



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105316; File No. SR-CboeBZX-2026-004]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change to Amend the Opening Auction Process Provided Under Rule 11.23(b)(2)(B) to Delay the Opening Auction Under Certain Market Conditions

April 27, 2026.

On January 8, 2026, Cboe BZX Exchange, Inc. (the "Exchange" or "BZX") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend the Opening Auction Process provided under Rule 11.23(b)(2)(B) to delay the Opening Auction under certain market conditions. The proposed rule change was published for comment in the Federal Register on January 27, 2026.³ On March 11, 2026, pursuant to Section 19(b)(2) of the Act,⁴ the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.⁵ The Commission has received no comments on the proposed rule change. This order institutes proceedings under Section 19(b)(2)(B) of the Act⁶ to determine whether to approve or disapprove the proposed rule change.

I. Summary of the Proposed Rule Change⁷

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 104654 (Jan. 22, 2026), 91 FR 3588 ("Notice").

⁴ 15 U.S.C. 78s(b)(2).

⁵ See Securities Exchange Act Release No. 104975, 91 FR 12649 (Mar. 16, 2026). The Commission designated April 27, 2026 as the date by which the Commission shall approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.

⁶ 15 U.S.C. 78s(b)(2)(B).

⁷ For a full description of all aspects of the proposed rule change, including BZX's justification for it, please see the Notice, supra note 3.

BZX holds an Opening Auction for each security listed on the Exchange. During an Opening Auction, all executions, if any, occur at a single price, and that price must be within a certain range established by the Exchange. The Exchange proposes to amend its Opening Auction process by, under certain circumstances, delaying the Opening Auction and if necessary gradually widening the bands within which the Opening Auction price must fall. The Exchange also proposes associated changes reflecting the proposed modifications to its process.⁸

The Current Opening Auction Process

Each Opening Auction price is the price level within the Collar Price Range⁹ that maximizes the number of shares executed between the Continuous Book¹⁰ and Auction Book¹¹ in the Opening Auction.¹² In the event of a volume based tie at multiple price levels, the Opening Auction price is the price that 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 is the price closest to the Volume Based Tie Breaker.¹³ The Volume Based Tie Breaker for an Opening Auction is the

⁸ For example, the Exchange proposes to amend BZX Rules 11.23(b)(1)(A) and (B), to reflect that the Opening Auction may occur at a time other than 9:30 a.m. It also proposes to amend BZX Rule 11.23(b)(1)(B) to provide that Eligible Auction Orders designated for the Opening Auction may not be cancelled or modified from 9:28 a.m. until the Opening Auction has concluded except that Regular Hours Only (“RHO”) limit orders designated for the Opening Auction may be modified, but not cancelled, from 9:28 a.m. until the time the Opening Auction has concluded. Any such RHO limit orders modified from 9:28 a.m. until the Opening Auction has concluded would be treated as late-limit-on-open orders.

⁹ “Collar Price Range” is defined in BZX Rule 11.23(a)(6) as “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 in ETPs (as defined in Rule 11.8, Interpretation and Policy .02(d)(2)), 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.”

¹⁰ “Continuous Book” is defined in BZX Rule 11.23(a)(7) as “all orders on the BZX Book that are not Eligible Auction Orders.”

¹¹ “Auction Book” is defined in BZX Rule 11.23(a)(1) as “all Eligible Auction Orders on the BZX Book.”

¹² See BZX Rule 11.23(b)(2)(B) (governing the determination of the BZX Official Opening Price).

¹³ Volume Based Tie Breaker is defined in BZX Rule 11.23(a)(23).

midpoint of the NBBO¹⁴ where there is a Valid NBBO¹⁵; where there is no Valid NBBO, the Volume Based Tie Breaker is the Final Last Sale Eligible Trade (“FLSET”).¹⁶

The Collar Price Range for an Opening Auction is the range from a set percentage below the Collar Midpoint (which is generally the Volume Based Tie Breaker) to above the Collar Midpoint.¹⁷ The Collar Midpoint (and Volume Based Tie Breaker) will be the midpoint of the NBBO where there is a Valid NBBO. Where there is no Valid NBBO, the FLSET will be used as the Collar Midpoint (and Volume Based Tie Breaker).

Proposed Changes to the Opening Auction Process

The Exchange proposes to change its Opening Auction in circumstances where the Indicative Price¹⁸ is outside the Collar Price Range - whether an FLSET-established Collar Price Range or NBBO-established Collar Price Range.¹⁹ In these circumstances, BZX proposes to delay the Opening Auction, as follows:

1. BZX would implement an initial five-second delay period (9:30:00-9:30:05 a.m.). During this delay period, the system will check every second to determine whether (1) there is a Valid NBBO and the Indicative Price is within the NBBO-established Collar Price Range, or (2) there is no Valid NBBO and the Indicative Price is within

¹⁴ NBBO is defined in BZX Rule 1.5(o) as “the national best bid or offer.”

¹⁵ Valid NBBO is defined in BZX Rule 11.23(a)(23) as an 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. Id.

¹⁶ FLSET is defined in BZX Rule 11.23(a)(9) as “the last round lot trade occurring during Regular Trading Hours on the Exchange if the trade was executed within the last one second prior to either the Closing Auction or, for Halt Auctions, trading in the security being halted. Where the trade was not executed within the last one second, the last round lot trade reported to the consolidated tape received by the Exchange during Regular Trading Hours and, where applicable, prior to trading in the security being halted will be used. If there is no qualifying trade for the current day, the BZX Official Closing Price from the previous trading day will be used.”

¹⁷ See supra note 9.

¹⁸ The term "Indicative Price" means the price at which the most shares from the Auction Book and the Continuous Book would match. In the event of a volume based tie at multiple price levels, the Indicative Price will be the price which results in the minimum total imbalance. In the event of a volume based tie and a tie in the minimum total imbalance at multiple price levels, the Indicative Price will be the price closest to the Volume Based Tie Breaker. See BZX Rule 11.23(a)(10).

¹⁹ See Notice. at 3589-90.

the FLSET-established Collar Price Range. If either condition is met, the Opening Auction price will be established pursuant to the Standard Opening Auction Process. If during any one-second check, there is no Indicative Price (meaning there is no longer crossed interest), the Opening Auction would occur immediately pursuant to proposed Rule 11.23(2)(B)(v), which provides that the BZX Official Opening Price will be the price of the FLSET.

2. If the Opening Auction has not occurred by 9:30:05, the System would widen the Collar Price Range in the direction of the Indicative Price by 5% of the Volume Based Tie Breaker²⁰ as of 9:30:05 a.m. (“Widening Amount”).²¹ The System would check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:30:05 and 9:30:30 a.m.
 - a. If the Indicative Price is within the widened Collar Price Range, the Opening Auction price would be established pursuant to the Standard Opening Auction Process.
 - b. If the Indicative Price is not within the widened Collar Price Range, the Opening Auction would be further delayed, as discussed below.
3. If by 9:30:30 a.m. the Indicative Price is not within the widened Collar Price Range, the Collar Price Range would again widen by the Widening Amount. The System would check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:30:30 and 9:31:30 a.m.
 - a. If an Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price would be established pursuant to the Standard Opening Auction Process.

²⁰ If there is no Valid NBBO, the FLSET would be used as the Volume Based Tie Breaker. See BZX Rule 11.23(a)(23).

²¹ The Widening Amount would be locked-in as of 9:30:05, and will not change between 9:30:05 and 9:34:30 even in the event that a round lot trade reported to the consolidated tape was received by the Exchange during that time (i.e., a FLSET).

- b. If the Indicative Price is not within the widened Collar Price Range, the Opening Auction would be further delayed, as discussed below.
- 4. If by 9:31:30 a.m. the Indicative Price is not within the widened Collar Price Range, the System will check to see whether the Indicative Price is inside the widened Collar Price Range every second between 9:31:30 and 9:34:30 a.m.
 - a. If an Indicative Price is inside the widened Collar Price Range during a check, the Opening Auction price would be established pursuant to the Standard Opening Auction Process.
 - b. Unless the Opening Auction has occurred, the Collar Price Range would widen in the direction of the Indicative Price by the Widening Amount each minute from 9:31:30 to 9:34:30.
- 5. If no Opening Auction has occurred by 9:34:30 a.m., the Opening Auction would occur pursuant to the Standard Opening Auction Process using the expanded Collar Price Range as of 9:34:30.

In summary, the Opening Auction would be delayed until either: (1) the NBBO becomes a Valid NBBO; (2) the Indicative Price is within the Collar Price Range (i.e., if the Opening Auction occurred between 9:30:01 and 9:30:05) or within the widened Collar Price Range (i.e., if the Opening Auction occurred between 9:30:06 and 9:34:30); (3) there no longer is an Indicative Price; or (4) four minutes and 30 seconds elapsed.

BZX states that the proposal is designed to increase the likelihood that auction eligible orders priced equally or more aggressive than the Indicative Price are able to participate in the Opening Auction at a price that reflects current market conditions, instead of being canceled because they are priced outside the FLSET-established Collar Price Range.²²

²² See Notice, at 3592.

BZX also proposes to modify the definition of BZX Official Opening Price in Rule 11.23(a)(5) to mean the price disseminated to the consolidated tape as the market center open (rather than market center opening trade). This proposed change would allow the Exchange to determine the BZX Official Opening Price by execution of either a round-lot or an odd-lot trade in the Opening Auction.

The BZX Official Opening Price and Limit Up Limit Down Bands

The Exchange states that the proposal will result in 1) fewer limit up-limit down (“LULD”) halts due to LULD bands that are based on a stale price; and 2) more accurate Collar Price Ranges that are based on current market conditions rather than the BZX Official Closing Price.²³ BZX believes that this proposal strikes an appropriate balance by providing additional time for the Opening Auction Process to facilitate more meaningful price formation that better reflects current market conditions for BZX-listed securities, while limiting any delay to ensure the BZX Official Price is still reported to the Securities Information Processor (“SIP”) by 9:35 a.m. and used to set the LULD price bands. The Exchange notes that, while there will be no LULD price bands until the Exchange disseminates a reference price and thus there will be no LULD price bands during the period before the Opening Auction Process occurs, this is a tradeoff that already exists as it relates to the opening process on the New York Stock Exchange LLC (“NYSE”), which may delay the opening process for an indefinite period of time..²⁴ Further, the Exchange states that any potential drawback in the delay of the LULD price bands is mitigated by the limited circumstances in which the delay would occur and that any LULD price bands disseminated during such delay may not be reflective of current market conditions.²⁵

II. Proceedings to Determine Whether to Approve or Disapprove SR-CboeBZX-2026-004 and Grounds for Disapproval Under Consideration

²³ See id.

²⁴ See id.

²⁵ See id.

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Exchange Act²⁶ to determine whether the proposed rule change should be approved or disapproved. Institution of such proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide comments on the proposed rule change to inform the Commission's analysis of whether to approve or disapprove the proposal.

Pursuant to Section 19(b)(2)(B) of the Exchange Act,²⁷ the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of, and input from commenters with respect to, the consistency of the proposal with Section 6(b)(5) of the Act,²⁸ which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, protect investors and the public interest; and not be designed to regulate by virtue of any authority conferred by the Exchange Act matters not related to the purposes of the Exchange Act or the administration of the exchange.

Pursuant to Section 19(b)(2)(B) of the Act,²⁹ the Commission is providing notice of the grounds for disapproval under consideration. As described above, the Exchange has proposed to amend the Opening Auction Process Provided Under Rule 11.23(b)(2)(B). In certain cases, the proposed Opening Auction Process would result in a delay in the calculation of the BZX Official Opening Price, which in most cases is the reference price for initial LULD price bands for BZX-listed securities. In particular, the Commission seeks comment on whether the proposal includes

²⁶ 15 U.S.C. 78s(b)(2)(B).

²⁷ Id.

²⁸ 15 U.S.C. 78f(b)(5).

²⁹ Id.

sufficient analysis to support a conclusion that the proposal is consistent with the requirements of Section 6(b)(5) of the Act,³⁰ including the requirements that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, protect investors and the public interest; and not be designed to regulate by virtue of any authority conferred by the Exchange Act matters not related to the purposes of the Exchange Act or the administration of the exchange.

III. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their data, views, and arguments with respect to the issues identified above, as well as any other concerns they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposed rule change is consistent with the Act, and the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of data, views, and arguments, the Commission will consider, pursuant to Rule 19b-4 under the Act,³¹ any request for an opportunity to make an oral presentation.³²

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change should be approved or disapproved by [INSERT DATE 21 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER]. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by [INSERT DATE 35 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].

Comments may be submitted by any of the following methods:

Electronic comments:

³⁰ 15 U.S.C. 78f(b)(5).

³¹ 17 CFR 240.19b-4.

³² Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Pub. L. 94-29 (June 4, 1975), grants to the Commission flexibility to determine what type of proceeding – either oral or notice and opportunity for written comments – is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

- Use the Commission’s Internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeBZX-2026-004 on the subject line.

Paper comments:

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

All submissions should refer to file number SR-CboeBZX-2026-004. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-CboeBZX-2026-004 and should be submitted by [INSERT DATE 21 DAYS AFTER THE DATE OF PUBLICATION IN THE FEDERAL REGISTER]. Rebuttal comments should be submitted by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

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

Vanessa A. Countryman,

Secretary.

³³ 17 CFR 200.30-3(a)(57).

