



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105309; File No. SR-TXSE-2026-006]

### Self-Regulatory Organizations; Texas Stock Exchange LLC; Notice of Filing of a Proposed Rule Change to Amend Certain Parts of its Opening and Closing Auctions

April 24, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 17, 2026, Texas Stock Exchange LLC (the “Exchange” or “TXSE”) filed with the Securities and Exchange Commission (“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 filed a proposal to amend certain parts of its Opening and Closing Auctions, as further described below.

The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is available on the Commission’s website (<https://www.sec.gov/rules/sro.shtml>) at the Exchange’s website (<https://txse.com/rule-filings>), 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

The Exchange proposes to amend Rule 11.022 to make certain changes to its Opening<sup>3</sup>

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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 Exchange’s Opening Auction is described in Rule 11.022(b).

and Closing Auctions<sup>4</sup> to enhance the price discovery process and make the Exchange’s auction process more robust. Specifically, the Exchange is proposing to make changes to its late limit order types, Late-Limit-On-Close (“LLOC”)<sup>5</sup> and Late-Limit-On-Open (“LLOO” and, collectively with LLOC, “Late Auction Orders”)<sup>6</sup> as currently described under Rule 11.022(a)(11) and (12), respectively, such that they will be constrained by recent transaction- and/or quotation-based calculations (described more fully below as “Participation Bands”) rather than by the NBBO. The Exchange is also proposing to: (i) change the time that LOC,<sup>7</sup> MOC,<sup>8</sup> and LLOC orders can be submitted to the Exchange and prevent LOC, MOC, and LLOC orders from being amended or cancelled after 3:58 p.m. and to prevent Regular Hours Only (“RHO”)<sup>9</sup> orders from being modified between 9:28 a.m. and 9:30 a.m.; (ii) change the information related

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<sup>4</sup> The Exchange’s Closing Auction is described in Rule 11.022(c).

<sup>5</sup> As provided in Rule 11.022(a)(11), the term “Late-Limit-On-Close” or “LLOC” means a TXSE limit order that is designated for execution only in the Closing Auction. To the extent a LLOC bid or offer received by the Exchange has a limit price that is more aggressive than the NBB or NBO, the price of such bid or offer is adjusted to be equal to the NBB or NBO, respectively, at the time of receipt by the Exchange. Where the NBB or NBO becomes more aggressive, the limit price of the LLOC bid or offer will be adjusted to the more aggressive price, only to the extent that the more aggressive price is not more aggressive than the original User entered limit price. The limit price will not be adjusted to a less aggressive price, unless otherwise provided by Exchange Rules. If there is no NBB or NBO, the LLOC bid or offer, respectively, will assume its entered limit price.

<sup>6</sup> As provided in Rule 11.022(a)(12), the term “Late-Limit-On-Open” or “LLOO” means a TXSE limit order that is designated for execution only in the Opening Auction. To the extent a LLOO bid or offer received by the Exchange has a limit price that is more aggressive than the NBB or NBO, the price of such bid or offer is adjusted to be equal to the NBB or NBO, respectively, at the time of receipt by the Exchange. Where the NBB or NBO becomes more aggressive, the limit price of the LLOO bid or offer will be adjusted to the more aggressive price, only to the extent that the more aggressive price is not more aggressive than the original User entered limit price. The limit price will not be adjusted to a less aggressive price, unless otherwise provided by Exchange Rules. If there is no NBB or NBO, the LLOO bid or offer, respectively, will assume its entered limit price. Notwithstanding the foregoing, a LLOO order entered during the Quote-Only Period of an IPO will be converted to a limit order with a limit price equal to the original User entered limit price and any LLOO orders not executed in their entirety during the IPO Auction will be cancelled upon completion of the IPO Auction.

<sup>7</sup> As provided in Rule 11.022(a)(13), the term “Limit-On-Close” or “LOC” means a TXSE limit order that is designated for execution only in the Closing Auction.

<sup>8</sup> As provided in Rule 11.022(a)(15), the term “Market-On-Close” or “MOC” means a TXSE market order that is designated for execution only in the Closing Auction.

<sup>9</sup> As defined in Rule 11.006(o)(5), RHO means an instruction a User may attach to an order stating that an order to buy or sell is designated for execution only during Regular Trading Hours which includes the Opening Auction, the Closing Auction and IPO/Halt Auctions for TXSE-Listed securities and the Opening Process for non-TXSE-Listed securities (as such terms are defined in TXSE Rules 11.022 and 11.023) and, if not executed, expires at the end of Regular Trading Hours. Any order with a TIF instruction of RHO entered into the System after the closing of Regular Trading Hours will be rejected. Any portion of a market RHO order will be cancelled immediately following any auction in which it is not executed.

to Opening and Closing Auctions that is disseminated prior to the auction; (iii) add an additional tiebreaker step to the waterfall it uses to break ties in determining the TXSE Official Opening Price,<sup>10</sup> TXSE Official Closing Price,<sup>11</sup> and to the Auction Only Price;<sup>12</sup> and (iv) change the name of LLOC and LLOO orders to “Limit-On-Close-Late” or “LOC.L” orders and “Limit-On-Open-Late” or “LOO.L.” The Exchange is also proposing to make one clarifying change to Rule 11.022(c)(2)(B) and to make corresponding renumbering changes to Rule 11.022(a). While the analysis below largely focuses on closing auctions, the Exchange believes that the points raised apply equally to opening auctions.

### Overview

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<sup>10</sup> As provided in Rule 11.022(b)(2)(B), the Opening Auction price will be established by determining the price level within the Collar Price Range that maximizes the number of shares executed between the Continuous Book and Auction Book in the Opening Auction. In the event of a volume based tie at multiple price levels, the Opening Auction price will be the price which results in the minimum total imbalance. In the event of a volume based tie and a tie in minimum total imbalance at multiple price levels, the Opening Auction price will be the price closest to the Volume Based Tie Breaker. The Opening Auction price will be the TXSE Official Opening Price. In the event that there is no Opening Auction for an issue, the TXSE Official Opening Price will be the price of the Final Last Sale Eligible Trade, which will be the previous TXSE Official Closing Price. As provided in Rule 11.022(a)(6), the term "Collar Price Range" shall mean the range from a set percentage below the Collar Midpoint (as defined below) to above the Collar Midpoint, such set percentage being dependent on the value of the Collar Midpoint at the time of the auction, as described below. The Collar Midpoint will be the Volume Based Tie Breaker for all applicable auctions, except for IPO Auctions (as defined below) in exchange traded products ("ETPs"), for which the Collar Midpoint will be the issue price. Specifically, the Collar Price Range will be determined as follows: where the Collar Midpoint is \$25.00 or less, the Collar Price Range shall be the range from 10% below the Collar Midpoint to 10% above the Collar Midpoint; where the Collar Midpoint is greater than \$25.00 but less than or equal to \$50.00, the Collar Price Range shall be the range from 5% below the Collar Midpoint to 5% above the Collar Midpoint; and where the Collar Midpoint is greater than \$50.00, the Collar Price Range shall be the range from 3% below the Collar Midpoint to 3% above the Collar Midpoint. As provided in current Rule 11.022(a)(22), the term "Volume Based Tie Breaker" shall mean the midpoint of the NBBO for a particular security where the NBBO is a Valid NBBO. A NBBO is a Valid NBBO where: (i) there is both a NBB and NBO for the security; (ii) the NBBO is not crossed; and (iii) the midpoint of the NBBO is less than the "Maximum Percentage" away from both the NBB and the NBO. The "Maximum Percentage" will be determined by the Exchange and will be published in a circular distributed to Members with reasonable advance notice prior to initial implementation and any change thereto. Where the NBBO is not a Valid NBBO, the price of the Final Last Sale Eligible Trade will be used.

<sup>11</sup> As provided in Rule 11.022(c)(2)(B), the Closing Auction price will be established by determining the price level within the Collar Price Range that maximizes the number of shares executed between the Continuous Book and Auction Book in the Closing Auction. In the event of a volume based tie at multiple price levels, the Closing Auction price will be the price which results in the minimum total imbalance. In the event of a volume based tie and a tie in minimum total imbalance at multiple price levels, the Closing Auction price will be the price closest to the Volume Based Tie Breaker.

<sup>12</sup> As provided in current 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 of a volume based tie and a tie in minimum total imbalance at multiple price levels, the Auction Only Price will be the price closest to the Volume Based Tie Breaker (as defined below).

Currently, between 9:28 a.m. and 9:30 a.m. and 3:59 p.m. and 4:00 p.m. Users<sup>13</sup> can submit Late Auction Orders for participation in the Opening Auction and Closing Auction, respectively. To the extent that such a Late Auction Order is priced more aggressively than the NBB<sup>14</sup> (for bids) or NBO (for offers), the price of such Late Auction Order bids and offers will be the NBB and NBO. 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, only to the extent that the more aggressive price is not more aggressive than the original User entered limit price. The limit price will not be adjusted to a less aggressive price, unless otherwise provided by Exchange Rules. If there is no NBB or NBO, the Late Auction Order bid or offer, respectively, will assume its entered limit price.

Because Late Auction Orders are the only Eligible Auction Order<sup>15</sup> that can be submitted after 9:28 a.m. and 3:59 p.m. and are constrained to the less aggressive side of the NBBO, the current Late Auction Order functionality limits Users' ability to enter marketable orders at a time critical to price formation and price discovery. Late Auction Order functionality also prevents liquidity providers from being able to support auction liquidity within the NBBO, which can lead to auction volatility, especially in securities with wider spreads. Finally, Late Auction Order functionality also creates uncertainty around executions in the Opening and Closing Auctions which hinders hedging activity for liquidity providers. As noted above, this inability to provide liquidity in Opening and Closing Auctions can result in significant price swings around the open

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<sup>13</sup> As provided in Rule 1.005(jj), the term "User" means any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to TXSE Rule 11.003.

<sup>14</sup> As provided in Rule 1.005(jj), the terms "National Best Bid" and "NBB" mean the national best bid; the terms "National Best Offer" and "NBO" shall mean the national best offer; and the term "NBBO" shall mean the national best bid or offer.

<sup>15</sup> As provided in current Rule 11.022(a)(8), the term "Eligible Auction Order" means any MOO, LOO, LLOO, MOC, LOC or LLOC order (each as defined below) that is entered in compliance with its respective cutoff for an Opening Auction (as defined below) or Closing Auction (as defined below), any RHO order prior to the Opening Auction, any limit or market order not designated to exclusively participate in the Closing Auction entered during the Quote-Only Period (as defined below) of an IPO Auction subject to the below restrictions, and any limit or market order not designated to exclusively participate in the Opening Auction or Closing Auction entered during the Quote-Only Period of a Halt Auction (as defined below).

and close and into the Opening and Closing Auctions.

### Proposed Changes

As such, the Exchange is proposing to make several changes to its Opening and Closing Auctions. Specifically, the Exchange is proposing to change the functionality of Late Auction Orders such that they are constrained by the Participation Band,<sup>16</sup> a dynamic price band applied on a security-by-security basis that is based on quotes and/or trades in the applicable TXSE-listed security, instead of the NBBO. This will allow Late Auction Orders to be entered at prices that are more likely to be able to participate in the Opening and Closing Auction than current functionality while at the same time still constraining a Late Auction Order's limit price to mitigate volatility around the Opening and Closing Auction.<sup>17</sup> The Exchange is also proposing to make several changes related to cut-off times, the ability to modify Auction Eligible Orders, the way that tiebreakers are applied, the data disseminated prior to the Opening and Closing Auction, and to refer to LLOO orders as "Limit-On-Open-Late" or "LOO.L" orders and LLOC orders as "Limit-On-Close-Late" or "LOC.L" orders.

In order to accomplish these changes, the Exchange proposes to amend the definition of LLOO and LLOC under Rule 11.022(a)(12) and (11), respectively, to reflect that the names are changing to LOO.L and LOC.L, respectively. Late Auction Orders continue to represent TXSE limit orders that are designated for execution only in the Opening or Closing Auction, as

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<sup>16</sup> As defined in proposed Rule 11.022(a)(20), the term "Participation Band" means a dynamic price band within the Collar Price Range that is calculated on a security-by-security basis that is based on quotes and/or trades in the applicable TXSE-listed security over a lookback period of between two and 30 minutes or 20 and 500 events (i.e. quotes and/or trades). The specific methodology for the Participation Band calculation, including the weighting of inputs, lookback periods, and filtering criteria, shall be determined by the Exchange and set forth in a circular distributed to Members with 30-days advance notice prior to initial implementation and any material change thereto. The lower priced side of the Participation Band is the "Lower Band" and the higher priced side of the Participation Band is the "Upper Band."

The Exchange will utilize real-time transaction and/or quotation data from the consolidated tape to calculate the Participation Band for the applicable security and a mathematical calculation to determine a dynamic, symbol-specific price range within the Collar Price Range. The Participation Band is recalculated 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.

<sup>17</sup> As further discussed below, the Exchange believes that this functionality, combined with several of the Exchange's other rule changes proposed herein, will help enhance liquidity in the Opening and Closing Auctions while also mitigating volatility.

applicable. Late Auction Orders cannot be amended or cancelled after entry. 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 is adjusted to be equal to the Upper Band or Lower Band, respectively.

The Exchange is also proposing to change the information that it disseminates before the Opening and Closing Auction. Rule 11.022(b)(2)(A) currently provides that beginning at 8:00 a.m. and disseminated every five seconds thereafter, the Reference Price, Indicative Price, Auction Only Price, Reference Buy Shares, and Reference Sell Shares associated with the Opening Auction will be disseminated via electronic means until the Opening Auction occurs. Similarly, Rule 11.022(c)(2) currently provides that beginning at 3:00 p.m. and updated every five seconds thereafter, the Reference Price, Indicative Price, Auction Only Price, Reference Buy Shares, and Reference Sell Shares associated with the Closing Auction will be disseminated via electronic means until the Closing Auction occurs. The Exchange is instead proposing to disseminate information related to the Opening and Closing Auction in two separate periods: first, the Exchange will disseminate Matched Shares<sup>18</sup> and the Offset Side<sup>19</sup> associated with the applicable auction 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; beginning at 9:28 a.m. for Opening Auctions and 3:58 p.m. for Closing Auctions, the Exchange will disseminate the Participation Band, the Lower Band Auction Interest,<sup>20</sup> and the Upper Band Auction Interest.<sup>21</sup> Such data will

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<sup>18</sup> As proposed in Rule 11.022(a)(18), the term “Matched Shares” means the number of shares that would match at the Auction Only Price.

<sup>19</sup> As proposed in Rule 11.022(a)(19), the term “Offset Side” means the side (either Buy, Sell, or Equal) for which there are more shares available if a Closing Auction took place at the Auction Only Price. Where there are the same number of shares on the buy side and the sell side, the Offset Side will be “Equal”.

<sup>20</sup> As proposed in Rule 11.022(a)(15), the term “Lower Band Auction Interest” means the number of Eligible Auction Order shares to buy that are priced equal to or more aggressively than the Lower Band and the number of Eligible Auction Order shares to sell that are priced equal to or more aggressively than the Lower Band.

<sup>21</sup> As proposed in Rule 11.022(a)(26), the term “Upper Band Auction Interest” means the number of Eligible Auction Order shares to buy that are priced equal to or more aggressively than the Upper Band and the

be updated every five seconds. The Lower Band Auction Interest and Upper Band Auction Interest provide participants with visibility into buy and sell interest at the boundaries of the Participation Band. By comparing quantities at each boundary and observing how those quantities change, participants can assess the relative balance of supply and demand within the band. This informs decisions about the size, direction, and pricing of any Late Auction Orders or Continuous Book<sup>22</sup> interest they may wish to enter during the final two minutes of trading.<sup>23</sup>

The Exchange is also proposing to amend Rule 11.022(c)(1)(A) and (B) in order to provide that LOC and MOC orders may be submitted until 3:58 p.m. instead of 3:59 p.m., that LOC.L orders (formerly LLOC orders) can be submitted starting at 3:58 p.m. instead of 3:59 p.m., and that Eligible Auction Orders may not be modified or cancelled after 3:58 p.m. whereas they were previously non-cancellable after 3:59 p.m. and could be modified any time prior to the Closing Auction. Similarly, the Exchange is proposing to delete text in Rule 11.022(b)(1)(B) to provide that RHO orders cannot be modified or cancelled between 9:28 a.m. and 9:30 a.m. in order to ensure consistent treatment across Eligible Auction Orders in the Opening Auction. The Exchange is proposing these changes in order to both align the functionality across its Opening and Closing Auctions and to create a longer period before an auction in which Eligible Auction Orders cannot be cancelled or modified, providing greater certainty around the liquidity available in Exchange auctions in support of price formation. The Exchange is not proposing to make any equivalent changes for MOO, LOO, or LOO.L orders in Opening Auctions because the Opening

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number of Eligible Auction Order shares to sell that are priced equal to or more aggressively than the Upper Band.

<sup>22</sup> As defined in Rule 11.022(a)(7), the term “Continuous Book” means all orders on the TXSE Book that are not Eligible Auction Orders.

<sup>23</sup> These data points are designed to provide market makers and LMMs with the information necessary to make informed decisions about providing liquidity in the Opening and Closing Auctions. Specifically, the dissemination of Matched Shares and the Offset Side beginning at 8:00 a.m. and 3:00 p.m. enables liquidity providers to assess the direction and magnitude of order flow, while the dissemination of the Participation Band, Lower Band Auction Interest, and Upper Band Auction Interest beginning at 9:28 a.m. and 3:58 p.m. enables them to calibrate the pricing and size of Late Auction Orders within the constraints of the band. Together, these data points reduce the informational uncertainty that might otherwise discourage liquidity provision in the Exchange’s Opening and Closing Auction processes.

Auction rules already reflect this same functionality beginning at 9:28 a.m. (two minutes before the Opening Auction occurs).

The Exchange is also proposing to add one additional step to the waterfall that it uses to break ties in determining the TXSE Official Opening Price, TXSE Official Closing Price, and Auction Only Price. Currently, Rule 11.022(c)(2)(B) provides that the Closing Auction price will be established by: (i) determining the price level within the Collar Price Range that maximizes the number of shares executed between the Continuous Book and Auction Book<sup>24</sup> in the Closing Auction; (ii) in the event of a volume based tie at multiple price levels, the Closing Auction price will be the price which results in the minimum total imbalance; and (iii) in the event of a volume based tie and a tie in minimum total imbalance at multiple price levels, the Closing Auction price will be the price closest to the Volume Based Tie Breaker. The Opening Auction has an identical tie-breaking waterfall.<sup>25</sup> The Exchange is proposing to add a new step to this process before step (iii) which states that “in the event 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.” If more than one price exists under this new step (iii), the Closing Auction price would then be the price closest to the Volume Based Tie Breaker. The Exchange notes that this proposed change is substantively identical to Nasdaq Rule 4754(b)(2)(C). The Exchange is proposing to make equivalent changes to the Opening Auction under Rule 11.022(b)(2)(B) and the definition of Auction Only Price in Rule 11.022(a)(2).

#### Examples

The following examples are based on the Closing Auction and Closing Auction orders, including MOC, LOC, and LOC.L, but the same scenarios in the Opening Auction with MOO, LOO, and LOO.L orders would yield identical results.

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<sup>24</sup> As defined in Rule 11.022(a)(1), the term “Auction Book” means all Eligible Auction Orders (as defined below) on the TXSE Book.

<sup>25</sup> See Exchange Rule 11.022(b)(2)(B).

### Example 1 (Data Calculation and LOC.L Basics):

Below is a snapshot of the Auction Book and Continuous Book immediately prior to 3:58:00 p.m. where the Volume Based Tie Breaker is \$50.10.

#### Auction Book Prior to 3:58:00 p.m.

Time	Order	Side	Type	Limit	Shares
3:05:00	Order A	Sell	MOC	N/A	4,000
3:30:00	Order B	Buy	LOC	\$50.10	2,000

#### Continuous Book

Time	Order	Side	Type	Limit	Shares
3:55:15	Order C	Buy	Displayed Limit	\$50.00	2,000
3:57:00	Order D	Sell	Displayed Limit	\$50.10	4,000

Before 3:58 p.m. the Exchange is proposing to disseminate Matched Shares and Offset Side every five seconds, both of which are calculated based on the Auction Only Price<sup>26</sup> at that time. Based on the above Auction Book, the Auction Only Price would be \$50.10 and 2,000 shares would execute.<sup>27</sup> This means that the Exchange would disseminate a Matched Shares of 2,000 and an Offset Side of Sell.

#### LOC.L Orders Entered After 3:58:00 p.m.

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<sup>26</sup> As defined in proposed amended 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 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 below).

<sup>27</sup> This calculation provides an example of the proposed new tie breaker language in Rule 11.022(a)(2). In determining the Auction Only Price as proposed, 2,000 shares would execute at each price level below \$50.10 with an imbalance of 2,000 shares. In the event of a volume-based tie at multiple price levels and a tie in minimum total imbalance at multiple price levels, the Auction Only Price will be the entered price at which shares will remain unexecuted. Here, there are no price levels at which an entered price will have unexecuted shares (Order B executes fully and Order A has no entered price), so the Auction Only Price will be the price closest to the Volume Based Tie Breaker. Because the Volume Based Tie Breaker is \$50.10, the Auction Only Price would be \$50.10 and because there are 2,000 buy shares and 4,000 sell shares at \$50.10, the Offset Side would be “Sell.”

At 3:58:00 p.m. all Eligible Auction Orders (MOCs and LOCs) may no longer be modified or cancelled and LOC.L Orders are the only Eligible Auction Orders that can be entered. As described above, the Exchange is proposing that such LOC.L orders can be entered at their limit price without restriction but cannot be modified or cancelled. Immediately prior to the Closing Auction, LOC.L bids and offers that have a limit price that is more aggressive than the Upper Band or Lower Band, respectively, will be adjusted to be equal to the Upper Band or Lower Band, respectively.

For purposes of this example, the Participation Band is \$49.80 x \$50.20.

Time	Order	Side	Type	Limit	Shares
3:59:00	Order E	Buy	LOC.L	\$50.10	5,000
3:59:30	Order F	Sell	LOC.L	\$49.00	2,000

At 3:58:00 p.m., the Exchange will also start calculating and disseminating the following values in every five seconds: (i) the Participation Band (which includes both the Lower Band and the Upper Band); (ii) the Lower Band Auction Interest (which includes both the buy shares and the sell shares); (iii) and the Upper Band Auction Interest (which also includes both the buy shares and the sell shares).

The Lower Band Auction Interest buy shares includes all bids that are Eligible Auction Orders priced more aggressively than the Lower Band (\$49.80). At 3:58, the Lower Band Auction Interest buy shares is calculated as follows: Order B (2,000 shares at \$50.10) = 2,000 shares. When Order E (5,000 shares at \$50.10) comes in at 3:59:00, Lower Band Auction Interest buy shares would increase to 7,000 shares.

The Lower Band Auction Interest sell shares includes all offers that are Eligible Auction Orders priced more aggressively than the Lower Band (\$49.80). At 3:58, the Lower Band Auction Interest sell shares is calculated as follows: Order A (4,000 shares at market) = 4,000 shares. When Order F (2,000 shares at \$49.00) comes in at 3:59:30, Lower Band Auction interest sell shares would increase to 6,000 shares.

The Upper Band Auction Interest buy shares includes all bids that are Eligible Auction Orders priced more aggressively than the Upper Band (\$50.20). At 3:58, the Upper Band Auction Interest buy shares is calculated as follows: no Eligible Auction Orders to buy priced more aggressively than \$50.20 = 0 shares. There are no subsequent LOC.L buy orders priced more aggressively than \$50.20, so there are no changes to the Upper Band Auction Interest buy shares.

The Upper Band Auction Interest sell shares includes all offers that are Eligible Auction Orders priced more aggressively than the Upper Band (\$50.20). At 3:58, the Upper Band Auction Interest sell shares is calculated as follows: Order A (4,000 shares at market) = 4,000 shares. When Order F (2,000 shares at \$49.00) comes in at 3:59:30, Upper Band Auction interest sell shares would increase to 6,000 shares.

#### **Complete Order Book Immediately Prior to Closing Auction Sorted by Priority**

<b>Time</b>	<b>Order</b>	<b>Side</b>	<b>Type</b>	<b>Limit</b>	<b>Shares</b>
<b>3:05:00</b>	Order A	Sell	MOC	N/A	4,000
<b>3:59:30</b>	Order F	Sell	LOC.L	\$49.00	2,000
<b>3:57:00</b>	Order D	Sell	Displayed Limit	\$50.10	4,000

<b>Time</b>	<b>Order</b>	<b>Side</b>	<b>Type</b>	<b>Limit</b>	<b>Shares</b>
<b>3:59:00</b>	Order E	Buy	LOC.L	\$50.10	5,000
<b>3:30:00</b>	Order B	Buy	LOC	\$50.10	2,000
<b>3:55:15</b>	Order C	Buy	Displayed Limit	\$50.00	2,000

Immediately prior to the beginning of the Closing Auction process, LOC.L bids and offers that have a limit price more aggressive than the Upper Band or Lower Band, respectively, will be adjusted to be equal to the Upper Band or Lower Band, respectively. Here, there are two LOC.L orders: Order E and Order F. Order F is a sell order with a limit price of \$49.00, which is more aggressive than the Lower Band of \$49.80, so it will be adjusted to a limit price of \$49.80 for participation in the Closing Auction. Order E is a buy order with a limit price of \$50.10, which is less aggressive than the Upper Band of \$50.20, so it will not be adjusted and will

participate in the Closing Auction with a limit price of \$50.10.

### Complete Order Book for Closing Auction Sorted by Priority

Time	Order	Side	Type	Limit	Shares
3:05:00	Order A	Sell	MOC	N/A	4,000
3:59:30	Order F	Sell	LOC.L	\$49.80	2,000
3:57:00	Order D	Sell	Displayed Limit	\$50.10	4,000

Time	Order	Side	Type	Limit	Shares
3:59:00	Order E	Buy	LOC.L	\$50.10	5,000
3:30:00	Order B	Buy	LOC	\$50.10	2,000
3:55:15	Order C	Buy	Displayed Limit	\$50.00	2,000

Based on the above combined Auction Order Book and Continuous Order Book, 4,000 shares would execute at every price up to \$49.79, 6,000 shares would execute between \$49.80 and \$50.09, 7,000 shares would execute at \$50.10, and 0 shares would execute above \$50.10. Based on the logic in Rule 11.022(c)(2)(B), which provides that the Closing Auction will occur at the price level within the Collar Price Range<sup>28</sup> that maximizes the number of shares executed between the Continuous Book and Auction Book, the Closing Auction would occur at \$50.10.

In this instance, the adjustment of Order F did not impact the price of the Closing Auction because the most shares that could execute would have been at \$50.10 (still 7,000 shares) even if the LOC.L was priced at \$49.00 (would have been 6,000 shares at each price level between \$49.00 and \$50.09 instead of \$49.80 and \$50.09).

### Example 2 (Participation Bands Impact Closing Auction Price):

Taking the same example as above, but in this example Order F is for 10,000 shares instead of 2,000, and one additional order is entered as follows:

Time	Order	Side	Type	Limit	Shares
3:59:30	Order F	Sell	LOC.L	\$49.00	10,000

<sup>28</sup> The Exchange notes that because it is not proposing to make any changes to the Collar Price Range in this proposal, it is not discussing the Collar Price Range in the examples in this filing in order to keep the examples as straight-forward as possible as it relates to the rules that it is proposing to change.

3:59:50	Order G	Buy	LOC.L	\$49.00	1,000
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In this instance, Order F would again be adjusted to a limit price of \$49.80 because it is an LOC.L sell order that is priced more aggressively than the Lower Band. Order G would not be adjusted because it is an LOC.L buy order that is not priced more aggressively than the Upper Band. Based on updated orders and the new combined Auction Order Book and Continuous Book, 4,000 shares would execute at every price up to \$49.79, 9,000 shares would execute between \$49.80 and \$50.00, 7,000 shares would execute between \$50.01 and \$50.10, and 0 shares would execute above \$50.10. Based on the logic in Rule 11.022(c)(2)(B), which provides that the Closing Auction will occur at the price level within that maximizes the number of shares executed between the Continuous Book and Auction Book, there would be a volume based tie between \$49.80 and \$50.00.<sup>29</sup> The next step is to find the price level within that range that minimizes the imbalance, but every price in that range has an imbalance of 5,000 sell shares. The next step (which is the proposed new tie breaker functionality) is to find the entered price at which shares will remain unexecuted in the Closing Auction, and here the only entered price within the range at which shares will remain unexecuted is \$49.80 (Order F's adjusted price). Therefore, 9,000 shares would execute in the Closing Auction at \$49.80.

In this instance, the adjustment of Order F did impact the price of the Closing Auction because the most shares that could execute would have been at \$49.00 if the LOC.L was priced at \$49.00 (would have been 10,000 shares that could have executed at \$49.00, greater than any other price level). Consistent with the logic above, the Participation Bands, which are based on actual executions and quotes in the market, allowed price formation to occur in the Closing Auction within reasonable market-based bounds.

### Policy Argument

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<sup>29</sup> The Exchange notes that Rule 11.022(c)(2)(B) specifically refers to the price level within the Collar Price Range that maximizes the number of shares executed, but is intentionally not including the Collar Price Range in the examples in this proposal in order to prevent the overcomplication of these examples in areas of its rules that it is not proposing to change.

The Exchange believes that these proposed changes collectively provide a deterministic, market-based solution to creating orderly closing auctions that is conceptually similar to both the Exchange’s current functionality (gating Late Auction Orders based on market conditions, which under current Exchange Rules are the NBB and NBO), other similar late auction order functionality on other exchanges (which provide similar market-based restrictions on the price of late auction orders),<sup>30</sup> and the Designated Market Maker (“DMM”) closing auction process on New York Stock Exchange LLC (“NYSE”). Under NYSE Rule 7.35B(g), DMMs are responsible for deciding the Auction Price for a Closing Auction on NYSE and have significant discretion in determining what that Auction Price should be. NYSE describes the criteria for the DMM to decide on the Closing Price as follows: “the Auction Price must be at or between the last-published Imbalance Reference Price, which is the Exchange Last Sale Price bound by the Exchange BBO,<sup>31</sup> and the last-published non-zero Continuous Book Clearing Price, which is the price at which all better-priced orders eligible to trade in the Closing Auction on the Side of the Imbalance can be traded.<sup>32</sup> Rule 7.35B promotes determinism with respect to the Closing Auction because the Closing Auction Price must be within the predetermined range of prices that

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<sup>30</sup> Cboe BZX Exchange, Inc. (“BZX”) has identical late auction order functionality as the Exchange’s current functionality – late auction orders in both the opening and closing auctions are collared by the NBBO. See BZX Rules 11.23(a)(12) and (13). NYSE Arca, Inc.’s (“Arca”) opening auction does not allow cancel and replace requests for one minute prior to the Opening Auction and a Core Open Auction Imbalance Freeze occurs five seconds before the scheduled Core Open Auction. During this period the only orders accepted for auction participation are Limit Orders designated for the Core Trading Session and such orders are only allowed to participate in the Core Open Auction to offset an imbalance remaining after all orders entered before the Core Open Auction Imbalance Freeze. For the Arca closing auction, the Closing Auction Imbalance Freeze begins one minute prior to the closing auction. During this period, all LOC and MOC orders that are on the same side of the Total Imbalance, would flip the Total Imbalance, or would create a new Total Imbalance are rejected and no LOC Orders or MOC Orders can be cancelled or cancelled and replaced. See Arca Rule 7.35-E. Nasdaq Stock Market LLC’s (“Nasdaq”) allows LOO orders to be entered until 9:29:30 a.m. but restricts LOO orders received after 9:28 a.m. to only be priced to the more aggressive of the 9:28 a.m. price or the previous day’s official closing price. Similarly, LOC orders received after 3:55 p.m. are accepted at their limit price unless it is more aggressive than the 3:50 p.m. or the 3:55 p.m. Reference Prices, in which case it will be re-priced to the more aggressive of the two prices. Nasdaq accepts Imbalance Only orders for both the opening and closing auction and if those orders are re-priced to the best bid/ask price prior to the execution of the auction, up to their limit price. See Nasdaq Rules 4752 and 4754

<sup>31</sup> See NYSE Rule 7.35(a)(4)(C). In the case of a buy Imbalance, the Continuous Book Clearing Price would be the highest potential Closing Auction Price and in the case of a sell Imbalance, the Continuous Book Clearing Price would be the lowest potential Closing Auction Price.

<sup>32</sup> See NYSE Rule 7.35B(e)(3).

have been disseminated via the Closing Auction Imbalance Information and that cannot be changed after the end of Core Trading Hours.”<sup>33</sup> Providing a market conditions-based price range at which the DMM can choose the auction price serves a similar function to the restrictions on late auction orders on other exchanges and the Participation Band restrictions on LOO.L and LOC.L orders entered after 9:28 a.m. and 3:58 p.m., respectively. They all serve to allow for liquidity providers to participate in the auction process but in a way that does not impact the price of the auction in a way that diverges from the exchanges’ respective chosen measure of “current market conditions.”

To this point, the Exchange believes that restricting the price of Late Auction Order bids and offers to the Upper Band and Lower Band, respectively, immediately prior to the Opening and Closing Auction is a reasonable way to ensure that participants are able to add liquidity in Opening and Closing Auctions on the Exchange while mitigating volatility and ensuring that Opening and Closing Auctions remain tethered to market conditions in a security.<sup>34</sup> The data points that the Exchange is proposing to disseminate prior to its Opening and Closing Auctions further bolster this ability. The Exchange believes that the examples above support this belief.

#### Clarifying Changes

Finally, the Exchange is proposing to add a clarifying clean-up change in Rule 11.022(c)(2)(B) to add the phrase “that is a corporate security” in two places in order to make the following language clear “For a TXSE-Listed Security *that is a corporate security*, the Closing Auction price will be the TXSE Official Closing Price. In the event that there is no Closing Auction for a TXSE-Listed Security *that is a corporate security*, the TXSE Official Closing Price will be the price of the Final Last Sale Eligible Trade.” Without this clarifying language,

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<sup>33</sup> See Securities Exchange Act Release No. 104887 (February 25, 2026), 91 FR 10175 (March 2, 2026) (File No. SR-NYSE-2026-11) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 7.35B(g)(2))

<sup>34</sup> As noted above, the Participation Bands are 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 and will be disseminated every five seconds between 3:58 p.m. and 4:00 p.m.

the following sentence related to “The TXSE Official Closing Price for all other TXSE-Listed Securities will be determined as follows:” would never apply. The language under this provision is intended to apply to ETPs in order to find a TXSE Official Closing Price for ETPs where there is less than one round lot executed in the Closing Auction. Without the qualifier “that is a corporate security” all securities would have their TXSE Official Closing Price determined by the preceding language. The Exchange is also proposing to renumber certain defined terms under Rule 11.022(a) in order to accommodate the new definitions proposed herein.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>35</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>36</sup> in particular, in that it is 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 that the proposed rule change is consistent with the Section 6(b)(5) requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

Specifically, the Exchange believes that the proposed changes to LOO.L and LOC.L functionality, the new data points that will be provided in advance of the Opening and Closing Auctions, and the changes to the timing and cancellability of RHO, MOC, LOC, and LOC.L orders collectively provide a deterministic, market-based solution to creating orderly auctions. To this point, the Exchange believes that restricting the price of Late Auction Order bids and offers to the Upper Band and Lower Band, respectively, immediately prior to the Opening and

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<sup>35</sup> 15 U.S.C. 78f(b).

<sup>36</sup> 15 U.S.C. 78f(b)(5).

Closing Auction is a reasonable way to ensure that participants are able to add liquidity in Opening and Closing Auctions on the Exchange while mitigating volatility and ensuring that Opening and Closing Auctions remain tethered to market conditions in a security.<sup>37</sup> The data points that the Exchange is proposing to disseminate prior to its Opening and Closing Auctions further bolster this ability.

The Exchange also notes that the proposed Late Auction Order functionality is conceptually similar to both the Exchange's current functionality (gating Late Auction Orders based on market conditions, which under current Exchange Rules are the NBB and NBO), other similar late auction order functionality on other exchanges (which provide similar market-based restrictions on the price of late auction orders),<sup>38</sup> and the DMM closing auction process on NYSE. Under NYSE Rule 7.35B(g), DMMs are responsible for deciding the Auction Price for a Closing Auction on NYSE and have significant discretion in determining what that Auction Price should be. NYSE describes the criteria for the DMM to decide on the Closing Price as follows: "the Auction Price must be at or between the last-published Imbalance Reference Price,

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<sup>37</sup> As noted above, the Participation Bands are 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 and will be disseminated every five seconds between 3:58 p.m. and 4:00 p.m.

<sup>38</sup> BZX has identical late auction order functionality as the Exchange's current functionality – late auction orders in both the opening and closing auctions are collared by the NBBO. See BZX Rules 11.23(a)(12) and (13). Arca's opening auction does not allow cancel and cancel and replace requests for one minute prior to the Opening Auction and a Core Open Auction Imbalance Freeze occurs five seconds before the scheduled Core Open Auction. During this period the only orders accepted for auction participation are Limit Orders designated for the Core Trading Session and such orders are only allowed to participate in the Core Open Auction to offset an imbalance remaining after all orders entered before the Core Open Auction Imbalance Freeze. For the Arca closing auction, the Closing Auction Imbalance Freeze begins one minute prior to the closing auction. During this period, all LOC and MOC orders that are on the same side of the Total Imbalance, would flip the Total Imbalance, or would create a new Total Imbalance are rejected and no LOC Orders or MOC Orders can be cancelled or cancelled and replaced. See Arca Rule 7.35-E. Nasdaq's allows LOO orders to be entered until 9:29:30 a.m. but restricts LOO orders received after 9:28 a.m. to only be priced to the more aggressive of the 9:28 a.m. price or the previous day's official closing price. Similarly, LOC orders received after 3:55 p.m. are accepted at their limit price unless it is more aggressive than the 3:50 p.m. or the 3:55 p.m. Reference Prices, in which case it will be re-priced to the more aggressive of the two prices. Nasdaq accepts Imbalance Only orders for both the opening and closing auction and if those orders are re-priced to the best bid/ask price prior to the execution of the auction, up to their limit price. See Nasdaq Rules 4752 and 4754.

which is the Exchange Last Sale Price bound by the Exchange BBO,<sup>39</sup> and the last-published non-zero Continuous Book Clearing Price, which is the price at which all better-priced orders eligible to trade in the Closing Auction on the Side of the Imbalance can be traded.<sup>40</sup> Rule 7.35B promotes determinism with respect to the Closing Auction because the Closing Auction Price must be within the predetermined range of prices that have been disseminated via the Closing Auction Imbalance Information and that cannot be changed after the end of Core Trading Hours.”<sup>41</sup> Providing a market conditions-based price range at which the DMM can choose the auction price serves a similar function to the restrictions on late auction orders on other exchanges and the Participation Band restrictions on LOO.L and LOC.L orders entered after 9:28 a.m. and 3:58 p.m., respectively, being proposed herein. They all serve to allow for liquidity providers to participate in the auction process but in a way that does not impact the price of the auction in a way that diverges from the exchanges’ respective chosen measure of “current market conditions.” While the analysis above focuses on closing auctions, the Exchange believes that the points raised apply equally to opening auctions as well.

The Exchange further believes that its proposal to add a new third tie-breaker to the calculation of the TXSE Official Opening Price, TXSE Official Closing Price, and the Auction Only Price is consistent with the Act because the proposed change adds another tie breaker that is based on actual auction orders in the Auction Book before using the Volume Based Tie Breaker, which the Exchange believes better reflects actual market interest. Further, the proposed change is substantively identical to Nasdaq Rule 4754(b)(2)(C).

Finally, the Exchange believes that the proposed clarifying clean-up and corresponding numbering changes are consistent with the Act because they make the Exchange’s Rules more

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<sup>39</sup> See NYSE Rule 7.35(a)(4)(C). In the case of a buy Imbalance, the Continuous Book Clearing Price would be the highest potential Closing Auction Price and in the case of a sell Imbalance, the Continuous Book Clearing Price would be the lowest potential Closing Auction Price.

<sup>40</sup> See NYSE Rule 7.35B(e)(3).

<sup>41</sup> See Securities Exchange Act Release No. 104887 (February 25, 2026), 91 FR 10175 (March 2, 2026) (File No. SR-NYSE-2026-11) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 7.35B(g)(2))

clear and understandable. As it specifically relates to adding the phrase “that is a corporate security” in two places, the proposed rule change will correct a drafting error to make clear how the TXSE Official Closing Price is determined for non-corporate securities.

For these reasons, the Exchange believes that the proposed changes are consistent with the Act.

(B) Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposal will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is designed to revise auctions on the Exchange to make it more transparent, robust, and deterministic. The Exchange believes that the proposed rule change would promote intermarket competition, particularly for issuers in connection with their determination of which exchange to select as a primary listing venue and among market participants that may decide to participate in auctions on the Exchange. 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. Competing exchanges have their own auction functionality and are free to adopt similar rules if they so choose.

The Exchange also 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. All Members would be eligible to participate in the Exchange’s auctions and all issuers would have their securities participate in the auctions on the same terms.

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

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

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

- A. By order approve or disapprove such proposed rule change; or
- B. Institute proceedings to determine whether the proposed rule change should be disapproved.

#### IV. Solicitation of Comments

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

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);  
or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-TXSE-2026-006 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 No. SR-TXSE-2026-006. This file number should be included on the subject line if e-mail 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 (<http://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-TXSE-2026-006 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>42</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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