Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2025 - * 002
Amendment No. (req. for Amendments *)

Filing by Cboe Exchange, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
✓	☐	☐	☐	✓	☐

Pilot	Extension of Time Period for Commission Action *	Date Expires *
☐	☐	

Rule

☐ 19b-4(f)(1)	☐ 19b-4(f)(4)
☐ 19b-4(f)(2)	☐ 19b-4(f)(5)
☐ 19b-4(f)(3)	✓ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed rule change to permit TPHs to opt out of systematic adjustment of AIM auction price if outside of NBBO upon receipt.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name *	Laura	Last Name *	Dickman
Title *	VP, Associate General Counsel		
E-mail *	ldickman@cboe.com		
Telephone *	(312) 786-7572	Fax	

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Cboe Exchange, Inc.
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 01/08/2025

By Laura G. Dickman (Name *)

(Title *) VP, Associate General Counsel

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Laura Dickman Date: 2025.01.08 14:27:55 -06'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information * Add Remove View 25-002 19b-4 (AIM Automatch Opt-Ou	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View 25-002 Exhibit 1 (AIM Automatch Opt-	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2- Notices, Written Comments, Transcripts, Other Communications Add Remove View	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G. ☐ Exhibit Sent As Paper Document
Exhibit 3 - Form, Report, or Questionnaire Add Remove View	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change. ☐ Exhibit Sent As Paper Document
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View 25-002 Exhibit 5 (AIM Automatch Opt-	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Item 1. Text of the Proposed Rule Change

(a) Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend Rule 5.37. The text of the proposed rule change is provided below and in Exhibit 1.

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The Exchange's President (or designee) pursuant to delegated authority approved the proposed rule change on December 24, 2024. The Exchange will announce via Exchange Notice the implementation date of the proposed rule change no later than 60 days after the operative date of this rule filing.

(b) Please refer questions and comments on the proposed rule change to Pat Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7467, or Laura G. Dickman, (312) 786-7572, Cboe Exchange, Inc., 433 West Van Buren Street, Chicago, Illinois 60607.

Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The Exchange proposes to amend Rule 5.37 (Automated Price Improvement Mechanism ("AIM" or "AIM Auction")) and Rule 5.38 (Complex Automated Improvement Mechanism ("C-AIM" or "C-AIM Auction")) to modify the auto-match functionality. By way of background, Rules 5.37 and 5.38 contain the requirements applicable to the execution of orders using AIM and C-AIM, respectively. The AIM and C-AIM auctions are electronic auctions intended to provide an Agency Order with the opportunity to receive price improvement (over the National Best Bid or Offer ("NBBO") in AIM, or the synthetic best bid or offer ("SBBO") on the Exchange in C-AIM). Upon submitting an Agency Order into an AIM or C-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 (i.e., acts as a stop). During an AIM or C-AIM Auction, market participants may submit responses to trade against the Agency Order. At the end of an auction, depending on the contra-side interest available, the contra order may be allocated a certain percentage of the Agency Order.[1]

An Initiating TPH may initiate an AIM or C-AIM auction provided that the Agency Order is in a class and of sufficient size as determined by the Exchange. Further, there are requirements regarding the price at which the Initiating Order must stop the entire Agency Order, set forth in Rule 5.37(b) for AIM Auctions and Rule 5.38(b) for C-AIM Auctions. Requirements for the stop price depend on the order submitted, but the stop price generally must be at or better, or better (in certain circumstances), than the then-current NBBO (SBBO).[2] Further, under Rules 5.37(b)(5) and 5.38(b)(4), an Initiating TPH, in entering the contra-side order, must either (1) specify a single price at which it seeks to execute the Agency Order against the Initiating Order, or (2) specify an initial stop price and instruction to automatically match the price and size of all AIM or C-AIM responses and other contra-side trading interest ("auto-match") at each price up to a designated limit price, or at all prices, better than the price at which the balance of the Agency Order can be fully executed (the "final auction price"). Notwithstanding the price requirements in Rules 5.37(b)(1) through (4) and

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1 See generally Rules 5.37(e) and 5.38(e).

2 See generally Rules 5.37(b) and 5.38(b).

Rule 5.38(b)(1) through (3), if the initial stop price is worse than the then-current NBO (NBB) or SBO (SBB), respectively, and auto-match was selected, the System changes the initial stop price for the Agency Order to be the then-current NBO (NBB) or SBO (SBB), respectively (or one minimum increment better than the then-current NBO (NBB) or SBO (SBB) if the Agency Order is subject to the requirements set forth in Rule 5.37(b)(1)(A), (b)(2), or (b)(3) or Rule 5.38(b)(1)(A), (b)(2), or (b)(3), respectively). The System will reject or cancel both an Agency Order and Initiating Order submitted to an AIM or C-AIM Auction that do not meet the eligibility requirements set forth in Rules 5.37(a) and 5.38(a), and the stop price requirements set forth in Rules 5.37(b) and 5.38(b).

The functionality in provisions in Rule 5.37(b)(5) and 5.38(b)(4) pursuant to which the System will change the initial stop price for an Agency Order if that price is worse than the then-current NBO (NBB) or SBO (SBB), respectively, and auto-match was selected. This functionality was designed to address situations in which the market changes, as applicable, between the time that the User sends the order to the Exchange and the Exchange receives it may cause the System to reject AIM and C-AIM orders, respectively. For example, assume a TPH submits to AIM Auction an Agency Order to buy and an Initiating Order with a starting price of 1.25 and an auto-match limit of 1.10, and the then-current NBBO is 1.00 – 1.25. While in transit, the NBBO changes to 0.90 – 1.10. Without the ability for the System to adjust the auction price, the System would reject the orders, as the starting price (initial stop price) of 1.25 would have been outside the current NBBO (even though the firm has designated an auto-match limit of 1.10, which is equal to the NBBO at the time the Exchange receives the order). Ultimately, the Exchange believed having the System change the auction price in these circumstances would provide Agency Orders with additional opportunities for price improvement and execution.

The Exchange is proposing to amend Rules 5.37(b)(5)(B) and 5.38(b)(4)(B) to permit Initiating TPHs to opt-out of this price adjustment functionality, which would result in Agency Orders being rejected if the Initiating TPH selects auto-match and the initial stop price does not comply with the requirements set forth in Rules 5.37(b) or 5.38(b), as applicable (as was the case before this functionality was implemented).[3] As discussed above, the current price adjustment functionality may provide Agency Orders with additional price improvement opportunities However, the Exchange understands from market participants there may be situations in which this functionality may discourage the selection of auto-match, which could reduce price improvement and execution opportunities. The purpose of auto-match is for a firm that agrees to stop an Agency Order (as principal or solicited) would be willing to provide additional liquidity at improved (or further improved) prices of other liquidity providers' auction responses based on market prices at the time it sends an order.[4] However, the NBBO or SBBO, as applicable, may be set by the prices of customer orders (in addition to liquidity providers). Additionally, customer orders on the book are often for a small number of contracts relative to an Agency Order or auction responses. By adjusting the auction price for

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3 The Exchange implemented the functionality to adjust the auction starting price if the auction price was not within the NBBO in August 2023. See Cboe Exchange Notice ID C2023071802, available at Schedule Update - Cboe Options to Incorporate AIM Auto-Match Price into Validation Logic.

4 See Securities Exchange Act Release No. 52577 (October 7, 2005), 70 FR 60586 (October 18, 2005) (SR-CBOE-2005-60) (Notice of Filing of a Proposed Rule Change and Amendment No. 1 Thereto Relating to AIM, in which the proposed rule provision regarding auto-match provided that the contra-order would be willing to match the price and size of all auction responses); see also Securities Exchange Act Release No. 53222 (February 3, 2006), 71 FR 7089 (February 10, 2006) (SR-CBOE-2005-60) (Order Granting Approval of Proposed Rule Change and Amendment No. 1 Thereto and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 2 to the Proposed Rule Change Relating to an Automated Improvement Mechanism, in which the Exchange noted that the auto-match feature would double the available liquidity for the Agency Order).

an Agency Order for which auto-match was selected, that modifies the stop price at which the contra-side must be willing to execute all contracts for the Agency Order. While the contra-side may be willing to do so if that was consistent with overall market conditions, it may not be willing to do so if that price is dictated by a small customer order rather than liquidity providers whose quotes generally set the market, which may create price risk for those that are willing to provide liquidity to stop Agency Orders and disincentive use of the auto-match function.

To illustrate, suppose the NBBO is 1.00 – 1.25, with 50 non-customer contracts on each side. An Initiating TPH submits to an AIM Auction an Agency Order to buy 500 contracts at 1.20 based on that NBBO (and has selected auto-match with no limit price). However, while in transit to the Exchange (and thus before an AIM Auction begins), a customer order to sell one contract at 1.10 enters the market. Under the current rules, because the starting auction price (i.e., initial stop price) of 1.20 is now outside the current NBBO, the System would accept this pair of orders and adjust the auction starting price to 1.09 (due to the NBBO change). While this does permit an AIM Auction to proceed, the market interest to sell at 1.10 is only for one contract and may not reflect broader changes in market conditions. If the auction price is changed to 1.09, this may create additional risk for liquidity providers, because market conditions (and liquidity providers' risk profiles based on those conditions) do not support selling 500 contracts at 1.09. The market moving to an NBO of 1.10 because liquidity providers change their quotes in response to market conditions is different than a market moving to an NBO of 1.10 because of a small customer order. If no other interest was received during this AIM Auction, the Agency Order would execute as follows:

500 contracts against the Initiating Order @1.09

If the market had not moved until after the AIM Auction began, the Agency Order would instead have executed as follows:

1 contract against the sell order @ 1.10

1 contract against the Initiating Order @ 1.10

498 contracts against the Initiating Order at 1.20.

Such an execution may be more in line with the risk profile of the firm that stopped the Agency Order with the Initiating Order.

The proposed rule change would permit an Initiating TPH to opt-out of this starting price adjustment functionality and evaluate the market conditions. In the above example, if the Initiating TPH elected this opt out, the System would have rejected the paired order. The Initiating TPH would have then had the ability to evaluate the market based on the NBO change and enter a buy order to execute against the resting sell order at 1.10, and then resubmit the pair of orders with a stop price of 1.20, which was in line with the Initiating TPH's risk profile given the market conditions. Agency Orders would continue to have execution and price improvement opportunities, and liquidity providers would continue to have the ability to offer the additional liquidity available through auto-match functionality paired while also being provided with opportunities to evaluate changes in the market that occur while order are in transit to an AIM Auction. The Exchange believes this will continue to encourage liquidity providers to use auto-match and balance that with their risk profiles.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[5] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[6] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[7] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system, because it will provide TPHs with additional flexibility with respect to orders submitted into AIM Auctions and permit market participants (including liquidity providers) to manage their risk while continuing to offer price improvement opportunities to customers. The current functionality to adjust the initial stop price for an Agency Order if auto-match is selected if new orders enter the market while the Agency Order is in transit to the Exchange will provide Agency Orders with additional opportunities for price improvement and execution. However, as demonstrated above, there are circumstances in

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5 15 U.S.C. 78f(b).

6 15 U.S.C. 78f(b)(5).

7 Id.

which this functionality may cause the Initiating Order to execute at a price significantly different than anticipated as a result of small orders entering the book after the Agency and Initiating Orders were sent to the Exchange, which may discourage the selection of auto-match or discourage investors from providing liquidity to trade against Agency Orders.

The Exchange believes the proposed rule change to permit Initiating TPHs to opt-out of auto-match if the stop price in this situation balances the desire to provide price improvement opportunities to customers with the need for liquidity providers to manage their risk. Even if an Initiating TPH opts out of auto-match in this situation, which would cause the System to reject the Agency and Initiating Orders, the Initiating TPH would have the opportunity following this rejection to clear the order in the book that caused the rejection and re-submit the Agency and Initiating Orders, which would permit an AIM or C-AIM Auction (as applicable) to proceed in the manner the Initiating TPH had originally intended. The Exchange notes the proposed opt-out will apply to limited situations in which orders enter the market and change the NBBO or SBBO (as applicable) while an Agency Order and Initiating Order are in transit to the Exchange. Therefore, AIM and C-AIM Auctions will continue to provide customers with opportunities for price improvement while providing contra-side parties with opportunities to manage their risk continue to offer liquidity to execute against the interest of these customers.

Item 4. **<u>Self-Regulatory Organization's Statement on Burden on Competition</u>**

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because all Initiating TPHs can decide whether to continue to permit the System to adjust the auction price if it is worse than the then-current NBBO or SBBO or can opt out of that functionality. The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the proposed rule change relates solely to whether two Exchange auctions will begin or not in a specific circumstance. Other exchanges with similar auctions and similar auto-match functionality may modify their rules in the same manner if they so choose.

Item 5. <u>Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others</u>

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

Item 6. <u>Extension of Time Period for Commission Action</u>

Not applicable.

Item 7. <u>Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)</u>

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act[8] and Rule 19b-4(f)(6)[9] thereunder.

(b) The Exchange designates that the proposed rule change effects a change that (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public

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8 15 U.S.C. 78s(b)(3)(A).

9 17 CFR 240.19b-4(f)(6).

interest. Additionally, the Exchange has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

The Exchange believes the proposed rule change will not significantly affect the protection of investors or the public interest, because it will provide TPHs with additional flexibility with respect to orders submitted into AIM Auctions and permit market participants (including liquidity providers) to manage their risk while continuing to offer price improvement opportunities to customers. The current functionality to adjust the initial stop price for an Agency Order if auto-match is selected if new orders enter the market while the Agency Order is in transit to the Exchange will provide Agency Orders with additional opportunities for price improvement and execution. However, as demonstrated above, there are circumstances in which this functionality may cause the Initiating Order to execute at a price significantly different than anticipated as a result of small orders entering the book after the Agency and Initiating Orders were sent to the Exchange, which may discourage the selection of auto-match or discourage investors from providing liquidity to trade against Agency Orders.

The Exchange believes the proposed rule change to permit Initiating TPHs to opt-out of auto-match if the stop price in this situation balances the desire to provide price improvement opportunities to customers with the need for liquidity providers to manage their risk. Even if an Initiating TPH opts out of auto-match in this situation, which would cause the System to reject the Agency and Initiating Orders, the Initiating TPH would have the opportunity following this rejection to clear the order in the book that caused the rejection and re-submit the Agency and Initiating Orders, which would permit an AIM or C-AIM Auction (as applicable) to proceed in the manner the Initiating TPH had originally intended. The Exchange notes the proposed opt-out will apply to limited situations in which orders enter the market and change the NBBO or SBBO (as applicable) while an Agency Order and Initiating Order are in transit to the Exchange. Therefore, AIM and C-AIM Auctions will continue to provide customers with opportunities for price improvement while providing contra-side parties with opportunities to manage their risk continue to offer liquidity to execute against the interest of these customers.

Additionally, the Exchange believes the proposed rule change will not impose any significant burden on competition, because all Initiating TPHs can decide whether to continue to permit the System to adjust the auction price if it is worse than the then-current NBBO or SBBO or can opt out of that functionality. The proposed rule change relates solely to whether two Exchange auctions will begin or not in a specific circumstance. Other exchanges with similar auctions and similar auto-match functionality may modify their rules in the same manner if they so choose.

The proposed rule change is not novel. If an Initiating TPH opts out of the auction price adjustment functionality, the result is that the Agency and Initiating Orders that TPH submitted to the Exchange would be handled by the System in the same manner as they were prior to the functionality change that was implemented in August 2023. The proposed rule change merely gives Initiating TPHs flexibility with respect to how the System will handle the orders they submit into an AIM Auction — specifically, whether the System will adjust the stop price of an Agency Order in limited circumstances or whether the System will consider the stop price input by the Initiating TPH when determining whether to commence an AIM Auction. In other words, an Initiating TPH will have the opportunity to opt out of systematic price adjustments the TPH may not want.

For the foregoing reasons, this rule filing qualifies as a "non-controversial" rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this 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 will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

(c) Not applicable.

(d) Not applicable.

Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on a rule either of another self-regulatory organization or of the Commission.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 5. Proposed rule text.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-CBOE-2025-002]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Permit TPHs to Opt Out of Systematic Adjustment of AIM Auction Price if Outside of NBBO Upon Receipt

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on [insert date], Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[3] and Rule 19b-4(f)(6) thereunder.[4] 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 proposed to amend its rules regarding the simple and complex Automated Improvement Mechanism ("AIM") to permit TPHs to opt out of the systematic adjustment of the auction price if that price is outside the NBBO upon receipt by the Exchange's System. The text of the proposed rule change is provided in Exhibit 5.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A)(iii).

4 17 CFR 240.19b-4(f)(6).

The text of the proposed rule change is also available on the Exchange's website (http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Rule 5.37 (Automated Price Improvement Mechanism ("AIM" or "AIM Auction")) and Rule 5.38 (Complex Automated Improvement Mechanism ("C-AIM" or "C-AIM Auction")) to modify the auto-match functionality. By way of background, Rules 5.37 and 5.38 contain the requirements applicable to the execution of orders using AIM and C-AIM, respectively. The AIM and C-AIM auctions are electronic auctions intended to provide an Agency Order with the opportunity to receive price improvement (over the National Best Bid or Offer ("NBBO") in AIM, or the synthetic best bid or offer ("SBBO") on the Exchange in C-AIM). Upon submitting an Agency Order into an AIM or C-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 (i.e., acts as a stop). During an AIM or C-AIM Auction, market participants may submit responses to trade against the Agency Order. At the end of an auction, depending on the contra-side interest available, the contra order may be allocated a certain percentage of the Agency Order.[5]

An Initiating TPH may initiate an AIM or C-AIM auction provided that the Agency Order is in a class and of sufficient size as determined by the Exchange. Further, there are requirements regarding the price at which the Initiating Order must stop the entire Agency Order, set forth in Rule 5.37(b) for AIM Auctions and Rule 5.38(b) for C-AIM Auctions. Requirements for the stop price depend on the order submitted, but the stop price generally must be at or better, or better (in certain circumstances), than the then-current NBBO (SBBO).[6] Further, under Rules 5.37(b)(5) and 5.38(b)(4), an Initiating TPH, in entering the contra-side order, must either (1) specify a single price at which it seeks to execute the Agency Order against the Initiating Order, or (2) specify an initial stop price and instruction to automatically match the price and size of all AIM or C-AIM responses and other contra-side trading interest ("auto-match") at each price up to a designated limit price, or at all prices, better than the price at which the balance of the Agency Order can be fully executed (the "final auction price"). Notwithstanding the price requirements in Rules 5.37(b)(1) through (4) and Rule 5.38(b)(1) through (3), if the initial stop price is worse than the then-current NBO (NBB) or SBO (SBB), respectively, and auto-match was selected, the System changes the initial stop price for the Agency Order to be the then-current NBO (NBB) or SBO (SBB), respectively (or one minimum increment better than the then-current NBO (NBB) or SBO (SBB) if the Agency Order is subject to the requirements set forth in Rule 5.37(b)(1)(A), (b)(2), or (b)(3)

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5 See generally Rules 5.37(e) and 5.38(e).

6 See generally Rules 5.37(b) and 5.38(b).

or Rule 5.38(b)(1)(A), (b)(2), or (b)(3), respectively). The System will reject or cancel both an Agency Order and Initiating Order submitted to an AIM or C-AIM Auction that do not meet the eligibility requirements set forth in Rules 5.37(a) and 5.38(a), and the stop price requirements set forth in Rules 5.37(b) and 5.38(b).

The functionality in provisions in Rule 5.37(b)(5) and 5.38(b)(4) pursuant to which the System will change the initial stop price for an Agency Order if that price is worse than the then-current NBO (NBB) or SBO (SBB), respectively, and auto-match was selected. This functionality was designed to address situations in which the market changes, as applicable, between the time that the User sends the order to the Exchange and the Exchange receives it may cause the System to reject AIM and C-AIM orders, respectively. For example, assume a TPH submits to AIM Auction an Agency Order to buy and an Initiating Order with a starting price of 1.25 and an auto-match limit of 1.10, and the then-current NBBO is 1.00 – 1.25. While in transit, the NBBO changes to 0.90 – 1.10. Without the ability for the System to adjust the auction price, the System would reject the orders, as the starting price (initial stop price) of 1.25 would have been outside the current NBBO (even though the firm has designated an auto-match limit of 1.10, which is equal to the NBBO at the time the Exchange receives the order). Ultimately, the Exchange believed having the System change the auction price in these circumstances would provide Agency Orders with additional opportunities for price improvement and execution.

The Exchange is proposing to amend Rules 5.37(b)(5)(B) and 5.38(b)(4)(B) to permit Initiating TPHs to opt-out of this price adjustment functionality, which would result in Agency Orders being rejected if the Initiating TPH selects auto-match and the initial stop price does not comply with the requirements set forth in Rules 5.37(b) or 5.38(b), as applicable (as was the case before this functionality was implemented).[7] As discussed above, the current price adjustment functionality may provide Agency Orders with additional price improvement opportunities However, the Exchange understands from market participants there may be situations in which this functionality may discourage the selection of auto-match, which could reduce price improvement and execution opportunities. The purpose of auto-match is for a firm that agrees to stop an Agency Order (as principal or solicited) would be willing to provide additional liquidity at improved (or further improved) prices of other liquidity providers' auction responses based on market prices at the time it sends an order.[8] However, the NBBO or SBBO, as applicable, may be set by the prices of customer orders (in addition to liquidity providers). Additionally, customer orders on the book are often for a small number of contracts relative to an Agency Order or auction responses. By adjusting the auction price for an Agency Order for which auto-match was selected, that modifies the stop price at which the contra-side must be willing to execute all contracts for the Agency Order. While the contra-side may be willing to do so if that was consistent with overall market conditions, it may not be willing to do so if that price is dictated by a small customer order rather than liquidity providers whose quotes generally set the market, which may create price risk for those that

7 The Exchange implemented the functionality to adjust the auction starting price if the auction price was not within the NBBO in August 2023. See Cboe Exchange Notice ID C2023071802, available at Schedule Update - Cboe Options to Incorporate AIM Auto-Match Price into Validation Logic.

8 See Securities Exchange Act Release No. 52577 (October 7, 2005), 70 FR 60586 (October 18, 2005) (SR-CBOE-2005-60) (Notice of Filing of a Proposed Rule Change and Amendment No. 1 Thereto Relating to AIM, in which the proposed rule provision regarding auto-match provided that the contra-order would be willing to match the price and size of all auction responses); see also Securities Exchange Act Release No. 53222 (February 3, 2006), 71 FR 7089 (February 10, 2006) (SR-CBOE-2005-60) (Order Granting Approval of Proposed Rule Change and Amendment No. 1 Thereto and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 2 to the Proposed Rule Change Relating to an Automated Improvement Mechanism, in which the Exchange noted that the auto-match feature would double the available liquidity for the Agency Order).

are willing to provide liquidity to stop Agency Orders and disincentive use of the auto-match function.

To illustrate, suppose the NBBO is 1.00 – 1.25, with 50 non-customer contracts on each side. An Initiating TPH submits to an AIM Auction an Agency Order to buy 500 contracts at 1.20 based on that NBBO (and has selected auto-match with no limit price). However, while in transit to the Exchange (and thus before an AIM Auction begins), a customer order to sell one contract at 1.10 enters the market. Under the current rules, because the starting auction price (i.e., initial stop price) of 1.20 is now outside the current NBBO, the System would accept this pair of orders and adjust the auction starting price to 1.09 (due to the NBBO change). While this does permit an AIM Auction to proceed, the market interest to sell at 1.10 is only for one contract and may not reflect broader changes in market conditions. If the auction price is changed to 1.09, this may create additional risk for liquidity providers, because market conditions (and liquidity providers' risk profiles based on those conditions) do not support selling 500 contracts at 1.09. The market moving to an NBO of 1.10 because liquidity providers change their quotes in response to market conditions is different than a market moving to an NBO of 1.10 because of a small customer order. If no other interest was received during this AIM Auction, the Agency Order would execute as follows:

500 contracts against the Initiating Order @1.09

If the market had not moved until after the AIM Auction began, the Agency Order would instead have executed as follows:

1 contract against the sell order @ 1.10

1 contract against the Initiating Order @ 1.10

498 contracts against the Initiating Order at 1.20.

Such an execution may be more in line with the risk profile of the firm that stopped the Agency Order with the Initiating Order.

The proposed rule change would permit an Initiating TPH to opt-out of this starting price adjustment functionality and evaluate the market conditions. In the above example, if the Initiating TPH elected this opt out, the System would have rejected the paired order. The Initiating TPH would have then had the ability to evaluate the market based on the NBO change and enter a buy order to execute against the resting sell order at 1.10, and then resubmit the pair of orders with a stop price of 1.20, which was in line with the Initiating TPH's risk profile given the market conditions. Agency Orders would continue to have execution and price improvement opportunities, and liquidity providers would continue to have the ability to offer the additional liquidity available through auto-match functionality paired while also being provided with opportunities to evaluate changes in the market that occur while order are in transit to an AIM Auction. The Exchange believes this will continue to encourage liquidity providers to use auto-match and balance that with their risk profiles.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[9] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[10]

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[9] 15 U.S.C. 78f(b).

[10] 15 U.S.C. 78f(b)(5).

requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[11] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system, because it will provide TPHs with additional flexibility with respect to orders submitted into AIM Auctions and permit market participants (including liquidity providers) to manage their risk while continuing to offer price improvement opportunities to customers. The current functionality to adjust the initial stop price for an Agency Order if auto-match is selected if new orders enter the market while the Agency Order is in transit to the Exchange will provide Agency Orders with additional opportunities for price improvement and execution. However, as demonstrated above, there are circumstances in which this functionality may cause the Initiating Order to execute at a price significantly different than anticipated as a result of small orders entering the book after the Agency and Initiating Orders were sent to the Exchange, which may discourage the selection of auto-match or discourage investors from providing liquidity to trade against Agency Orders.

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11 Id.

The Exchange believes the proposed rule change to permit Initiating TPHs to opt-out of auto-match if the stop price in this situation balances the desire to provide price improvement opportunities to customers with the need for liquidity providers to manage their risk. Even if an Initiating TPH opts out of auto-match in this situation, which would cause the System to reject the Agency and Initiating Orders, the Initiating TPH would have the opportunity following this rejection to clear the order in the book that caused the rejection and re-submit the Agency and Initiating Orders, which would permit an AIM or C-AIM Auction (as applicable) to proceed in the manner the Initiating TPH had originally intended. The Exchange notes the proposed opt-out will apply to limited situations in which orders enter the market and change the NBBO or SBBO (as applicable) while an Agency Order and Initiating Order are in transit to the Exchange. Therefore, AIM and C-AIM Auctions will continue to provide customers with opportunities for price improvement while providing contra-side parties with opportunities to manage their risk continue to offer liquidity to execute against the interest of these customers.

B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because all Initiating TPHs can decide whether to continue to permit the System to adjust the auction price if it is worse than the then-current NBBO or SBBO or can opt out of that functionality. The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the proposed rule change relates solely to whether two Exchange auctions will begin or not in a specific circumstance. Other exchanges with similar auctions and similar auto-match functionality may modify their rules in the same manner if they so choose.

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

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

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

Because the foregoing proposed rule change does not:

A. significantly affect the protection of investors or the public interest;

B. impose any significant burden on competition; and

C. 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) of the Act[12] and Rule 19b-4(f)(6)[13] thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

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[12] 15 U.S.C. 78s(b)(3)(A).

[13] 17 CFR 240.19b-4(f)(6).

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include file number SR-CBOE-2025-002 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-CBOE-2025-002. 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 submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m.

Copies of the filing also 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-CBOE-2025-002 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[14]

Sherry R. Haywood,

Assistant Secretary.

Secretary

[14] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

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Rules of Cboe Exchange, Inc.

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Rule 5.37. Automated Improvement Mechanism ("AIM" or "AIM Auction")

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(b) *Stop Price.* The Initiating Order must stop the entire Agency Order at a price that satisfies the following:

(1) – (4) No change.

(5) *Single Price or Auto-Match.* The Initiating TPH must specify:

(A) a single price at which it seeks to execute the Agency Order against the Initiating Order (a "single-price submission"), including whether it elects to have last priority in allocation (as described in subparagraph (e)(5) below); or

(B) an initial stop price and instruction to automatically match the price and size of all AIM responses and other contra-side trading interest ("auto-match") at each price up to a designated limit price, or at all prices, better than the price at which the balance of the Agency Order can be fully executed (the "final auction price"). Notwithstanding subparagraphs (b)(1) through (4) above, if the initial stop price is worse than the then-current NBO (NBB) and auto-match was selected, the System changes the initial stop price for the Agency Order to be the then-current NBO (NBB) (or one minimum increment better than the then-current NBO (NBB) if the Agency Order is subject to the requirements set forth in subparagraphs (b)(1)(A), (b)(2), or (b)(3) above), unless the Initiating TPH opts out of this price adjustment functionality.

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Rule 5.38. Complex Automated Improvement Mechanism ("C-AIM" or "C-AIM Auction")

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(b) *Stop Price.* The Initiating Order must stop the entire Agency Order at a price that satisfies the following:

(1) – (3) No change.

(4) *Execution Price.* The Initiating TPH must specify:

(A) a single price at which it seeks to execute the Agency Order against the Initiating Order (a “single-price submission”), including whether it elects to have last priority in allocation (as described in subparagraph (e)(4) below); or

(B) an initial stop price and instruction to automatically match the price and size of all C-AIM responses and other trading interest (“auto-match”) up to a designated limit price or at all prices that improve the stop price. Notwithstanding subparagraphs (b)(1) through (3) above, if the initial stop price is worse than the then-current SBO (SBB) 311 and auto-match was selected, the System changes the initial stop price for the Agency Order to be the then-current SBO (SBB) (or one minimum increment better than the then-current SBO (SBB) if the Agency Order is subject to the requirements set forth in subparagraphs (b)(1)(A), (b)(2), or (b)(3) above), unless the Initiating TPH opts out of this price adjustment functionality.

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