



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105263; File No. SR-NasdaqTX-2026-017]

### **Self-Regulatory Organizations; Nasdaq Texas, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the NTX Options Price Improvement Auction**

April 17, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 13, 2026, Nasdaq Texas, LLC (“Nasdaq Texas” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, 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**

The Exchange proposes to amend the NTX Options Rules to permit orders for the accounts of Market Makers assigned to the options class to be solicited for the Initiating Order<sup>3</sup> submitted for execution against an agency order into a Price Improvement Auction (“PRISM”).

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/nasdaqtx/rulefilings>, and at the principal office of the Exchange.

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

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

<sup>3</sup> The “Initiating Order” is the order comprised of principal interest or a solicited order(s) submitted to trade against the order the submitting Participant represents as agent (the “PRISM Order”).

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 Options 3, Section 13, Price Improvement Auction (“PRISM”), to permit orders by Participants in a PRISM Auction to trade against the PRISM Orders<sup>4</sup> for the accounts of Market Makers assigned to the options class. Cboe Exchange, Inc. (“Cboe”) recently received approval to amend its rules in an identical manner.<sup>5</sup> The Exchange also proposes an amendment to Options 5, Section 4 relating to the handling of Immediate-or-Cancel Orders.<sup>6</sup>

**Background**

A PRISM Auction is an electronic auction intended to provide a PRISM Order with the opportunity to receive price improvement (over the National Best Bid or Offer (“NBBO”)). There is no specific size requirement for a PRISM Auction. Upon submitting a PRISM Order into a PRISM, the Initiating Participant must also submit a contra-side paired order.<sup>7</sup> The Initiating Order guarantees that the PRISM Order will receive an execution at no worse than the auction price. Upon commencement of an auction, market participants may submit responses to

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<sup>4</sup> PRISM Orders are orders entered by a Participant and represented as agent.

<sup>5</sup> See Securities Exchange Act Release No. 105049 (March 19, 2026), 91 FR 14057 (March 24, 2026) (SR-Cboe-2025-090).

<sup>6</sup> “Immediate-or-Cancel” or “IOC” is a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled.. See Options 3, Section 7(b)(2).

<sup>7</sup> Each of these auctions requires a paired order.

trade against the PRISM Order.<sup>8</sup> At the conclusion of a PRISM Auction, the PRISM Order will be executed in full at the best prices available, taking into consideration all Exchange quotes, orders and PAN responses.<sup>9</sup> NTX Options' PRISM is very similar to Cboe's Automated Price Improvement Mechanism or "AIM."<sup>10</sup>

## Proposal

Currently, Options 3, Section 13(i)(F) prohibits orders by Participants in a PRISM to trade against the PRISM Orders for the accounts of Market Makers assigned to the options class.

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<sup>8</sup> See Options 3, Section 13(ii)(A)(4). Responses in PRISM are called PAN responses.

<sup>9</sup> If the Initiating Participant selected the single stop price option of the PRISM Auction, PRISM executions will occur at prices that improve the stop price, and then at the stop price with up to 40% or such lower percentage requested by the Initiating Participant of the initial size of the PRISM Order after Public Customer interest is satisfied being allocated to the Initiating Participant at the stop price. However, if only one other quote, order or PAN response matches the stop price, then the Initiating Participant may be allocated up to 50% of the contracts executed at such price, provided the Initiating Participant had not designated a percentage designation of "Surrender" when initiating the Auction. See Options 3, Section 13(ii)(E)(2)(a). If the Initiating Participant selected the auto-match option of the PRISM Auction the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point until a price point is reached where the balance of the order can be fully executed, except that the Initiating Participant shall be entitled to receive up to 40% (multiple competing quotes, orders or PAN responses) or 50% (one competing quote, order or PAN response) of the initial size of the PRISM Order at the final price point including situations where the stop price is the final price after Public Customer interest has been satisfied but before remaining interest. See Options 3, Section 13(ii)(E)(2)(b). If the Initiating Participant selected the "stop and NWT" option of the PRISM Auction then allocation would be first to quotes, orders and PAN responses at prices better than the NWT price (if any), beginning with the best price, at each price point and next, to quotes, orders and PAN responses at prices at the Initiating Participant's NWT price and better than the Initiating Participant's stop price, beginning with the NWT price. The Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point, except that the Initiating Participant shall be entitled to receive up to 40% (multiple competing quotes, orders or PAN responses) or 50% (one competing quote, order or PAN response) of the initial size of the PRISM Order at the final price point including situations where the final price is the stop price, after Public Customer interest has been satisfied but before remaining interest. In the case of an Initiating Order with a NWT price at the market, the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at all price points, except that the Initiating Participant shall be entitled to receive up to 40% (multiple competing quotes, orders or PAN responses) or 50% (one competing quote, order or PAN response) of the initial size of the PRISM Order at the final price point including situations where the final price is the stop price, after Public Customer interest has been satisfied but before remaining interest. See Options 3, Section 13(ii)(E)(2)(c).

<sup>10</sup> An AIM Auction is an electronic auction intended to provide an Agency Order with the opportunity to receive price improvement (over the National Best Bid or Offer ("NBBO")). Upon submitting an Agency Order into an AIM Auction, the initiating Trading Permit Holder ("Initiating TPH") must also submit a contra-side second order ("Initiating Order") for the same size as the Agency Order. The Initiating Order guarantees that the Agency Order will receive an execution at no worse than the auction price. Upon commencement of an auction, market participants may submit responses to trade against the Agency Order. See Cboe Rule 5.37(c)(5). At the conclusion of an AIM Auction, depending on the contra-side interest (including auction responses) available, the Initiating Order may be allocated a certain percentage (or more) of the Agency Order. See Cboe Rule 5.37(e).

While market participants other than assigned Market Makers may contribute liquidity to a PRISM Auction as either a contra-side order or a response, assigned Market Makers, who are the primary source of liquidity on the Exchange in their assigned options, are limited in the manner in which they may provide liquidity to a PRISM Auction. Given that contra-side orders that comprise Initiating Orders may be allocated a percentage of the PRISM Order at the conclusion of the PRISM Auction, the limited ability of appointed Market Makers to participate in a PRISM Auction may reduce the execution opportunities for these liquidity providers, which execution opportunities are available to other market participants who may be solicited or submit responses.

The Exchange believes that eliminating the prohibition against assigned Market Makers acting as contra in a PRISM Auction would enhance price improvement opportunities, particularly for retail and smaller Public Customer orders. Allowing assigned Market Makers registered with the Exchange to be facilitated or solicited as contras may result in exposure of more small Public Customer orders to potential price improvement in a PRISM Auction. The Exchange further notes that Options 3, Section 22(d) (Limitations on Order Entry) provides that, prior to or after submitting an order to NTX Options, an Options Participant cannot inform another Participant or any other third party of any of the terms of the order for purposes of violating this Rule. This protection will remain in place under the proposed rule change to address any potential information leakage concerns in a PRISM Auction as Options 3, Section 22 applies to a PRISM Auction.

The Exchange believes that the restriction has become operationally outdated in current market structure. It is common practice that Agency Orders already involve the same Market Maker firm acting as both the contra-side (in an away Market Maker capacity) and auction respondent (as an assigned Market Maker registered on the Exchange). Eliminating this restriction would reduce an arbitrary and unnecessary burden and allow Market Makers to structure more efficient auction processes, which may ultimately promote greater competition

among Market Makers and provide market participants with enhanced opportunities for price improvement.

The Exchange is proposing to amend Options 3, Section 13(i)(F) to permit orders for the accounts of Market Makers in an assigned options class to be solicited for the initiating order submitted for execution against an PRISM Order in all options into a PRISM Auction. The Exchange believes providing assigned Market Makers with an additional way to participate in a PRISM Auction will expand available liquidity for this auction, which may increase execution and price improvement opportunities for Public Customers orders in a PRISM. The Exchange notes that no similar restriction applies to crossing transactions in open outcry trading.<sup>11</sup> Brokers seeking liquidity to execute against customer orders on the trading floor regularly solicit assigned Floor Market Makers in the applicable class for this liquidity, as they are generally the primary source of liquidity in a class. Therefore, the Exchange believes the proposed rule change will further align open outcry and the PRISM Auction and the execution and price improvement opportunities available in both these auctions by permitting the same participants to be solicited as the contra-side in a PRISM Auction across all options at all times.

In addition to Cboe, the Exchange notes the electronic price improvement auction of another options exchange currently permits orders for the accounts of appointed market-makers to be solicited as the contra orders for that auction.<sup>12</sup>

#### Options 5, Section 4

The Exchange proposes to amend subparagraph (a) at Options 5, Section 4, Order Routing, which currently states, “Immediate-or-Cancel (“IOC”) Orders will be cancelled immediately if not executed, and will not be routed.” The Exchange proposes to instead state that, “Immediate-or-Cancel (“IOC”) Orders will be rejected and will not be routed.” While the

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<sup>11</sup> See e.g., Nasdaq Phlx LLC Rules at Options 8 Rules.

<sup>12</sup> See NYSE American, Inc. (“American”) Rule 971.1NY and NYSE Pillar Options FIX Gateway Protocol Specification, Section 5.2, New Cross Order. See also <https://www.nyse.com/markets/american-options/cube-customer-best-execution>.

current sentence reflects the operation of IOC Orders as provided in Options 3, Section 7(b)(2), within the context of routing, the sentence may be confusing. Options 5, Section 4 explains the manner in which various order types are handled differently for purposes of routing. An IOC Order will not rest on the order book by its definition and cannot route. The Exchange proposes to amend the language to be clear that IOC Orders are not subject to routing and therefore would be rejected. This proposed language is consistent with Options 3, Section 7(b)(2) and makes clear the treatment of IOC Orders for purposes of Options 5, Section 4.

### **Implementation**

The Exchange proposes to implement these proposed changes on or before Q3 2026. The Exchange will issue an Options Trader Alert indicating the date the changes will be implemented.

#### **2. Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>13</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>14</sup> in particular, in that it is designed 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 interest.

The Exchange believes the proposed rule change will promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system because it will provide the primary liquidity providers on the Exchange with an additional way to participate in a PRISM Auction. Additionally, by permitting brokers to solicit primary liquidity providers in a class for a PRISM Auction the Exchange believes brokers will be able to more efficiently locate liquidity to fill their customer orders, particularly during times of volatility. As a result, the Exchange believes the proposed

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<sup>13</sup> 15 U.S.C. 78f(b).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

rule change will likely expand available liquidity for a PRISM Auction, which may create additional execution and price improvement opportunities for customers at all times, which ultimately benefits investors.

The Exchange believes the proposed rule change is consistent with the Act because it will further align open outcry and PRISM Auctions and the execution and price improvement opportunities available in both auctions by permitting the same participants to be solicited as contras in both types of auctions across all options. Currently, assigned Market Makers may be solicited with respect to crossing transactions on trading floors but may not be solicited with respect to electronic transactions.<sup>15</sup> The Exchange believes there is no reason to restrict Market Makers' ability to provide liquidity into electronic auctions when they are able to similarly provide that liquidity in open outcry trading. As noted above, the electronic price improvement auction of another options exchange currently permits orders for the accounts of assigned market makers to be solicited as the contra orders for that auction.<sup>16</sup>

In particular, the Exchange believes the proposed rule change will promote competition in PRISM Auctions, including competition to initiate PRISM Auctions, which will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors. The Exchange believes the availability of this liquidity to PRISM Auctions will positively affect the experience for PRISM Orders and overall quality of the auctions. Furthermore, the Exchange believes increasing the number of market participants available to be solicited may increase competition to provide initiating orders, which may lead to a PRISM Auction being initiated at a better price. More market participants competing to provide initiating orders may lead to solicited parties providing more aggressive initial prices. The Exchange believes the ability of all market participants, including appointed

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<sup>15</sup> Phlx's trading floor does not have a similar restriction. See Phlx Options 8 Rules.

<sup>16</sup> See supra notes 5 and 12.

market makers that did not submit an initiating order, to submit responses to a PRISM Auction will continue to provide competition for executions against PRISM Orders.

The Exchange believes any risk that assigned Market Makers may misuse the nonpublic information of an upcoming PRISM Auction is de minimis. Options 3, Section 13(v) prohibits a pattern or practice of submitting orders or quotes or the purpose of disrupting or manipulating PRISM Auctions, and Options 9, Section 9 requires Participants to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material, nonpublic information by Members and their associated persons. Finally, Options 3, Section 22(d) (Limitations on Order Entry) provides that, prior to or after submitting an order to NTX Options, an Options Participant cannot inform another Options Participant or any other third party of any of the terms of the order for purposes of violating the Rule.

The Exchange believes the proposed rule change is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers because it will permit orders for accounts of assigned Market Makers to be solicited in the same manner as orders for the accounts of all other market participants. Currently, all market participants other than assigned Market Makers may be solicited as the contra and submit responses in PRISM Auctions for all options. Given the additional costs and obligations associated with being an assigned Market Maker, the Exchange does not believe these Market Makers should have fewer execution opportunities with respect to volume submitted for execution through PRISM Auctions and not for electronic execution against interest in the book. The Exchange believes the proposed rule change will provide all Market Makers on the Exchange with the same ability to participate in PRISM Auctions in all options at all times, which may further increase execution and price improvement opportunities for market participants.

#### Options 5, Section 4

The Exchange's proposal to amend Options 5, Section 4(a) is consistent with the Act because it will bring greater clarity to the current rule text by clearly explaining that IOC Orders will not route.

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 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 it provides the same execution opportunities in PRISM Auctions to assigned Market Makers that are currently available to all other market participants. Additionally, the proposed rule change will further align open outcry and electronic auctions and the execution and price improvement opportunities available in both auctions by permitting the same participants to be solicited as contra-side in auctions across all options.

The Exchange does not believe the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it relates to orders submitted into PRISM Auctions on the Exchange. Additionally, the Exchange notes that, in addition to Cboe, the rules of at least one other options exchange permits orders for the accounts of assigned market makers to be solicited as contra orders for that exchange's electronic price improvement auction.<sup>17</sup> The Exchange believes the proposed rule change may improve price competition within PRISM Auctions, because the primary liquidity providers will be able to increase participation in PRISM Auctions.

Options 5, Section 4

The Exchange's proposal to amend Options 5, Section 4(a) does not impose an undue burden on competition, rather the proposal clarifies the current rule text.

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<sup>17</sup> See supra note 12.

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

No written comments were either solicited or received.

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

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)(iii) of the Act<sup>18</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>19</sup>

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](mailto:rule-comments@sec.gov). Please include file number

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<sup>18</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>19</sup> 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 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.

SR-NasdaqTX-2026-017 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-NasdaqTX-2026-017. 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-NasdaqTX-2026-017 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.<sup>20</sup>

**Vanessa A. Countryman,**

*Secretary.*

[FR Doc. 2026-07780 Filed: 4/21/2026 8:45 am; Publication Date: 4/22/2026]

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<sup>20</sup> 17 CFR 200.30-3(a)(12).