



[Release No. 34-104673; File No. SR-C2-2026-003]

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 5.34(c) with Respect to its Risk Monitor Mechanism, to Provide Trading Permit Holders (“TPHs”) with Additional Flexibility in Establishing how their Trading Activity Counts Towards Certain Risk Parameters

January 23, 2026

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 January 14, 2026, Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) 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 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 C2 Exchange, Inc. (the “Exchange” or “C2”) proposes to amend Rule 5.34(c) with respect to its Risk Monitor Mechanism, to provide Trading Permit Holders (“TPHs”) with additional flexibility in establishing how their trading activity counts towards certain risk parameters. 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 (<https://www.sec.gov/rules/sro.shtml>), the Exchange’s website (https://www.cboe.com/us/options/regulation/rule_filings/bzx/), and at the principal office of the Exchange.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 amend Rule 5.34(c), Order and Quote Price Protection Mechanisms and Risk Controls (All Orders). Specifically, the Exchange proposes changes to the Risk Monitor Mechanism to provide TPHs with additional flexibility in establishing how their trading activity counts towards certain risk parameters.

By way of background, the Risk Monitor Mechanism provides TPHs with the ability to manage their order and execution risk. Each TPH may establish limits for various parameters in the Exchange’s counting program. The System³ counts each of the following within an underlying for an EFID⁴ (“underlying limit”) and across all underlyings for an EFID (“EFID limit”) and/or across all underlyings for a group of EFIDs (“EFID Group”) (“EFID Group limit”), over a TPH-established time period (“interval”) and on an absolute basis for a trading day (“absolute limits”): (i) number of contracts executed (“volume”); (ii) notional value of executions (“notional”); (iii) number of executions (“count”); (iv) number of contracts executed as a percentage of number of contracts outstanding within an Exchange-designated time period or during the trading day, as applicable (“percentage”), which the System determines by calculating the percentage of a TPH’s outstanding contracts that executed on each side of the market during the time period or trading day, as applicable, and then summing the series percentages on each side in the underlying; and (v) number of times the limits established by the

³ The term “System” means the automated trading system the Exchange uses for the trading of option contracts. See Rule 1.1.

⁴ The term “EFID” means an Executing Firm ID. See Rule 1.1.

parameters (i) through (iv) are reached (“risk trips”) (collectively, “risk parameters”). Additionally, when the System determines a risk parameter exceeds a TPH’s underlying limit within the interval or the absolute limit for the underlying, the Risk Monitor Mechanism cancels or rejects such TPH’s orders or quotes in all series of the underlying and cancels or rejects any additional orders or quotes from the TPH in the underlying until the counting program resets. Similarly, when the System determines a risk parameter exceeds a TPH’s EFID limit within the interval or the absolute limit for the EFID, the Risk Monitor Mechanism cancels or rejects such TPH’s orders or quotes in all underlyings and cancels or rejects any additional orders or quotes from the EFID in all underlyings until the counting program resets. Finally, when the System determines a risk parameter exceeds a TPH’s EFID Group limit within the interval or the absolute limit for the EFID Group, the Risk Monitor Mechanism cancels or rejects such TPH’s orders or quotes in all underlyings and cancels or rejects any additional orders or quotes from any EFID within the EFID Group in all underlyings until the counting program resets.

The Exchange proposes to amend Rule 5.34(c) to enhance the Risk Monitor Mechanism to provide TPHs with additional flexibility in establishing how their trading activity counts towards certain risk parameters.

First, the Exchange proposes to add new Rule 5.34(c)(4)(B)(i)⁵ to allow TPHs the option to exclude certain options auction-executed volume from certain of the Risk Monitor Mechanism risk parameters, namely the volume parameter in Rule 5.34(c)(4)(A)(i) and the count parameter in Rule 5.34(c)(4)(A)(iii). Under the proposed change, a TPH may specify whether volume or executions in Complex Order Auctions (“COA”) count toward the TPH’s underlying, EFID, or EFID Group limit (on both an interval or absolute basis).

The Exchange also proposes to add new Rule 5.34(c)(4)(B)(ii) to allow TPHs the option to establish the volume or count parameters on a contra-party capacity basis. Under the proposed change, a TPH may specify a percentage (up to 100%) of volume or executions to count toward the TPH’s underlying, EFID, or EFID Group limit based on contra-party capacity (on both an interval or absolute basis). For example, under the proposed rule change, a TPH could specify that only 20% of the quantity

⁵ As part of the proposed change, the Exchange proposes to renumber current Rules 5.34(c)(4)(B), (C), (D), (E), and (F) as Rules 5.34(c)(4)(C), (D), (E), (F), and (G), respectively.

on each trade with a Capacity “C” (i.e., Public Customer)⁶ contra-party would be counted towards the TPH’s underlying, EFID, or EFID Group limit (on an interval or absolute basis).

The proposed changes allow the TPH to more precisely tailor the volume and count parameters within the Risk Monitor Mechanism. The Exchange notes that use of the proposed enhancements is optional, and TPHs are free to utilize them or not, at their discretion.

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.⁷ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁸ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed change would remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest by providing TPHs with enhanced abilities to manage their risk with respect to orders on the Exchange. The Exchange believes that allowing TPHs to tailor volume and count parameters promotes risk management processes that better reflect the risks of

⁶ See Rule 1.1 (definition of “Capacity”).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

⁹ Id.

different types of trading activity. The Exchange believes that the proposed rule change will protect investors and the public interest because the proposed enhancements will assist TPHs in minimizing their risk exposure, thereby reducing the potential for disruptive, market-wide events.

The Exchange believes the proposed change to allow TPHs to specify whether volume or executions in COA count toward the TPH's underlying, EFID, or EFID Group limit (on both an interval or absolute basis) is reasonable because orders executed through these auction mechanisms are subject to different protections (i.e., price improvement requirements and exposure periods) as compared to other order types. As a result, these orders have different risk considerations. Allowing TPHs to differentiate between these execution types in their Risk Monitor Mechanism settings enables them to establish risk parameters that more accurately reflect their risk management tolerances. The Exchange again notes that this functionality is optional, and TPHs may continue to include executions resulting from these exchange auctions in their risk parameters (as is the case today) if they prefer.

The Exchange also believes its proposal to allow TPHs to establish volume or count parameters on a contra-party capacity basis is reasonable, as different contra-party types present different risk profiles. For example, this enhancement may be beneficial for Market-Makers or other liquidity providers who may wish to establish lower limits for when providing liquidity to Customer orders while establishing stricter parameters for trades against other institutional contra-parties which may involve different risk considerations. The Exchange believes allowing TPHs the option to adjust their risk tolerance based on contra-party capacity provides the opportunity for a more precise risk management approach.

Finally, the Exchange believes the proposed changes are not unfairly discriminatory, as the proposed enhancements are available to all TPHs and apply uniformly to all TPHs who may choose to utilize the enhanced risk parameter settings. As noted above, use of the proposed enhancements is optional and TPHs are free to utilize them or not, at their discretion.

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, because the proposed enhancements are available to all TPHs and apply uniformly to all TPHs who may choose to utilize the enhanced risk parameter settings. As noted above, use of the proposed enhancements is optional and TPHs are free to utilize them or not, at their discretion.

Additionally, 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 because the proposed enhancements apply only to trading on the Exchange. Again, the Exchange notes that it is voluntary for the TPHs to determine whether to make use of the new enhancements of the Risk Monitor Mechanism. To the extent that the proposed changes may make the Exchange a more attractive trading venue for market participants on other exchanges, such market participants may elect to become Exchange market participants.

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

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

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6)¹¹ 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

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(6).

Section 19(b)(3)(A) of the Act¹² and Rule 19b-4(f)(6)¹³ 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:

- 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-C2-2026-003 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-C2-2026-003. 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

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 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.

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-C2-2026-003 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.¹⁴

Vanessa A. Countryman,

Secretary.

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¹⁴ 17 CFR 200.30-3(a)(12).