, the System determines the COB opening price, which is the price at which the most complex orders can trade. If there are multiple prices that would result in the same number of complex orders executed, the System chooses the price that would result in the smallest remaining imbalance as the COB opening price. If there are multiple prices that would result in the same number of complex orders executed and the

same smallest imbalance, the System chooses the price closest to the midpoint of the (i) SNBBO or (ii) if there is no SNBBO available, the highest and lowest potential opening prices as the COB opening price. If the midpoint price would result in an invalid increment, the System rounds the COB opening price up to the nearest permissible increment. If the COB opening price equals the SBBO, the System adjusts the COB opening price to a price that is better than the corresponding bid or offer in the Simple Book by \$0.01.

Under proposed Rule 21.18(c)(2)(B), after the System determines a COB opening price, the Exchange executes matching complex orders in accordance with the priority in Rule 21.8(a) applicable to the class at the COB opening price. The System enters any remaining complex orders (or unexecuted portions) into the COB, subject to a User's instructions.

Finally, pursuant to proposed Rule 21.18(c)(2)(C), if there are no matching complex orders in a complex strategy, the System opens the complex strategy without a trade. If after an Exchange-established period of time that may not exceed 30 seconds, the System cannot match orders because (i) the System cannot determine a COB opening price (i.e., all queued orders are market orders) or (ii) the COB opening price is outside the SNBBO, the System opens the complex strategy without a trade. In both cases, the System enters any orders in the complex strategy in the COB (in time priority), except it Legs any complex orders it can into the Simple Book (as described below).

Complex Order Auctions ("COAs")

Proposed Rule 21.18(d) describes the COA process. The proposed COA process is identical to the COA process for C2, as set forth in C2 Rule 5.33(d), except for one difference related to the priority of allocation of COA-eligible orders, as described below. All option classes will be eligible to participate in a COA. A COA is important because it provides a transparent, competitive price discovery mechanism that potentially allows complex orders to receive better execution prices than

would be available in the continuous market. The auction process aggregates liquidity and enables price improvement opportunities while ensuring fair access for all market participants to compete for complex order flow.

Proposed Rule 21.18(d)(1) describes the circumstances under which a COA is begun. Upon receipt of a COA-eligible order, the System initiates the COA process by sending a COA auction message to all subscribers to the Exchange's data feeds that deliver COA auction messages. The COA auction message will identify the COA auction ID, instrument ID (i.e., complex strategy), Capacity, quantity, and side of the market of the COA-eligible order. If the COA eligible order is a Complex Reserve Order, the COA auction message only identifies the Display Quantity; however, the entire quantity (both the Display Quantity and Reserve Quantity) may execute following the COA pursuant to proposed Rule 21.18(d)(5) described below. The Exchange may also determine to include the price in COA auction messages, which will be the limit order price, unless the COA is initiated by a complex market order, in which case such price will be the SBBO, subject to any applicable price protections, or the drill-through price if the order is subject to the drill-through price protection in Rule 21.17(b)(6), as proposed.

Pursuant to proposed Rule 21.18(d)(2), a COA will be allowed to occur at the same time as other COAs for the same complex strategy.²⁸ If there are multiple COAs ongoing for a specific complex strategy, each COA concludes sequentially based on the time each COA commenced, unless terminated early pursuant to proposed Rule 21.18(d)(3) described below. At the time each COA concludes, the System allocates the COA-eligible order pursuant to Rule 21.18 and takes into account all COA Responses for that COA, orders in the Simple Book, and unrelated complex orders

²⁸ The Exchange represents that it has systems capacity to process multiple overlapping COAs consistent with the proposal, including systems necessary to conduct surveillance of activity occurring in such auctions.

on the COB at the time the COA concludes. If there are multiple COAs ongoing for a specific complex strategy that are each terminated early pursuant to Rule 21.18(d)(3), the System processes the COAs sequentially based on the order in which they commenced. If a COA Response is not fully executed at the end of the identified COA to which the COA Response was submitted, the System cancels or rejects the COA Response (or unexecuted portion) at the conclusion of the specified COA.

Proposed Rule 21.18(d)(3) defines the amount of time, the “Response Time Interval”, in which Users may submit responses to the COA auction message (“COA Responses”). The Exchange will determine the duration of the Response Time Interval, which shall not exceed 500 milliseconds. However, the Response Time Interval terminates prior to the end of that time duration: (A) 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, in which case the System terminates the COA and processes the COA-eligible order pursuant to proposed Rule 21.18(d)(5) and posts the new order to the COB; or (B) when the System receives an order in a leg of the complex order that would improve the SBBO on the same side as the COA-eligible order that initiated the COA to a price equal to or better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to proposed Rule 21.18(d)(5), posts the new order to the Simple Book, and updates the SBBO. Early termination scenarios for a COA exist to prevent market disruption and protect participants when market conditions change significantly during the auction period, such as when the underlying security experiences rapid price movements or trading halts that would make the auction price stale or unfair. These termination triggers ensure market integrity by canceling auctions when continuing would result in executions at prices that no longer reflect current market conditions.

Proposed Rule 21.18(d)(4) states that the System accepts a COA Response(s) with any Capacity in \$0.01 increments during the Response Time Interval. COA Responses must specify the price, size, side of the market (i.e., a response to a buy COA as a sell or a response to a sell COA as a buy) and COA auction ID for the COA to which the response is targeted. COA Responses may be larger than the COA-eligible order. The System aggregates the size of COA Responses submitted at the same price for an EFID, and caps the size of the aggregated COA Responses at the size of the COA-eligible order (including Display Quantity and Reserve Quantity if the COA-eligible order is a Complex Reserve Order). COA Responses represent non-firm interest that can be modified or withdrawn at any time prior to the end of the Response Time Interval, though any modification to a COA Response other than a decrease of size will result in a new timestamp and a loss of priority. COA Responses will not be displayed by the Exchange. At the end of the Response Time Interval, COA Responses are firm (i.e., guaranteed at their price and size). A COA Response may only execute against the COA-eligible order for the COA to which a User submitted the COA Response. The System cancels or rejects any unexecuted COA Responses (or unexecuted portions) at the conclusion of the COA.

Proposed Rule 21.18(d)(5) describes how COA-eligible orders are handled following the Response Time Interval. At the end of the Response Time Interval, the System executes a COA-eligible order (in whole or in part) against contra-side interest in price priority. If there is contra-side interest at the same price, the System allocates the contra-side interest in the following order: (i) against COA Responses and unrelated orders with Priority Complex Order Status, if the Exchange has designated the class as eligible for Priority Complex Order status as set forth in proposed Rule 21.18(d)(5)(C); (ii) against orders and quotes in the Simple Book (both displayed and nondisplayed orders) for the individual leg components of the complex order through Legging (subject to

21.18(g)), which the System allocates in accordance with the priority in Rule 21.8(a) applicable to the class; and (iii) against COA Responses and unrelated orders posted to the COB, which the System allocates on a pro-rata basis. As described in proposed Rule 21.18(d)(5)(B), the System enters any COA-eligible order (or unexecuted portion) that does not execute at the end of the COA into the COB (if eligible for entry), and applies a timestamp based on the time it enters the COB. The System cancels or rejects any COA-eligible order (or unexecuted portion) that does not execute at the end of the COA if not eligible for entry into the COB or in accordance with the User's instructions. Complex orders resting on the COB may execute pursuant to proposed Rule 21.18(e) following evaluation pursuant to proposed Rule 21.18(i) and remain on the COB until they execute or are cancelled or rejected.

As noted above, the proposed COA process is identical to the COA process for C2, as set forth in C2 Rule 5.33(d), except for the following difference related to the priority of allocation of COA-eligible orders. Proposed Rule 21.18(d)(5)(C) describes Priority Complex Order Status. Users with contra-side complex interest at the conclusion of the COA and displayed resting quotes and orders in any of the component legs of the COA-eligible order that were at a price equal to the NBBO on the opposite side of the market from any of the components of the COA-eligible order at the time the COA commenced, have priority in their contra-side complex interest ("Priority Complex Orders") up to the largest size of their quotes and orders at the NBBO in a pro-rata manner. Priority Complex Order status is only valid for the duration of the particular COA.

The Exchange believes the introduction of Priority Complex Order status for COA allocation priority will create incentive for Market-Makers to maintain competitive quotes at the NBBO across individual legs. By giving priority to those participants who were providing the best displayed liquidity (i.e., displaying the most competitive (best) bid and offer prices in a component

leg of the COA-eligible order on the opposite side of the market from any of the components of the COA-eligible order when the auction began) at the commencement of a COA, the proposed allocation incentivizes those who contribute to tight markets and price discovery. Further, the pro rata allocation among orders with Priority Complex Order status ensures fairness amongst participants, if multiple participants meet the criteria. Additionally, participants can only have Priority Complex Order status up to the largest size of their quotes or orders at the NBBO. The Exchanges notes that the concept in general of the priority allocation framework proposed is not novel. Cboe Options Rule 5.38(e)(4) currently allows for Priority Complex Order Plus Status within Cboe Options' Complex Automated Improvement Mechanism ("C-AIM" or "C-AIM Auction"), which is similar in concept to the Priority Complex Order status proposed herein. Both are designed to provide execution priority to market participants who had displayed interest at the best market prices when specific auction mechanisms commence. Both statuses grant priority allocation rights to users with contra-side complex interest who maintained displayed resting quotes and orders in any of the components of the auctioned order at prices equal to the best bid or offer on the opposite side of the market from the auction-eligible order at the time their respective auctions began. Because the Exchange allocates orders based on price-time and does not provide priority to Customers, the proposal, unlike the C-AIM Auction, does not provide an allocation for Customer orders before the allocation for Priority Complex Orders. In addition, unlike in the C-AIM Auction, where Priority Complex Order Plus Status is available only for exclusively listed exchange options, the proposed Priority Complex Order status will be available for all equity and index options. The Exchange does not have a C-AIM Auction, and thus is merely proposing to include this priority allocation in a different auction for complex orders to provide Users with an incentive to display liquidity at the best prices.

Processing of Do-Not-COA Orders/Orders Resting on the COB

Proposed Rule 21.18(e) describes the processing of do not-COA orders and orders resting on the COB. The proposed processing of do-not-COA orders and orders resting on the COB is identical to the process for C2, as set forth in C2 Rule 5.33(e).

As proposed, upon receipt of a do-not-COA order, or if the System determines an order resting on the COB is eligible for execution following evaluation pursuant to proposed Rule 21.18(i), the System executes it (in whole or in part) against contra side interest in price priority. If there is contra side interest at the same price, the System allocates the contra side interest as follows: (1) Orders and quotes in the Simple Book (both displayed and nondisplayed orders) for the individual leg components of the complex order through Legging (subject to proposed Rule 21.18(g)), which the System allocates in accordance with the priority in Rule 21.8(a) applicable to the class; and (2) Complex orders resting on the COB, which the System allocates in accordance with the priority in Rule 21.8(a) applicable to the class. The System enters any do-not-COA order (or unexecuted portion) that does not execute against the individual leg markets or complex orders into the COB (if eligible for entry), and applies a timestamp based on the time it enters the COB. The System cancels or rejects any complex order (or unexecuted portion) that would execute at a price outside of the SBBO, that is not eligible for entry into the COB, or in accordance with the User's instructions. Complex orders resting on the COB may execute pursuant to proposed Rule 21.18(e) following evaluation pursuant to proposed Rule 21.18(i) and remain on the COB until they execute or are cancelled or rejected.

Minimum Increments and Execution Prices.

Proposed Rule 21.18(f) describes the minimum increments and execution prices for complex orders. The minimum increments and execution price provisions are identical to C2, as set forth in C2 Rule 5.33(f), except for one difference related to the proposed definition of SBBO.

Proposed Rule 21.18(f)(1) provides the minimum increment for bids and offers on a complex order is \$0.01, and the components of a complex order may be executed in \$0.01 increments, regardless of the minimum increments otherwise applicable to the individual components of the complex order.²⁹

Next, with respect to the execution of complex orders, as described in proposed Rule 21.18(f)(2), the System does not execute a complex order pursuant to Rule 21.18 at a net price: that would cause any component of the complex strategy to be executed at a price of zero; that would cause any component of the complex strategy to be executed at a price worse than the individual component price on the Simple Book; worse than the price that would be available if the complex order Legged into the Simple Book; or worse than the SBBO.

Further, if a complex order has a ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00), at least one component of the complex order must execute at a price that improves the best price available for that component; or if the complex order has a ratio less than one-to-three (.333) or greater than three-to-one (3.00), the component(s) of the complex order for the leg(s) with a Customer order at the best price available must execute at a price that improves the price of that Customer order(s) on the Simple Book. The Exchanges notes a slight difference between this proposed Rule and C2 Rule 5.33(f)(1)(D)(i) and (ii), which states that if a complex order has a ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00), at least one component of the complex order must execute at a price that improves the BBO for that component; or if the complex order has a ratio less than one-to-three (.333) or greater than three-to-one (3.00), the component(s) of the complex order for the leg(s) with a Customer order

²⁹ The Exchange also proposes to add Rule 21.5(e) (Minimum Increments), which provides that, notwithstanding any other provision of Rule 21.5, the minimum trading increment for bids and offers on complex orders shall be determined in accordance with Rule 21.18.

at the BBO must execute at a price that improves the price of that Customer order(s) on the Simple Book. The difference between the Exchange's consideration of "best price available" and C2's consideration of "BBO" is due to the difference in the Exchange's proposed definition of SBBO, described above.

The purpose of this provision is to prevent a component of a complex order from being executed at a price that is inferior to the best-priced contra-side orders on the Simple Book (including Customer orders) and, for a complex order with a ratio less than one-to-three or greater than three-to-one, to prevent the component(s) of a complex order for the leg(s) with a Customer order at the best price from executing at that price. For a complex order with a ratio equal to or greater than one-to-three and less than or equal to three-to-one, the provision is designed to protect Customer order interest on the Simple Book.

As set forth in proposed Rule 21.18(f)(3), complex orders will be executed without consideration of any prices for the complex strategy that might be available on other exchanges trading the same complex strategy provided, however, that such complex order price may be subject to the drill-through price protection described in Rule 21.17(b)(6).

Legging

Proposed Rule 21.18(g) describes the Legging process through which complex orders, under certain circumstances, are executed against the individual components of a complex strategy on the Simple Book. The Legging provisions are identical to C2, as set forth in C2 Rule 5.33(g).

Complex orders up to a maximum number of legs (which the Exchange determines on a class-by-class basis and may be up to 16) may be automatically executed against bids and offers on the Simple Book for the individual legs of the complex order ("Legging"), provided the complex order can be executed in full or in a permissible ratio by such bids and offers. The Legging

provisions proposed are identical to those set forth in C2 Rule 5.33(g). All two leg COA-eligible Customer complex orders may Leg into the Simple Book without restriction. Complex orders for any other Capacity with two option legs that are both buy or both sell and that are both calls or both puts may not Leg into the Simple Book, and all complex orders with three or four option legs that are all buy or all sell (regardless of whether the option legs are calls or puts) may not Leg into the Simple Book; these orders may execute against other complex orders in the COB. Post Only complex orders may not Leg into the Simple Book. The entire quantity of a Complex Reserve Order (both the Display Quantity and Reserve Quantity) Legs into the Simple Book at the same time, and any quantity that does not execute pursuant to Rule 21.18(d) or (e) after Legging will rest in the COB in accordance with the Complex Reserve Order instruction.

While, in general, Legging restrictions are designed to prevent market participants from breaking apart complex option strategies into individual leg executions to circumvent the complex order book and gain unfair trading advantages, there are certain circumstances where there are legitimate trading scenarios where participants need flexibility to manage risk or execute strategies when the complex order book lacks sufficient liquidity or appropriate pricing. These proposed rules are designed to provide this flexibility, while also ensuring multi-leg strategies are executed as intended through the complex order process, to maintain market integrity.

The Exchange believes the proposed rules will provide greater liquidity to the marketplace as a whole by fostering the interaction between the components of complex orders on the COB and the Simple Book. This should enhance the opportunity for executions of both complex orders and simple orders. The Exchange also believes the interaction of orders will increase the opportunity for complex orders to receive execution, while also enhancing execution quality for orders on the

Simple Book. The proposed rule will facilitate the execution of more complex orders because complex orders will have a greater chance of execution when they are allowed to leg into the simple market. This will increase the execution rate for these orders, thus providing market participants with an increased opportunity to execute these orders on the Exchange.

The prohibition (though inapplicable to two-leg COA-eligible Customer complex orders) against the Legging of complex orders with two option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts, and on complex orders with three or four option legs where all legs are buying or all legs are selling regardless of whether the option leg is a call or a put ensures that Market Makers providing liquidity do not trade above their established risk tolerance levels.

Further, the Exchange also believes it is reasonable to limit other types of complex orders that are eligible to leg into the Simple Book. Specifically, the Exchange believes that the potential risk of offering Legging functionality for complex orders such as those impacted by the proposed rule could limit the amount of liquidity that Market Makers are willing to provide in the Simple Book. In particular, Market Makers, without the proposed limitation, are at risk of executing the cumulative size of their quotations across multiple options series without an opportunity to adjust their quotes. Market Makers may be compelled to change their quoting and trading behavior to account for this additional risk by widening their quotes and reducing the size associated with their quotes, which would diminish the Exchange's quality of markets and the quality of the markets in general. The proposed limitations substantially diminish a potential source of unintended Market Maker risk when certain types of complex orders leg into the Simple Book and protect investors and the public interest by adding confidence and stability in the Exchange's marketplace. This benefit to investors far exceeds the small amount of potential liquidity provided by the few complex orders to

which this aspect of the proposal applies.

Additional Complex Order Handling

Proposed Rule 21.18(h) sets forth additional provisions regarding the processing and execution of complex orders, which are identical to those set forth in C2 Rule 5.33(h). Additional complex order handling rules are included to address scenarios and order types that fall outside the standard complex order book framework, ensuring comprehensive coverage of all possible complex trading situations. These rules provide clarity on how to handle circumstances that require specific treatment beyond the basic complex order matching process, maintaining consistent and fair market operations across all complex trading scenarios.

Under the proposed rule, a complex market order or a limit order with a price that locks or crosses the then-current opposite side SBBO and does not execute because the SBBO is the best price but not available for execution (because it does not satisfy the complex order ratio or the complex order cannot Leg into the Simple Book) enters the COB with a book and display price that improves the then-current opposite side SBBO by \$0.01. If the SBBO changes, the System continuously reprices the book and display price of the complex order (or unexecuted portion) based on the new SBBO (up to the limit price, if it is a limit order), subject to the drill-through price protection described in Rule 21.17(b)(6), until the complex order has been executed in its entirety or the complex order (or unexecuted portion) of the complex order is cancelled or rejected.

Additionally, under the proposed rule, if there is a zero NBO for any leg, the System replaces the zero with a price \$0.01 above the NBB to calculate the SNBBO, and complex orders with any buy legs do not Leg into the Simple Book. If there is a zero NBB, the System replaces the zero with a price of \$0.01, and complex orders with any sell legs do not Leg into the Simple Book. If there is a zero NBB and zero NBO, the System replaces the zero NBB with a price of \$0.01 and

replaces the zero NBO with a price of \$0.02, and complex orders do not Leg into the Simple Book. Proposed Rule 21.18(h)(3) states that the System cancels or rejects a Post Only complex order if it locks or crosses a resting complex order in the COB or the then-current opposite side SBBO. The System cancels a resting Post Only complex limit order after evaluation pursuant to proposed Rule 21.18(i) if the System determines the resting Post Only complex limit order locks or crosses the updated SBBO. Finally, under proposed Rule 21.18(h)(4), displayed complex orders resting on the COB have priority over nondisplayed portions of Complex Reserve Orders resting on the COB.

Evaluation Process

Proposed Rule 21.18(i) describes how and when the System determines to execute or otherwise handle complex orders in the System and is identical to C2 Rule 5.33(i). These evaluation process rules define the systematic criteria and procedures the System uses to determine how and when to handle complex orders, ensuring consistent, transparent, and fair treatment of all complex strategies within the System.

Evaluation results in the various manners of handling and executing complex orders as described herein. The System evaluates an incoming complex order upon receipt after the open of trading to determine whether it is a COA-eligible order or a do-not-COA order and thus whether it should be processed pursuant to proposed Rule 21.18(d) or (e), respectively. The System reevaluates a complex order resting on the COB (including an order (or unexecuted portion) that did not execute pursuant to proposed Rule 21.18(d) or (e) upon initial receipt) at the time the COB opens, following a halt, and during the trading session when the leg market price or quantity changes to determine whether the complex order can execute pursuant to proposed Rule 21.18(e), should be repriced pursuant to proposed Rule 21.18(h), should remain resting on the COB, or should be cancelled.

Limit Up-Limit Down State and Trading Halts

Proposed Rule 21.18(j) and Rule 21.18(k) set forth details regarding the Exchange's handling of complex orders in a limit up-limit down state and in the context of a trading halt. In general, limit up-limit down state and trading halt provisions are designed to maintain orderly markets and protect participants by automatically pausing or restricting trading when securities experience extreme price movements that could indicate market disruption or erroneous activity. These mechanisms prevent cascading volatility, allow time for information dissemination and rational decision-making, and ensure that trading resumes in a fair and orderly manner once market conditions stabilize.

Proposed Rule 21.18(j), which is identical to C2 Rule 5.33(j), states that the System cancels or rejects a complex market order it receives when the underlying security is subject to a limit up-limit down state. If during a COA of a COA-eligible market order, the underlying security enters a limit up-limit down state, the System terminates the COA without trading and cancels or rejects all COA Responses.

Proposed Rule 21.18(k), which is identical to C2 Rule 5.33(k), sets forth the details regarding the Exchange's handling of complex orders in the context of a trading halt. Proposed Rule 21.18(k)(1) would govern halts during regular trading and would state that if a trading halt exists for the underlying security or a component of a complex strategy, trading in the complex strategy will be suspended. The System queues a User's open complex orders during a halt, unless the User entered instructions to cancel its open complex orders upon a halt, for participation in the re-opening of the COB as set forth in Rule 21.18(k)(3) below. The COB will remain available for Members to enter and manage complex orders. Incoming complex orders that could otherwise execute or initiate a COA in the absence of a halt will be placed on the COB. Incoming complex orders with a time in

force of IOC will be cancelled.

Proposed Rule 21.18(k)(2) would govern halts during a COA and would state that if, during a COA, any component(s) and/or the underlying security of a COA-eligible order is halted, the COA will end early without trading, and the System cancels or rejects all COA Responses. Remaining complex orders will be placed on the COB if eligible, or cancelled. Under proposed Rule 21.18(k)(3), when trading in the halted component(s) and/or underlying security of the complex order resumes, the System re-opens the COB pursuant to Rule 21.18(c). The System queues any complex orders designated for a re-opening following a halt until the halt has ended, at which time they are eligible for execution in the Opening Process.

Interpretations and Policies

The Exchange also proposes several Interpretations and Policies to proposed Rule 21.18, which are identical to the Interpretations and Policies in C2 Rule 5.33.

First, the Exchange has not proposed different standards for participation by Market Makers on the COB (e.g., no specific benefits or obligations). Proposed Rule 21.18, Interpretation and Policy .01 makes clear that Market Makers are not required to quote on the COB. Thus, unlike the continuous quoting requirements in the simple order market, there are no continuous quoting requirements respecting complex orders. Complex strategies are not subject to any quoting requirements that are applicable to Market Makers in the simple market in its appointed classes. The Exchange does not take into account a Market-Maker's complex orders entered in its appointed classes when determining whether a Market-Maker meets its quoting obligations pursuant to Rule 22.6 in its appointed classes.

Proposed Rule 21.18, Interpretation and Policy .02 states that a Market-Maker's orders for complex strategies executed in classes in which it has no appointment are included in the total

number of all contracts the Market-Maker executes on the Exchange in any calendar quarter in determining whether the Market-Maker exceeds the 25% threshold pursuant to Rule 22.6(f).

Finally, proposed Rule 21.18, Interpretation and Policy .03 is a regulatory provision that prohibits the dissemination of information related to COA-eligible orders by the submitting Member to third parties and prohibits a pattern or practice of submitting orders that cause a COA to conclude early. Such conduct will be deemed conduct inconsistent with just and equitable principles of trade as described in Exchange Rule 3.1.

Risk Monitor Mechanism

Risk monitor mechanism rules are designed to provide real-time safeguards that can reject or cancel orders before they expose participants to unacceptable risk levels. The Exchange proposes to adopt Rule 21.16(f) to provide that complex orders will participate in the Exchange's existing risk functionality, the Risk Monitor Mechanism, identical to C2 Rule 5.34(c)(4)(E). The Risk Monitor functions by counting Member activity both within a specified time period and also on an absolute basis for the trading day and then rejecting or cancelling orders that exceed Member-designated volume, notional, count or percentage triggers. The Exchange proposes to make clear via the proposed rule change that for purposes of counting within a specified time period and for purposes of calculating absolute limits, the Exchange will count individual trades executed as part of a complex order when determining whether a volume trigger, notional trigger or count trigger has been reached. Further, the Exchange proposes to make clear that for purposes of counting within a specified time period and for purposes of calculating absolute limits, the Exchange will count the percentage executed of a complex order (or COA response) when determining whether the percentage trigger has been reached.

Message Traffic Mitigation

The Exchange proposes to adopt Rule 21.14(e), identical to C2 Rule 5.25(c), which would apply to the Exchange’s auction mechanism (i.e., COA) to increase the likelihood that timely submitted auction responses may participate in the auction, even during periods of high message traffic. Under the proposed functionality, at the time an auction response period ends, the System will continue to process its inbound queue for any messages that were received by the System before the end of the auction period (including auction messages) for up to an Exchange-determined period of time, not to exceed 100 milliseconds (which the Exchange may determine on a class-by-class basis which would apply to all auction mechanisms and which would be announced with reasonable advanced notice via Exchange Notice). That is, any auction responses that were in the queue before the conclusion of the auction (as identified by the Network Interface Card (“NIC”) timestamp on the message) would be processed as long as the Exchange-determined time on a class-by-class basis (not to exceed 100 milliseconds) is not exceeded. Only auction messages received prior to the execution of the applicable auction are eligible to be processed for that auction. The applicable auction will execute once all messages, including auction responses, received before the end time of the auction response period have been processed or the Exchange-determined maximum time limit of up to 100 milliseconds has elapsed, whichever occurs first. This continuation of processing the queue for an additional amount of time for messages that were received before the end of the auction allows for auction responses that would otherwise have been canceled due to the conclusion of the auction response period to still have an opportunity to participate in the auction. This provides such responses with increased opportunities to participate in the auction, even during periods of high message traffic, thereby potentially providing customers with additional opportunities for price improvement, while still providing a processing cut off time to ensure auction executions aren’t unduly

delayed.

Additional Price Protection Mechanisms and Risk Controls

The Exchange proposes changes to Rule 21.17 (Additional Price Protection Mechanisms and Risk Controls).³⁰ Rule 21.17(b), as proposed, establishes price protection standards that are intended to ensure that certain types of complex strategies will not be executed outside of a preset standard minimum and/or maximum price limit. These Rules are identical to C2 Rule 5.34(b).

First, in paragraph (1) of Rule 21.17(b), as amended, the Exchange proposes to define various terms as follows:

- A “vertical” spread is a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with the same expiration date but different exercise prices.
- A “butterfly” spread is a three-legged complex order with two legs to buy (sell) the same number of calls (puts) and one leg to sell (buy) twice as many calls (puts), all with the same expiration date but different exercise prices, and the exercise price of the middle leg is between the exercise prices of the other legs. If the exercise price of the middle leg is halfway between the exercise prices of the other legs, it is a “true” butterfly; otherwise, it is a “skewed” butterfly.
- A “box” spread is a four-legged complex order with one leg to buy calls and one leg to sell puts with one strike price, and one leg to sell calls and one leg to buy puts with another

³⁰ As part of the proposed rule change, the Exchange proposes to restructure Rule 21.17 to rename subparagraph (a) as “Simple Orders”, subparagraph (b) as “Complex Orders”, and subparagraph (c) as “All Orders”; and relabel current Rule 21.17(a), (c), (d), (e), and (f) as Rule 21.17(a)(1), (2), (3), (4), and (5), respectively. As described herein, current Rule 21.17(b) and (g) will be moved under Rule 21.17(c), as amended.

strike price, all of which have the same expiration date and are for the same number of contracts.

Second, in paragraph (2) of Rule 21.17(b), as amended, the Exchange has proposed to specify credit-to-debit parameters that would prevent execution of, and instead cancel or reject, market orders that would be executed at a net debit price after receiving a partial execution at a net credit price.

Next, in paragraph (3) of Rule 21.17(b), as amended, the Exchange proposes to set forth various Debit/Credit Price Reasonability Checks, as follows. To the extent a price check parameter is applicable, the Exchange will cancel or reject a complex order (or unexecuted portion) that is a limit order for a debit strategy with a net credit price that exceeds a pre-set buffer, a limit order (or unexecuted portion) for a credit strategy with a net debit price that exceeds a pre-set buffer, or a market order (or unexecuted portion) for a credit strategy that would be executed at a net debit price that exceeds a pre-set buffer. As proposed in subparagraph (3)(B), the System would define a complex order as a debit or credit as follows: (i) a call butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is greater than or equal to the sum of the exercise prices of the buy (sell) legs is a debit (credit); (ii) a put butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is less than or equal to the sum of the exercise prices of the buy (sell) legs is a debit (credit); and (iii) an order for which all pairs and loners are debits (credits) is a debit (credit). For purposes of Debit/Credit Price Reasonability Checks, a “pair” is a pair of legs in an order for which both legs are calls or both legs are puts, one leg is a buy and one leg is a sell, and both legs have the same expiration date but different exercise prices, or the same exercise price with different expiration dates. A “loner” is any leg in an order that the System cannot pair with another leg in the order. The proposed rule would further specify: that the System

first pairs legs to the extent possible within each expiration date, pairing one leg with the leg that has the next highest exercise price; and that the System then pairs legs to the extent possible with the same exercise prices across expiration dates, pairing one leg with the leg that has the next nearest expiration date. A pair of calls is a credit (debit) if the exercise price of the buy (sell) leg is higher than the exercise price of the sell (buy) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the pair has the same exercise price). A pair of puts is a credit (debit) if the exercise price of the sell (buy) leg is higher than the exercise price of the buy (sell) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the pair has the same exercise price). A loner to buy is a debit, and a loner to sell is a credit.

Proposed subparagraph (3(C)) would make clear that the System does not apply this check to an order it cannot define as a debit or credit, and proposed subparagraph (3)(D) would make clear that the check applies to COA Responses in the same manner as it does to orders.

In addition to the proposed Debit/Credit Price Reasonability Checks described above, the Exchange proposes to adopt specific Buy Strategy Parameters that would be set forth in proposed paragraph (4) to Rule 21.17(b). As proposed, the System will cancel or reject a limit complex order where all the components of the strategy are to buy and the order is priced at zero, a net credit price that exceeds a pre-set buffer (which the Exchange determines), or a net debit price that is less than the number of individual option series legs in the strategy (or applicable ratio) multiplied by \$0.01 (i.e., the applicable minimum net price increment for the complex order).

Proposed paragraph (5) to Rule 21.17(b) would set forth a Maximum Value Acceptable Price Range as an additional price check for vertical, true butterfly or box spreads as well as certain limit and market orders. Specifically, the System will cancel or reject an order if the order is a

vertical, true butterfly or box spread and is a limit order with, or a market order that would execute at, a price that is outside of an acceptable price range. The acceptable price range is set by the minimum and maximum possible value of the spread, subject to an additional buffer amount determined by the Exchange. The maximum possible value of a vertical, true butterfly and box spread is the difference between the exercise prices of (1) the two legs; (2) the middle leg and the legs on either side; and (3) each pair of legs, respectively. The minimum possible value of the spread is zero. Proposed subparagraph (5)(C) would make clear that the check applies to COA Responses in the same manner as it does to orders.

Proposed paragraph (6) to Rule 21.17(b) would set forth the Exchange's Drill-Through Price Protection for complex orders. As proposed, if a User enters a buy (sell) complex order into the System, the System executes the order pursuant to proposed Rule 21.18(e) up to a buffer amount above (below) the SNBO (SNBB) that existed at the time of order entry (the "drill-through price"), or initiates a COA at the drill-through price if the order would initiate a COA pursuant to proposed Rule 21.18(d).

The Exchange determines a default buffer amount on a class-by-class basis; however, a User may establish a higher or lower amount than the Exchange default amount. Orders with user-defined buffers rest at the drill-through price for a single time period (up to three seconds) before being cancelled if unexecuted, while orders using default exchange buffers undergo a progressive repricing process where the drill-through price is incrementally adjusted by one buffer amount after each time period until the order executes, is cancelled, or the complex order's limit price equals or is less than (if a buy order) or greater than (if a sell order) the drill-through price at any time during application of the drill-through mechanism, in which case the complex order rests in the COB at its limit price, subject to a User's instructions. Under the proposed rule, the System applies a timestamp

to the complex order (or unexecuted portion) based on the time it enters or is re-priced in the COB for priority purposes.

As proposed, if the underlying SBBO changes prior to the end of any period but the complex order cannot Leg, and the new SBO (SBB) crosses the current drill-through price, the System changes the displayed price of the complex order to the new SBO (SBB) minus (plus) the applicable minimum increment for the class, and the order rests in the COB at that displayed price, subject to a User's instructions.

Rule 21.17(c), as proposed, sets forth price protection mechanisms and risk controls that are applicable to all orders (i.e., simple and complex). The Exchange proposes to relocate current Rules 21.17(b) (Limit Order Fat Finger Check) and 21.17(g) (Rejection of Bulk Message Updates) to this paragraph as Rules 21.17(c)(1) and (2), respectively, as such protections will apply to simple orders (as today) and complex orders (as proposed).

The Exchange proposes to amend the Limit Order Fat Finger Check provision to include complex orders, and provide that if a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount established by the Exchange above (below) the NBO (NBB) for simple orders or the SNBO (SNBB) for complex orders, or, in the case of an order received prior to 9:30 a.m., above (below) the midpoint of the NBBO at the close of the market on the previous trading day, the System will reject or cancel back to the User the limit order. The check does not apply to bulk messages, Limit-on-Close orders, or Stop-Limit Orders, and will not apply to complex orders prior to the conclusion of the Opening Process. There are no changes to the Rejection of Bulk Message Updates check; under this check, if, pursuant to the Rules, the System cancels or rejects a bulk message bid (offer) to update a resting bulk message bid (offer) submitted for the same EFID and bulk port, the System also cancels the resting bulk message bid (offer).

The Exchange also proposes to add three additional risk controls to apply to all orders under Rule 21.17(c), as amended. These controls are currently active for simple orders on the Exchange and will apply to complex orders under the proposed rule change, and thus are being added to paragraph Rule 21.17(c), as proposed, for clarity and transparency. Proposed paragraph (3), to Rule 21.17(c) sets forth a Maximum Contract Size check, whereby the System cancels or rejects an incoming order or quote with a size that exceeds the maximum contract size (which the Exchange determines). The size of a complex order for purposes of this check is the size of the largest leg of the order. Proposed paragraph (4), to Rule 21.17(c) sets forth a Maximum Notional Value check, whereby if a User enables the functionality, the System cancels or rejects an incoming order or quote with a notional value that exceeds the maximum notional value a User establishes for each of its ports. Lastly, proposed paragraph (5), to Rule 21.17(c) sets forth a Duplicate Order Protection. Under this protection, if a User enables the functionality for a port, after the System receives a specified number of duplicate orders with the same EFID, side, price, quantity, and class (the User determines the number of duplicative orders), the System will (A) reject additional duplicate orders until it receives instructions from the User to reset this control or (B) reject all incoming orders submitted through that port for that EFID until the User contacts the Trade Desk to request it reset this control. The User may continue to submit cancel requests prior to reset. Price protection rules are important because they prevent potentially costly trading errors that could harm participants or disrupt market functions.

Nullification and Adjustment of Options Transactions including Obvious Errors

Finally, the Exchange proposes to amend Rule 20.6 (Nullification and Adjustment of Options Transactions including Obvious Errors) to include provisions related to complex orders, identical to the provisions set forth in C2 Rule 6.5, Interpretation and Policy .07. Obvious error

rules allow trades executed at clearly erroneous prices to be cancelled or adjusted, protecting participants from unreasonable executions that don't reflect true market conditions. Proposed Rule 20.6, Interpretation and Policy .04(a) provides that if a complex order executes against individual legs and at least one of the legs qualifies as an Obvious Error under subparagraph (c)(1) of Rule 20.6 or a Catastrophic Error under subparagraph (d)(1) of Rule 20.6, then the leg(s) that is an Obvious or Catastrophic Error will be adjusted in accordance with subparagraph (c)(4)(A) or (d)(3) of Rule 20.6, respectively, regardless of whether one of the parties is a Customer. However, any Customer order subject to this provision will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price on the complex order or individual leg(s). If any leg of a complex order is nullified, the entire transaction is nullified. Proposed Rule 20.6, Interpretation and Policy .04(b) provides that if a complex order executes against another complex order and at least one of the legs qualifies as an Obvious Error under subparagraph (c)(1) of Rule 20.6 or a Catastrophic Error under subparagraph (d)(1) of Rule 20.6, then the leg(s) that is an Obvious or Catastrophic Error will be adjusted or busted in accordance with subparagraph (c)(4) or (d)(3) of Rule 20.6, respectively, so long as either: (1) the width of the National Spread Market for the complex order strategy just prior to the erroneous transaction was equal to or greater than the amount set forth in the wide quote table of subparagraph (b)(3) of Rule 20.6 or (2) the net execution price of the complex order is higher (lower) than the offer (bid) of the National Spread Market for the complex order strategy just prior to the erroneous transaction by an amount equal to at least the amount shown in the table in subparagraph (c)(1) of Rule 20.6. If any leg of a complex order is nullified, the entire transaction is nullified. For purposes of Rule 20.6, the National Spread Market for a complex order strategy is determined by

the National Best Bid/Offer of the individual legs of the strategy.

The Exchange believes that its existing surveillance and reporting safeguards in place, which will be applied to complex orders, are adequate to deter and detect possible manipulative behavior which might arise from trading complex orders and will support the protection of investors and the public interest. The Exchange also represents that it has the necessary system capacity to support trading of complex orders. Finally, the Exchange does not believe that any market disruptions will be encountered with the introduction of complex orders. As noted above, complex orders are traded on other options exchanges today, pursuant to substantively similar rules.³¹

Implementation

As noted above, the Exchange will announce via Exchange Notice the implementation date of the proposed rule change no later than 120 days after the operative date of this rule filing.

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 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

³¹ See, e.g., Cboe Options Rule 5.33; MIAX Rule 518; Nasdaq ISE, LLC (“ISE”) Rules Options 3, Section 14; NYSEArca Rules 6.91-O and 6.91P-O.

³² 15 U.S.C. 78f(b).

³³ 15 U.S.C. 78f(b)(5).

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.

The Exchange believes that the general provisions regarding the trading of complex orders provide a clear framework for trading of complex orders in a manner consistent with other options exchanges. This consistency should promote a fair and orderly national options market system. The Exchange believes that the proposed rules will result in efficient trading and reduce the risk for investors that complex orders could fail to execute by providing additional opportunities to fill complex orders.

Additionally, investors will have greater opportunities to manage risk with the addition of a new venue at which to trade complex orders. The proposed adoption of rules governing a complex order auction will facilitate the execution of complex orders while providing opportunities to access additional liquidity and fostering price improvement. The Exchange believes the proposed rules are appropriate in that complex orders are widely recognized by market participants as invaluable, both as an investment, and a risk management strategy. The proposed rules will provide an efficient mechanism for carrying out these strategies. As noted above, the proposed rule changes are based substantially on similar rules of C2. Further, other options exchanges have rules which allow for the trading of complex orders.³⁵

The Exchange believes that the proposed changes are equitable and not unfairly

³⁴ Id.

³⁵ See, e.g., Cboe Options Rule 5.33; MIAX Rule 518; ISE Rules Options 3, Section 14; NYSEArca Rules 6.91-O and 6.91P-O.

discriminatory, as the proposed rule changes related to complex orders will apply equally and in the same manner to all market participants who wish to trade complex orders. Additionally, trading of complex orders is voluntary and available to all participants equally. Definitions

The Exchange believes the proposed changes to amend Rules 16.1, Rule 21.1(d), and Rule 21.18(a) are consistent with the Act³⁶ because the proposed changes provide necessary clarity and transparency for market participants regarding how these multi-leg strategies will be handled, thereby facilitating informed participation in complex option trading. Further, the Exchange believes that the minor differences between C2 rules and the proposed rules are reasonable. Specifically, the Exchange believes that the minor differences between C2 rules and the proposed definition of SBBO for the Exchange is reasonable as it is due to the display-price sliding functionality available on the Exchange which is not available on C2. Further, the Exchange believes it is reasonable for the Exchange to permit Exchange-created complex strategies, as such functionality is currently available on Cboe Options.

Type of Complex Orders

The Exchange believes the proposed changes to Rule 21.18 related to types of complex orders will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, as the changes clearly define which multi-leg strategies are eligible for complex order treatment, ensuring they understand what trading opportunities are available and can structure their strategies accordingly to take advantage of potential price improvements and execution efficiencies.

The Exchange proposes that complex orders may be submitted as limit orders and market orders, and orders with a Time in Force of DAY, GTC, GTD, IOC, or OPG, as each such term is

³⁶ 15 U.S.C. 78f(b)(5).

defined in Exchange Rule 21.1, or as a Complex Only order, COA-eligible, do-not-COA order, complex order with MTP Modifier, Book Only complex order, Post Only complex order, or Complex Reserve order. In particular, the Exchange believes that limit orders, Day, GTC, GTD, IOC, or OPG orders all provide valuable limitations on execution price and time that help to protect Exchange participants and investors in both the Simple Book and in the proposed COB. In addition, the Exchange believes that offering participants the ability to utilize MTP Modifiers for complex orders in a similar way to the way they are used on the Simple Book provides such participants with the ability to protect themselves from inadvertently matching against their own interest. The Exchange believes that permitting complex orders to be entered with these varying order types and modifiers will give the Exchange participants greater control and flexibility over the manner and circumstances in which their orders may be executed, modified, or cancelled, and thus will provide for the protection of investors and contribute to market efficiency. In particular, the Exchange notes that while both the Complex Only order and the do-not-COA instruction may reduce execution opportunities for the entering Member, the Exchange believes that similar features are already offered by other options exchanges in connection with complex order functionality and that they are reasonable instructions a Member may wish to include on their order in order to participate on the COB more in accordance with their own investment strategies.

Despite the enhanced execution opportunities provided by Legging, as described above, the Exchange believes it is reasonable and consistent with the Act to permit Market-Makers to submit orders designated as Complex Only Orders that will not leg into the Simple Book. As described above, the proposed types of complex orders, including Complex Only Orders, are substantially similar to those set forth in C2 Rule 5.33(b). Further, the Exchange also believes the proposed functionality is analogous to other types of functionality already offered by the Exchange that

provides Members the ability to direct the Exchange not to route their orders away from the Exchange³⁷ or not to remove liquidity from the Exchange.³⁸ Similar to such analogous features, the Exchange believes that Members may utilize Complex Only Order functionality as part of their strategy to maintain additional control over their executions, in connection with their attempt to provide and not remove liquidity, or in connection with applicable fees for executions. Based on the foregoing, the Exchange does not believe that Complex Only Order functionality raises any new or novel concepts under the Act, and instead is consistent with the goals of the Act to remove impediments to and to perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

The Exchange believes that the minor differences between C2 rules and the proposed rules are reasonable. First, the Exchange believes its proposal to permit Users to submit complex orders through bulk ports is reasonable, as it will support liquidity provision on the Exchange. As noted above, the proposed change to Rule 21.6(a) is identical to a proposed rule change that Cboe Options recently filed with the Commission.³⁹ Additionally, the Exchange believes its proposal to amend Rule 21.6(a) to further provide that Users may only enter one bid and one offer for a complex strategy per EFID per bulk port is reasonable, as the change allows complex orders to be submitted through bulk ports. Finally, the Exchange also believes it is reasonable not to include provisions related to GTH, as a global trading hours session is not currently available on the Exchange.

COB Opening Process

³⁷ See Rule 21.1(d)(7), which describes “Book Only Orders” as orders that do not route to away options exchanges.

³⁸ See Rule 21.1(d)(8), which describes “Post Only Orders” as orders that do not route to away options exchanges or remove liquidity from the Exchange.

³⁹ See Securities Exchange Act Release No. 103701 (August 13, 2025), 90 FR 40093 (August 18, 2025) (SR-CBOE-2025-059). The proposed change to Rule 21.6(a) is identical to a proposed change to Cboe Options Rule 5.7(a) set forth in that proposal; this rule filing is not permitting bulk message functionality for complex strategies, but just use of complex orders in bulk ports.

The Exchange believes proposed Rule 21.18(c), which sets forth provisions related to the COB opening process, will promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in facilitating transactions in securities, remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, protect investors and the public interest. As noted above, the COB opening process is critical because it establishes fair opening prices for multi-leg option strategies by aggregating overnight information and matching complex orders at optimal prices, preventing market disruption. This process ensures orderly market opens, protects participants from stale pricing, and maintains market integrity by providing transparent price discovery for complex strategies before continuous trading begins.

Complex Order Auctions (“COAs”)

The Exchange believes the COA process, set forth in proposed Rule 21.18(d), is also designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

Following evaluation, a COA-eligible order may begin a new COA. The COA process promotes just and equitable principles of trade, fosters cooperation and coordination with persons engaged in facilitating transactions in securities, 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 by ensuring that eligible complex orders are given every opportunity to be executed at the best prices against an increased level of contra-side liquidity responding to the COA auction message. This mechanism of a free and open market is designed

to enhance liquidity and the potential for better execution prices during the Response Time Interval, all to the benefit of investors on the Exchange, and thereby consistent with the Act.

The Exchange believes that the proposed COA provisions remove 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, by ensuring that a COA is conducted for a complex order only when there is a reasonable and realistic chance for price improvement through a COA. The Exchange believes the proposed COA structure, including the termination provisions set forth in proposed Rule 21.18(d)(3), promotes market integrity and price discovery, and balances the need for price improvement opportunities with maintaining an orderly and efficient market. As described above, as proposed, a COA will terminate 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; or when the System receives an order in a leg of the complex order that would improve the SBBO on the same side as the COA-eligible order that initiated the COA to a price equal to or better than the COA price. The purpose of this provision is to ensure that orders receive the best execution opportunity when market conditions change, thus maintaining a fair and orderly market for complex orders.

The Exchange believes the proposed maximum 500 millisecond Response Time Interval promotes just and equitable principles of trade and removes impediments to a free and open market because it allows sufficient time for Members participating in a COA to submit COA Responses and would encourage competition among participants, thereby enhancing the potential for price improvement for complex orders in the COA to the benefit of investors and public interest. The Exchange believes the proposed rule change is not unfairly discriminatory because it establishes a Response Time Interval applicable to all Exchange participants

participating in a COA.

The Exchange again notes that it has not proposed to limit the frequency of COAs for a complex strategy and could have multiple COAs occurring concurrently with respect to a particular complex strategy. The Exchange represents that it has systems capacity to process multiple overlapping COAs consistent with the proposal, including systems necessary to conduct surveillance of activity occurring in such auctions.

The Exchange does not anticipate overlapping auctions necessarily to be a common occurrence, however, the Exchange believes that such behavior is more fair and reasonable with respect to Members who submit orders to the COB because the alternative presents other issues to such Members. Specifically, if the Exchange does not permit overlapping COAs then a Member who wishes to submit a COA-eligible order but has its order rejected because another COA is already underway in the complex strategy must either wait for such COA to conclude and re-submit the order to the Exchange (possibly constantly resubmitting the complex order to ensure it is received by the Exchange before another COA commences) or must send the order to another options exchange that accepts complex orders.

The COA process also protects investors and the public interest by creating more opportunities for price improvement of complex orders, all to the benefit of Exchange participants and the marketplace as a whole. Further, the proposed complex order rules related to COA promote equal access by providing Members that subscribe to the Exchange's data feeds that include auction notifications with the opportunity to interact with orders in the COA. In this regard, any Member can subscribe to the options data provided through the Exchange's data feeds that include auction notifications.

Finally, the Exchange believes that the proposed COA allocation priority is reasonable.

Specifically, as noted above, the Exchange believes the introduction of Priority Complex Order status for COA allocation priority will create incentive for Users to maintain competitive quotes at the NBBO across individual legs. By giving priority to those participants who were providing the best displayed liquidity (i.e., displaying the most competitive (best) bid and offer prices in a component leg of the COA-eligible order on the opposite side of the market from any of the components of the COA-eligible order when the auction began) at the commencement of a COA, the proposed allocation incentivizes those who contribute to tight markets and price discovery, to the benefit of investors. Further, the pro rata allocation ensures fairness amongst participants, if multiple participants meet the criteria for Priority Complex Order status. Additionally, participants can only have Priority Complex Order status up to the largest size of their quotes or orders at the NBBO.

As noted above, the concept in general of the priority allocation framework proposed is not novel. Cboe Options Rule 5.38(e)(4) currently allows for Priority Complex Order Plus Status within Cboe Options' C-AIM Auction, which is similar in concept to the Priority Complex Order status proposed herein. Both are designed to provide execution priority to market participants who had displayed interest at the best market prices when specific auction mechanisms commence. Both statuses grant priority allocation rights to users with contra-side complex interest who maintained displayed resting quotes and orders in any of the components of the auctioned order at prices equal to the best bid or offer on the opposite side of the market from the auction-eligible order at the time their respective auctions began. The Exchange does not have a C-AIM Auction, so the proposed rule change merely applies this priority to a different complex order auction to incentivize the provision of liquidity at the best prices.

Processing of Do-Not-COA Orders/Orders Resting on the COB

Proposed Rule 21.18(e) describes the processing of do not-COA orders and orders resting on the COB. The Exchange believes the proposed processing of do-not-COA orders and orders resting on the COB are consistent with the principles of the Act to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest, by providing clarity and transparency within the rules as to the Exchange's process for processing do-not-COA orders and orders resting on the COB. As noted above, while the do-not-COA instruction may reduce execution opportunities for the entering Member, the Exchange believes it is a similar feature is already offered by other options exchanges in connection with complex order functionality and that it is a reasonable instruction a Member may wish to include on their order in order to participate on the COB more in accordance with their own investment strategies.

Minimum Increments and Execution Prices.

Proposed Rule 21.18(f) describes the minimum increments and execution prices for complex orders. The proposed execution and priority rules will allow complex orders to interact with interest in the Simple Book and, conversely, interest on the Simple Book to interact with complex orders in an efficient and orderly manner. Further, the Exchange believes that the proposed rule changes related to execution prices will protect investors and the public interest. The proposed rules state that a complex order may not be executed at a net price that would cause any component of the complex strategy to be executed at a price of zero; that would cause any component of the complex strategy to be executed at a price worse than the individual component price on the Simple Book; worse than the price that would be available if the complex order Legged into the Simple Book; or worse than the SBBO. Further, if a complex order has a ratio equal to or greater than one-

to-three (.333) and less than or equal to three-to-one (3.00), at least one component of the complex order must execute at a price that improves the best price available for that component; or if the complex order has a ratio less than one-to-three (.333) or greater than three-to-one (3.00), the component(s) of the complex order for the leg(s) with a Customer order at the best price available must execute at a price that improves the price of that Customer order(s) on the Simple Book.

As noted above, the protections are designed to prevent a component of a complex order from being executed at a price that is inferior to the best-priced contra-side orders on the Simple Book (including Customer orders) and, for a complex order with a ratio less than one-to-three or greater than three-to-one, to prevent the component(s) legs of the order from executing at the same price of resting Customer interest on the Simple book. Further, for a complex order with a ratio equal to or greater than one-to-three and less than or equal to three-to-one, the protections are designed to protect Customer order interest on the Simple Book. These proposed provisions are identical to C2, as set forth in C2 Rule 5.33(f), except for one difference related to the proposed definition of SBBO described above.

For the reasons set forth above, the Exchange believes the proposed rule change regarding complex order execution is consistent with the goals of the Act to remove impediments to and to perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

Legging

The Exchange believes proposed Rule 21.18(g), which describes the Legging process through which complex orders, under certain circumstances, are executed against the individual components of a complex strategy on the Simple Book is consistent with the Act.⁴⁰ In particular,

⁴⁰ Id.

the Exchange believes that its proposal regarding executions of complex orders against the Simple Book is consistent with the Act⁴¹ because it provides greater liquidity to the marketplace as a whole by fostering the interaction between the components of complex orders on the COB and the Simple Book. This should enhance the opportunity for executions of both complex orders and simple orders. The Exchange also believes the interaction of orders will benefit investors by increasing the opportunity for complex orders to receive execution, while also enhancing execution quality for orders on the Simple Book. The Exchange believes it is reasonable to permit complex orders that are the subject of this rule change to leg into the Simple Book. The proposed rule concerning Legging will facilitate the execution of more complex orders, and will thus benefit investors and the general public because complex orders will have a greater chance of execution when they are allowed to leg into the simple market. This will increase the execution rate for these orders, thus providing market participants with an increased opportunity to execute these orders on the Exchange. The prohibition (though inapplicable to two-leg COA-eligible Customer complex orders) against the Legging of complex orders with two option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts, and on complex orders with three or four option legs where all legs are buying or all legs are selling regardless of whether the option leg is a call or a put, protects investors and the public interest by ensuring that Market Makers providing liquidity do not trade above their established risk tolerance levels, as described above.

The Exchange also believes it is reasonable to limit other types of complex orders that are eligible to leg into the Simple Book. The Exchange believes that the vast majority of complex orders sent to the Exchange will be unaffected by this proposed rule, including two leg COA-

⁴¹ Id.

eligible Customer complex orders, which will still be allowed to leg into the Simple Book without restriction. Moreover, the Exchange believes that the potential risk of offering Legging functionality for complex orders such as those impacted by the proposed rule could limit the amount of liquidity that Market Makers are willing to provide in the Simple Book. In particular, Market Makers, without the proposed limitation, are at risk of executing the cumulative size of their quotations across multiple options series without an opportunity to adjust their quotes. Market Makers may be compelled to change their quoting and trading behavior to account for this additional risk by widening their quotes and reducing the size associated with their quotes, which would diminish the Exchange's quality of markets and the quality of the markets in general. The proposed limitations substantially diminish a potential source of unintended Market Maker risk when certain types of complex orders leg into the Simple Book, thereby removing impediments to and perfecting the mechanisms of a free and open market and a national market system and, in general, protecting investors and the public interest by adding confidence and stability in the Exchange's marketplace. This benefit to investors far exceeds the small amount of potential liquidity provided by the few complex orders to which this aspect of the proposal applies.

Additional Complex Order Handling

Proposed Rule 21.18(h) sets forth additional provisions regarding the processing and execution of complex orders. The Exchange believes these additional complex order handling rules, which address scenarios and order types that fall outside the standard complex order book framework, are reasonable as they ensure comprehensive coverage of all possible complex trading situations. These rules provide clarity for investors on how the System will handle complex orders when these circumstances arise, maintaining consistent and fair market operations across all

complex trading scenarios.

Evaluation

The Exchange believes proposed Rule 21.18(d), which describes how and when the System determines to execute or otherwise handle complex orders in the System is consistent with the Act. Specifically, the Exchange believes that the regular and event-driven evaluation of the COB for the eligibility of complex orders to initiate a COA, and to determine their eligibility to participate in the managed interest process, their eligibility for full or partial execution against a complex order resting on the COB or through Legging with the Simple Book, whether the complex order should be cancelled, and whether the complex order or any remaining portion thereof should be placed on the COB are consistent with the principles of the Act to promote just and equitable principles of trade, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

Evaluation of the executability of complex orders and for the determination as to whether a complex order is COA-eligible is central to the removal of impediments to, and the perfection of, the mechanisms of a free and open market and a national market system and, in general, the protection of investors and the public interest. The evaluation process ensures that the System will capture and act upon complex orders that are due for execution or placed in a COA. The regular and event-driven evaluation process removes potential impediments to the mechanisms of the free and open market and the national market system by ensuring that complex orders are given the best possible chance at execution at the best price, evaluating the availability of complex orders to be handled in a number of ways as described in this proposal. Any potential impediments to the order handling and execution process respecting complex orders are

substantially removed due to their continual and event-driven evaluation for subsequent action to be taken by the System. This protects investors and the public interest by ensuring that complex orders in the System are continually monitored and evaluated for potential action(s) to be taken on behalf of investors that submit their complex orders to the Exchange.

Interpretations and Policies

The Exchange believes the proposed Rule 21.18 Interpretations and Policies remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, protect investors and the public interest. Specifically, the proposed changes establish a balanced framework that promotes market integrity without imposing unnecessary barriers to participation. The proposed interpretations and policies which maintain voluntary Market Maker participation in the COB, preserve existing Market Maker accountability measures by including complex order executions in the 25% threshold calculation under Rule 22.6(f), and implement specific prohibitions against manipulative order submission practices, are designed to prevent fraudulent and manipulative acts and practices while promoting just and equitable principles of trade. These provisions collectively ensure that the complex order market operates with appropriate regulatory oversight while promoting a competitive and efficient market structure. As noted above, the proposed interpretations and policies are identical to the Interpretations and Policies in C2 Rule 5.33.

Risk Monitor Mechanism

The proposed changes to Rule 21.16 are designed to protect investors and the public interest by assisting Members submitting complex orders in their risk management. Members are vulnerable to the risk from system or other errors or a market event that may cause them to send a large number of orders or receive multiple, automatic executions before they can adjust their

order exposure in the market. Without adequate risk management tools, such as the Risk Monitor Mechanism, Members could reduce the amount of order flow and liquidity that they provide to the market. Such actions may undermine the quality of the markets available to customers and other market participants. Accordingly, the proposed amendments to the Risk Protection Monitor should instill additional confidence in Members that submit orders to the Exchange that their risk tolerance levels are protected, and thus should encourage such Members to submit additional order flow and liquidity to the Exchange with the understanding that they have this protection respecting all orders they submit to the Exchange, including complex orders, thereby removing impediments to and perfecting the mechanisms of a free and open market and a national market system and, in general, protecting investors and the public interest.

Message Traffic Mitigation

The Exchange believes the proposed amendment to Exchange Rule 21.14 related to auction response processing will promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, protect investors and the public interest. In particular, the Exchange believes allowing the System to potentially process more, if not all, timely submitted auction responses may provide further opportunities for auctioned orders to receive price improvement, which removes impediments to a free and open market and ultimately protects and benefits investors. In particular, the proposed rule change will continue to provide investors with timely processing of their options quote and order messages, while providing investors who submit auction orders with additional auction liquidity. Indeed, the proposed rule change may allow more investors additional opportunities to receive price improvement through an auction

mechanism. Additionally, because the proposed functionality may provide liquidity providers that submit auction responses with additional execution opportunities in auctions, the Exchange believes they may be further encouraged to submit more auction responses, which may contribute to a deeper, more liquid auction process that provides investors with additional price improvement opportunities. The Exchange believes the proposed maximum amount of additional time for processing (i.e., 100 milliseconds) is both an adequate amount of time to provide pending auction responses with such execution opportunity, but also an amount minimal enough that impact to other message traffic, if any, would be de minimis.

Limit Up-Limit Down State and Trading Halts

The Exchange is proposing to add Rule 21.18(k) to suspend trading in complex orders, to remove certain complex orders from the COB, and to end a COA early when there is a halt in the underlying security of, or in an individual component of, a complex order. Further, the Exchange is proposing to add Rule 21.18(j) to cancel or reject complex market orders it receives when the underlying security is subject to a limit up-limit down state. These protections are intended to protect investors and the public interest by causing the System not to execute during potentially disruptive conditions or events that could affect customer protection, and, in the case of a trading halt, to resume trading in complex orders upon the conclusion of the trading halt. The System's proposed functionality during a trading halt and limit-up limit-down state protects investors and the public interest by ensuring that the execution of complex orders on behalf of investors and the public will only occur at times when there is a fair and orderly market.

Nullification and Adjustment of Options Transactions including Obvious Errors

The Exchange proposes to amend Rule 20.6 (Nullification and Adjustment of Options Transactions including Obvious Errors) to include provisions related to complex orders, identical

to the provisions set forth in C2 Rule 6.5, Interpretation and Policy .07. Obvious error rules allow trades executed at clearly erroneous prices to be cancelled or adjusted, protecting participants from unreasonable executions that don't reflect true market conditions.

Additional Price Protection Mechanisms and Risk Controls

Rule 21.17(b), as proposed, establishes price protection standards that are intended to ensure that certain types of complex strategies will not be executed outside of a preset standard minimum and/or maximum price limit. The Exchange believes these price protection limits for complex strategies are consistent with the Act, as they are designed to prevent executions at unreasonable prices that could harm investors or create disorderly market conditions and ensure fair pricing in sophisticated multi-leg option transactions, to the benefit of investors.

Rule 21.17(c) as proposed makes clear which price protection mechanisms and risk controls that are applicable to all orders (i.e., simple and complex). The Exchange believes these price protections are consistent with the Act, as they maintain fair and orderly markets by preventing erroneous trades that could disrupt market integrity. The limit order fat finger checks, bulk message rejection controls, and size and notional limits ensure that only reasonable orders reach the market, protecting both individual investors and overall market stability from operational errors or system malfunctions. Further, duplicate order protections prevent unintended position accumulation that could expose participants to excessive risk or create artificial market activity. These proposed changes promote market transparency and fairness by ensuring that all market participants are protected from the adverse effects of erroneous orders that could otherwise create unfair trading conditions or misleading price discovery.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The

Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as the proposed rule changes related to complex orders will apply equally and in the same manner to all market participants who wish to trade complex orders. Additionally, trading of complex orders is voluntary.

The Exchange does not believe that 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 noted above and described herein, the proposed rules are substantively identical (with the few differences noted above) to complex order rules of C2 (and Cboe Exchange in certain circumstances as noted above). Further, other options exchanges have similar rules that allow for the trading of complex orders.⁴² The competition among the options exchanges is vigorous and this proposal is intended to afford market participants on the Exchange the opportunity to execute complex orders in a manner that is similar to that allowed on other options exchanges. The Exchange believes that the proposal will enhance competition among the various markets for complex order execution, potentially resulting in more active complex order trading on all exchanges.

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

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

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

⁴² See, e.g., Cboe Options Rule 5.33; MIAX Rule 518; Nasdaq ISE, LLC ("ISE") Rules Options 3, Section 14; NYSEArca Rules 6.91-O and 6.91P-O.

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act⁴³ and Rule 19b-4(f)(6)⁴⁴ thereunder. Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁴⁵ and Rule 19b-4(f)(6)⁴⁶ thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

⁴³ 15 U.S.C. 78s(b)(3)(A).

⁴⁴ 17 CFR 240.19b-4(f)(6).

⁴⁵ 15 U.S.C. 78s(b)(3)(A).

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

- 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-CboeBZX-2025-126 on the subject line.

Paper Comments:

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

All submissions should refer to file number SR-CboeBZX-2025-126. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>).

Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-CboeBZX-2025-126 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁷

Sherry R. Haywood,
Assistant Secretary.

⁴⁷ 17 CFR 200.30-3(a)(12).