

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105988; File No. SR-TXSE-2026-006]

Self-Regulatory Organizations; Texas Stock Exchange LLC; Order Approving a Proposed Rule Change, as Modified by Amendment No. 1, to Amend Certain Parts of its Opening and Closing Auctions

July 24, 2026.

I. Introduction

On April 17, 2026, Texas Stock Exchange LLC (the “Exchange” or “TXSE”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² a proposed rule change to amend certain parts of its opening and closing auctions. The proposed rule change was published for comment in the Federal Register on April 29, 2026.³ On June 10, 2026, the Commission designated a longer period within which to take action on the proposed rule change.⁴ On June 30, 2026, the Exchange filed Amendment No. 1 to the proposed rule change, which replaced and superseded the Initial Proposal in its entirety. Amendment No. 1 was published for comment in the Federal Register on July 7, 2026.⁵ The Commission did not receive any comments regarding the proposed rule change, as modified by Amendment No. 1. This order approves the proposed rule change, as modified by Amendment No. 1.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 105309 (Apr. 24, 2026), 91 FR 23128 (“Initial Proposal”).

⁴ See Securities Exchange Act Release No. 105654, 91 FR 36019 (June 15, 2026). The Commission designated July 28, 2026, as the date by which the Commission shall approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change.

⁵ See Securities Exchange Act Release No. 105837 (July 1, 2026), 91 FR 41707 (“Notice”).

II. Description of the Proposed Rule Change, as Modified by Amendment No. 1⁶

As described in more detail in the Notice,⁷ TXSE proposes to amend TXSE Rule 11.022 to amend the Exchange's opening auction ("Opening Auction") and closing auction ("Closing Auction") processes, including changes to its late limit order types and the information disseminated prior to the auctions.

Currently, between 9:28 a.m. and 9:30 a.m. and 3:59 p.m. and 4:00 p.m. Users can submit late limit orders ("Late Auction Orders")⁸ for participation in the Opening Auction and Closing Auction, respectively.⁹ To the extent that a Late Auction Order is priced more aggressively than the National Best Bid ("NBB") (for bids) or National Best Offer ("NBO") (for offers), the price of such Late Auction Order bids and offers will be the NBB or NBO, respectively.¹⁰ Where the NBB or NBO becomes more aggressive, the limit price of the Late Auction Order bid or offer will be adjusted to the more aggressive price to the extent that the more aggressive price is not more aggressive than the original limit price the User entered.¹¹ The limit price will not be adjusted to a less aggressive price, unless otherwise provided by Exchange Rules.¹² If there is no NBB or NBO, the Late Auction Order bid or offer, respectively, will assume its entered limit price.¹³

⁶ Unless otherwise stated, capitalized terms used herein are defined in the Notice.

⁷ See supra note 5.

⁸ Currently, TXSE has Late-Limit-On-Close ("LLOC") and Late-Limit-On Open ("LLOO") order types. See Notice, supra note 5, at 41708 nn. 8-9. TXSE is also proposing to change the names of these order types to Limit-On-Close-Late ("LOC.L") and Limit-On-Open-Late ("LOO.L"), respectively. See Notice, supra note 5, at 41708-09.

⁹ See Notice, supra note 5, at 41709.

¹⁰ See id.

¹¹ See id.

¹² See id.

¹³ See id.

The Exchange is proposing to make changes to its Late Auction Orders such that they will be constrained by recent transaction- and/or quotation-based calculations (“Participation Bands”) rather than by the NBBO.¹⁴ The Exchange states that the Participation Bands will be derived from a security’s own recent market activity and are designed to be self-calibrating such that the Participation Bands will be narrower for less volatile securities and wider for more volatile ones.¹⁵ The Participation Bands, as well as the Upper Band Auction Interest¹⁶ and Lower Band Auction Interest¹⁷, will be recalculated no less than frequently than every five seconds and disseminated at regular intervals during the auction period and will be calculated based on specified parameters and formulas, as more fully described in Amendment No. 1.¹⁸

Under the proposal, Late Auction Orders will continue to represent TXSE limit orders

¹⁴ See id.

¹⁵ See id. at 41709. The Participation Bands will be calculated utilizing real-time transaction and/or quotation data from the consolidated tape for the applicable security and a mathematical calculation to determine a dynamic, symbol-specific price range within the Collar Price Range (as defined in TXSE Rule 11.022(a)(6)) and will be disseminated no less frequently than every five seconds between 9:28 a.m. and 9:30 a.m. (for Opening Auctions) and 3:58 p.m. and 4:00 p.m. (for Closing Auctions). In the event trade or quote data do not satisfy the Exchange’s objective “quality gates,” the Exchange may use a reference price as set forth in proposed TXSE Rule 11.022(a)(20). See id. at 41709-10. The formula and parameters, including permissible ranges, applicable to the calculation of the Participation Bands are set forth in proposed TXSE Rule 11.022(a)(20). See also Notice, supra note 5, at 41709 nn. 19-22 and accompanying text. The Exchange will provide a circular to its members no fewer than 30 calendar days prior to initial implementation of the Participation Bands setting forth, in accordance with the permissible ranges listed in TXSE Rule 11.022(a)(20), the specific parameters, formulas, and values necessary to calculate the Participation Bands. In the event of any changes to these parameters or values, the Exchange will provide notice at least five business days prior to the effective date, except that certain specified changes that would generally result in narrower Participation Bands would require notice only one business day prior to the effective date. See id. at 41709 n. 19.

¹⁶ Proposed Rule 11.022(a)(26) defines “Upper Band Auction Interest” to mean the number of Eligible Auction Order shares to buy that are priced equal to or more aggressively than the Upper Band and the number of Eligible Auction Order shares to sell that are priced equal to or more aggressively than the Upper Band. See Notice, supra note 5, at 41710 n. 27.

¹⁷ Proposed in Rule 11.022(a)(15) defines “Lower Band Auction Interest” to mean the number of Eligible Auction Order shares to buy that are priced equal to or more aggressively than the Upper Band and the number of Eligible Auction Order shares to sell that are priced equal to or more aggressive than the Upper Band. See Notice, supra note 5, at 41710 n. 26.

¹⁸ See id. at 41709, 41710. The Notice provides examples of how the Opening and Closing Auctions will operate using the Participation Bands, as well as the proposed tiebreaker discussed below. See id. at 41711-13.

that are designated for execution only in the Opening or Closing Auction, as applicable. To the extent that Late Auction Order bids and offers received by the Exchange have a limit price that is more aggressive than the Upper Band or Lower Band, respectively, immediately prior to the Opening or Closing Auction, as applicable, the price of such bid or offer will be adjusted to be equal to the Upper Band or Lower Band, respectively.

The Exchange is also proposing to amend Rule 11.022 to provide: (i) that Market-On-Close (“MOC”) and Limit-On-Close (“LOC”) may be submitted until 3:58 p.m. instead of 3:59 p.m.; (ii) the proposed LOC.L (formerly LLOC) orders may be submitted to the Exchange starting at 3:58 p.m. rather than 3:59 p.m.; and (iii) that Eligible Auction Orders¹⁹ may not be modified or cancelled after 3:58 p.m. (whereas they were previously non-cancellable after 3:59 p.m.). Similarly, the Exchange also proposes to delete text that permitted Regular Hours Only (“RHO”) orders to be modified between 9:28 a.m. and 9:30 a.m., so that all Eligible Auction Orders designated for the Opening Auction would therefore not be permitted to be modified or cancelled in the two minutes prior to the Opening Auction.²⁰

In addition, the Exchange is proposing changes to the information related to Opening and Closing Auctions that is disseminated prior to the auctions.²¹ Instead of the information it currently disseminates in advance of an auction,²² the Exchange is proposing to disseminate two types of information in two separate periods. First, it proposes to disseminate number of shares that would match at the Auction Only Price²³ (“Matched Shares”), and the side for which there

¹⁹ See Notice, supra note 5, at 41709 n.18.

²⁰ See id. at 41708.

²¹ See id.

²² See id. at 41710.

²³ As defined in proposed TXSE Rule 11.022(a)(2), the term “Auction Only Price” means the price at which the most shares from the Auction Book would match. In the event of a volume-based tie at multiple price levels, the Auction Only Price will be the price which results in the minimum total imbalance. In the event

are more shares available if the Closing Auction took place at the Auction Only Price (“Offset Side”) every five seconds between 8:00 a.m. and 9:28 a.m. for Opening Auctions and between 3:00 p.m. and 3:58 p.m. for Closing Auctions.²⁴ Second, beginning at 9:28 a.m. for Opening Auctions and 3:58 p.m. for Closing Auctions, the Exchange will disseminate the Participation Bands, the Lower Band Auction Interest, and the Upper Band Auction Interest. Such data will be updated no less frequently than every five seconds.

Finally, the Exchange is proposing to add a tiebreaker step to the waterfall design it uses to break ties in determining the TXSE Official Opening Price, TXSE Official Closing Price, and to the Auction Only Price.²⁵

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with requirements of Act and the rules and regulations thereunder applicable to a national securities exchange.²⁶ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,²⁷ which requires, among other things, that rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general, to protect investors and the public

of a volume-based tie and a tie in minimum total imbalance at multiple price levels, the Closing Auction price will be the entered price at which shares will remain unexecuted in the Closing Auction. In the event of a volume based tie, a tie in minimum total imbalance, and a tie in shares unexecuted at multiple price levels, the Auction Only Price will be the price closest to the Volume Based Tie Breaker (as defined in the TXSE Rules). See Notice, supra note 5, at 41711 n. 32.

²⁴ See Notice, supra note 5, at 41710.

²⁵ See id. at 41708. According to the Exchange, this proposed tiebreaker is substantively identical to Nasdaq Rule 4754(b)(2)(C), which relates to Nasdaq’s closing auction. See Notice, supra note 5, at 41711.

²⁶ In approving this proposed rule change the Commission notes that it has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

²⁷ 15 U.S.C. 78f(b)(5).

interest, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In support of its proposal, the Exchange states that its proposal will enhance the price discovery process and make the Exchange's auction process more robust.²⁸ The Exchange states that the proposed changes to the functionality of Late Auction Orders, the new data points disseminated in advance of an auction, and the changes to the timing and ability to cancel orders eligible to participate in the auctions, along with the proposed use of Participation Bands are designed to collectively provide a "deterministic, market-based solution" to creating orderly auctions.²⁹ Additionally, the Exchange states that the proposed changes are similar to other auction functionality in that they are intended to allow liquidity providers to participate in the auction process without impacting the auction price in a way that diverges from an exchange's chosen measure of "current market conditions."³⁰

The Exchange has designed its Opening and Closing Auctions to be conducted within specified periods of time and in accordance with specified order entry, cancellation, pricing, and execution priority parameters. The proposed changes are designed to limit price movement through the prohibition on modifications and cancellations of Auction Eligible Orders during certain periods ahead of the Opening and Closing Auctions on the Exchange. The proposed changes to the Late Auction Orders could allow such orders to be entered at prices that are more likely to be able to participate in the auctions while still mitigating volatility around the Opening

²⁸ See Notice, supra note 5, at 41708.

²⁹ See id. at 41714.

³⁰ See Notice, supra note 5, at 41713. For example, the Exchange states this process is conceptually similar to both the current functionality (in that it gates Late Auction Orders based on market conditions measured by the NBB and NBO) and the New York Stock Exchange LLC's approach for its Designated Market Maker ("DMM") closing auction process, which uses a market-conditions-based price range at which the DMM can choose the auction price. See id. at 41713-14

and Closing Auctions by constraining such orders' limit prices based on the Participation Bands. Further, the proposed changes also are intended to provide Users with information about the potential price at which orders designated for execution in the Opening and Closing Auctions may execute. By disseminating Matched Shares and Offset Side information in advance of the Opening and Closing Auctions, as well as regularly updated Participation Bands, Lower Band Auction Interest, and Upper Band Auction Interest, the Exchange will provide visibility into buy and sell interest to assist market participants in making decisions regarding size, direction, and pricing of orders they may choose to enter in advance of the Opening or Closing Auction, which should enhance transparency and promote competition among orders by facilitating the public dissemination of current trading interest in a particular security during Opening and Closing Auctions. These proposed changes may assist the price discovery process, should help minimize price volatility, and should promote a fair and orderly market for securities listed on the Exchange.

IV. Conclusion

For the reasons set forth above, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5) of the Act.³¹

³¹ 15 U.S.C. 78f(b)(5).

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,³² that the proposed rule change, as modified by Amendment No. 1, (SR-TXSE-2026-006) be, and hereby is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³³

Sherry R. Haywood,

Assistant Secretary

³² 15 U.S.C. 78s(b)(2)

³³ 17 CFR 200.30-3(a)(12).