Required fields are shown with yellow backgrounds and asterisks.

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

File No. * SR 2025 - * 013
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 *).

The Exchange proposes to amend its rules related to the Preferred Market Maker participation entitlement.

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 * Sarah Last Name * Williams

Title * Senior Counsel

E-mail * swilliams@cboe.com

Telephone * (224) 461-6793 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 02/25/2025

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: 2025.02.25 11:25:31 -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 25-013 (PMM Changes) 19b4.docx	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 25-013 (PMM Changes) Exhibit 1.doc	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 25-013 (PMM Changes) Exhibit 5.doc	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 5.32 (Order and Quote Book Processing, Display, Priority, and Execution) to amend the participation entitlement percentages for Preferred Market-Makers ("PMMs") to apply a 60%/40% participation entitlement percentage structure, change how the System rounds fractional fills resulting from the PMM participation entitlement percentage structure for orders of more than one contract, and amend the rules so that a PMM will receive, at the very least, one contract under the participation entitlement, if the PMM has a quote at the best price (i.e., highest bid or lowest offer). The text of the proposed rule change is provided in Exhibit 5.

(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 November 27, 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 Sarah Williams, (224) 461-6793, 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 its rules related to the Preferred Market-Maker ("PMM") participation entitlement. Rule 5.32(a)(2)(B) governs participation entitlements for PMMs, along with Designated Market-Makers ("DPMs") and Lead Market-Makers ("LMMs"), and currently provides that the Exchange may apply one or more of the DPM, LMM, and PMM participation entitlements (in any sequence) to a class. Pursuant to the rule, if the PMM, as applicable, has a quote at the highest bid or lower offer, it will receive the greater of (i) the number of the contracts it would receive pursuant to the applicable base allocation algorithm and (ii) 50% of the contracts if there is one other non-Priority Customer, or 40% of the contracts if there are two or more non-Priority Customers with orders or quotes on the Book at that price.

The Exchange now proposes changes to the PMM participation entitlement. First, the Exchange proposes to amend the participation entitlement percentages for PMMs to apply a 60%/40% participation entitlement percentage structure for PMMs (rather than 50%/40%). Specifically, the Exchange proposes to allocate 60% of the contracts if there is one other non-Priority Customer and 40% of the contracts if there are two or more non-Priority Customers with orders or quotes on the Book at that price. This change will align the PMM participation entitlement percentage with that of at least one other options exchange.[1]

Next, the Exchange proposes a change to how the System rounds fractional fills resulting from the PMM participation entitlement percentage structure for orders of more than

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1 See EDGX Rule 21.8(d)(f)(1).

one contract. The Exchange also proposes to include such information within Rule 5.32(a)(2)(B). Currently, fractional fills resulting from the PMM participation entitlement percentage structure are rounded down; the Exchange proposes to amend Rule 5.32(a)(2)(B) to add proposed subsection (a)(2)(B)(v) which provides that for orders of more than one contract, if the PMM participation entitlement applies, the executable quantity is allocated to the nearest whole number, with fractions ½ or greater rounded up and fractions less than ½ rounded down, as applicable.[2]

Finally, the Exchange proposes to amend Rule 5.32(a)(2)(B) to provide that, if the PMM priority overlay is in effect for an option class and the PMM has a quote at the highest bid or lowest offer, the PMM will receive the greatest of (i) the number of the contracts it would receive pursuant to the applicable base allocation algorithm, (ii) 60% of the contracts if there is one other non-Priority Customer, or 40% of the contracts if there are two or more non-Priority Customers with orders or quotes on the Book at that price and (iii) one contract. Such change will cause a PMM to receive, at the very least, one contract under the participation entitlement, if the PMM has a quote at the best price (i.e., highest bid or lowest offer). This change is consistent with the intent of the participation entitlement, which is to provide PMMs with a benefit for their heightened quoting obligations. Currently, there exists certain scenarios that may result in zero contracts being allocated to a PMM who should otherwise have priority.

For example, assume that, after the Priority Customer overlay is applied, there remains one contract in an order. If the PMM has at least one contract at the best price and there is one

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[2] The Exchange notes that under the proposed changes, there may be rare instances in which a PMM may receive more than the 60%/40% participation entitlement (limited only to circumstances where such higher percentage is the result of the rounding process described herein).

other non-Priority Customer, the PMM will be allocated the contract, based on the 60% PMM allocation. However, if the PMM has five contracts at the best price, Firm B has five contracts at the best price, and Firm C has ten contracts at the best price, Firm C will be allocated the contract ahead of the PMM, based on the 40% PMM allocation (i.e., 40% of one contract would round down to zero). Thus, the proposed rule change is intended to allocate the one contract to the PMM in this situation, which the Exchange believes will continue to encourage PMMs to provide liquidity on the Exchange.

(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.[3] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[4] 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)[5]

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[3] 15 U.S.C. 78f(b).

[4] 15 U.S.C. 78f(b)(5).

[5] Id.

requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes the proposed rule changes will remove impediments to and perfect the mechanism of a free and open market and a national market system. Specifically, the Exchange believes amending the participation entitlement percentages for PMMs to apply a 60%/40% participation entitlement percentage structure for PMMs (rather than 50%/40%) will provide an appropriate balance to the PMMs' heightened quoting obligations and continue to incentivize PMMs to competitively quote and attract order flow to the Exchange. This benefits the Exchange and its customers by adding liquidity to the Exchange's markets. As noted above, the rules of another options exchange provide a similar participation entitlement percentage structure for PMMs.[6]

Similarly, the Exchange believes the proposed change regarding how the System rounds the number of contracts for orders of more than one contract when they cannot be allocated proportionally in whole numbers pursuant to the participation entitlement percentage structure for PMMs adds detail to the rules regarding the allocation process and provides a fair, objective process for rounding and distribution in situations in which the number of contracts may not be allocated proportionally in whole numbers. The Exchange believes adding these details will better enable investors to understand how the System allocates trades and affords priority. Further, distributing contracts in this manner when they cannot be allocated proportionally in whole numbers is a standard practice, utilized

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6 See EDGX Rule 21.8(d)(f)(1).

for other allocation algorithms at the Exchange, such as the pro-rate base allocation algorithm.[7]

The Exchange believes the proposed change to allocate to a PMM at least one contract under the participation entitlement if the PMM has a quote at the best price (i.e., highest bid or lowest offer) will cause PMMs to receive a benefit in exchange for their heightened quoting obligations, consistent with the intent of the participation entitlement. The Exchange believes that the proposed changes will continue to incentivize PMMs to provide tighter markets, by enhancing their ability to compete for order flow, thereby potentially increasing order flow to the Exchange, resulting in greater liquidity, to the benefit of investors.

Finally, the proposed rule changes further remove impediments to a free and open market and do not unfairly discriminate among market participants, as the changes will apply to all PMMs uniformly. The Exchange believes it is reasonable for PMMs to receive a preferential allocation, as they have heightened quoting obligations. As noted above, the Exchange believes the proposed changes will encourage PMMs to continue to provide liquidity, thereby providing more trading opportunities and tighter spreads, to the benefit of investors.

Item 4. 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 proposed rule change will not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act,

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7 See Rule 5.32(a)(1)(B).

because the proposed rule change will apply in the same manner to all PMMs. To the extent PMMs would receive a preferential allocation, as stated above, this is consistent with the intent of the participation entitlement, which is to provide PMMs with a benefit for their heightened quoting obligations, which may provide more active and liquid markets, thereby providing a robust market which benefits all market participants. The proposed rule change has no impact on intermarket competition, as it applies to the allocation of PMM orders on the Exchange.

Item 5. 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.

Item 6. Extension of Time Period for Commission Action

Not applicable.

Item 7. 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)

(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 interest. Additionally, the Exchange has given the Commission written notice of its intent

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

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

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.

In particular, the Exchange believes the proposed rule changes do not significantly affect the protection of investors or the public interest. Particularly, the proposed changes related to preferential allocation for PMMs are designed to be consistent with the intent of the PMM participation entitlement, which is to provide PMMs with a benefit for their heightened quoting obligations, which may result in greater liquidity and more trading opportunities, to the benefit of investors.

Further, the Exchange believes adding details regarding how the System rounds the number of contracts for orders of more than one contract when they cannot be allocated proportionally in whole numbers pursuant to the participation entitlement percentage structure for PMMs will better enable investors to understand how the System allocates trades and affords priority. As noted above, distributing contracts in the proposed manner is a standard practice, utilized for other priority allocation algorithms at the Exchange, such as the pro-rate base allocation algorithm.[10]

Finally, the Exchange believes the proposed rule changes do not impose any significant burden on competition, as the changes will apply to all PMMs uniformly. To the extent PMMs would receive a preferential allocation, as stated above, this is consistent with the intent of the participation entitlement, which is to provide PMMs with a benefit for their heightened quoting obligations, which may provide more active and liquid markets, thereby providing a robust market which benefits all market participants.

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10 See Rule 5.32(a)(1)(B).

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.

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. The Exchange believes waiver of the operative delay is consistent with the protection of investors and the public interest because it will allow the Exchange to more expeditiously implement the proposed changes to preferential allocation for PMMs and eliminate certain scenarios that may result in zero contracts being allocated to a PMM who should otherwise have priority. As noted above, the changes were designed to be consistent with the intent of the PMM participation entitlement (i.e., provide PMMs with a benefit for their heightened quoting obligations), and the Exchange believes the changes may result in greater liquidity and more trading opportunities, to the benefit of investors. Further, the proposed change regarding how the System rounds the number of contracts for orders of more than one contract when they cannot be allocated proportionally in whole numbers is not novel, as the rounding system is utilized for other allocation algorithms at the Exchange, such as the pro-rate base allocation algorithm.[11] As noted above, the Exchange

[11] See Rule 5.32(a)(1)(B).

believes adding details regarding how the System rounds the number of contracts for orders of more than one contract when they cannot be allocated proportionally in whole numbers pursuant to the participation entitlement percentage structure for PMMs will better enable investors to understand how the System allocates trades and affords priority.

(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-2025-013]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend its Rules Related to the Preferred Market-Maker ("PMM") Participation Entitlement

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 Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend Rule 5.32 (Order and Quote Book Processing, Display, Priority, and Execution) to amend the participation entitlement percentages for Preferred Market-Makers ("PMMs") to apply a 60%/40% participation entitlement percentage structure, change how the System rounds fractional fills resulting from the PMM participation entitlement percentage structure for orders of more than one contract, and amend the rules so that a PMM will receive, at the very least, one contract under the participation entitlement, if the PMM has a quote at the

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

2 17 CFR 240.19b-4.

best price (i.e., highest bid or lowest offer). The text of the proposed rule change is provided in Exhibit 5.

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 its rules related to the Preferred Market-Maker ("PMM") participation entitlement. Rule 5.32(a)(2)(B) governs participation entitlements for PMMs, along with Designated Market-Makers ("DPMs") and Lead Market-Makers ("LMMs"), and currently provides that the Exchange may apply one or more of the DPM, LMM, and PMM participation entitlements (in any sequence) to a class. Pursuant to the rule, if the PMM, as applicable, has a quote at the highest bid or lower offer, it will receive the greater of (i) the number of the contracts it would receive pursuant to the applicable base allocation algorithm and (ii) 50% of the contracts if there is one other non-Priority Customer, or 40% of the contracts if there are two or more non-Priority Customers with orders or quotes on the Book at that price.

The Exchange now proposes changes to the PMM participation entitlement. First, the Exchange proposes to amend the participation entitlement percentages for PMMs to apply a 60%/40% participation entitlement percentage structure for PMMs (rather than 50%/40%). Specifically, the Exchange proposes to allocate 60% of the contracts if there is one other non-Priority Customer and 40% of the contracts if there are two or more non-Priority Customers with orders or quotes on the Book at that price. This change will align the PMM participation entitlement percentage with that of at least one other options exchange.[3]

Next, the Exchange proposes a change to how the System rounds fractional fills resulting from the PMM participation entitlement percentage structure for orders of more than one contract. The Exchange also proposes to include such information within Rule 5.32(a)(2)(B). Currently, fractional fills resulting from the PMM participation entitlement percentage structure are rounded down; the Exchange proposes to amend Rule 5.32(a)(2)(B) to add proposed subsection (a)(2)(B)(v) which provides that for orders of more than one contract, if the PMM participation entitlement applies, the executable quantity is allocated to the nearest whole number, with fractions ½ or greater rounded up and fractions less than ½ rounded down, as applicable.[4]

Finally, the Exchange proposes to amend Rule 5.32(a)(2)(B) to provide that, if the PMM priority overlay is in effect for an option class and the PMM has a quote at the highest bid or lowest offer, the PMM will receive the greatest of (i) the number of the contracts it would receive pursuant to the applicable base allocation algorithm, (ii) 60% of the contracts

3 See EDGX Rule 21.8(d)(f)(1).

4 The Exchange notes that under the proposed changes, there may be rare instances in which a PMM may receive more than the 60%/40% participation entitlement (limited only to circumstances where such higher percentage is the result of the rounding process described herein).

if there is one other non-Priority Customer, or 40% of the contracts if there are two or more non-Priority Customers with orders or quotes on the Book at that price and (iii) one contract. Such change will cause a PMM to receive, at the very least, one contract under the participation entitlement, if the PMM has a quote at the best price (i.e., highest bid or lowest offer). This change is consistent with the intent of the participation entitlement, which is to provide PMMs with a benefit for their heightened quoting obligations. Currently, there exists certain scenarios that may result in zero contracts being allocated to a PMM who should otherwise have priority.

For example, assume that, after the Priority Customer overlay is applied, there remains one contract in an order. If the PMM has at least one contract at the best price and there is one other non-Priority Customer, the PMM will be allocated the contract, based on the 60% PMM allocation. However, if the PMM has five contracts at the best price, Firm B has five contracts at the best price, and Firm C has ten contracts at the best price, Firm C will be allocated the contract ahead of the PMM, based on the 40% PMM allocation (i.e., 40% of one contract would round down to zero). Thus, the proposed rule change is intended to allocate the one contract to the PMM in this situation, which the Exchange believes will continue to encourage PMMs to provide liquidity on the Exchange.

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.[5] Specifically,

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

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.

The Exchange believes the proposed rule changes will remove impediments to and perfect the mechanism of a free and open market and a national market system. Specifically, the Exchange believes amending the participation entitlement percentages for PMMs to apply a 60%/40% participation entitlement percentage structure for PMMs (rather than 50%/40%) will provide an appropriate balance to the PMMs' heightened quoting obligations and continue to incentivize PMMs to competitively quote and attract order flow to the Exchange. This benefits the Exchange and its customers by adding liquidity to the Exchange's markets. As noted above, the rules of another options exchange provide a similar participation entitlement percentage structure for PMMs.[8]

Similarly, the Exchange believes the proposed change regarding how the System rounds the number of contracts for orders of more than one contract when they cannot be

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

7 Id.

8 See EDGX Rule 21.8(d)(f)(1).

allocated proportionally in whole numbers pursuant to the participation entitlement percentage structure for PMMs adds detail to the rules regarding the allocation process and provides a fair, objective process for rounding and distribution in situations in which the number of contracts may not be allocated proportionally in whole numbers. The Exchange believes adding these details will better enable investors to understand how the System allocates trades and affords priority. Further, distributing contracts in this manner when they cannot be allocated proportionally in whole numbers is a standard practice, utilized for other allocation algorithms at the Exchange, such as the pro-rate base allocation algorithm.[9]

The Exchange believes the proposed change to allocate to a PMM at least one contract under the participation entitlement if the PMM has a quote at the best price (i.e., highest bid or lowest offer) will cause PMMs to receive a benefit in exchange for their heightened quoting obligations, consistent with the intent of the participation entitlement. The Exchange believes that the proposed changes will continue to incentivize PMMs to provide tighter markets, by enhancing their ability to compete for order flow, thereby potentially increasing order flow to the Exchange, resulting in greater liquidity, to the benefit of investors.

Finally, the proposed rule changes further remove impediments to a free and open market and do not unfairly discriminate among market participants, as the changes will apply to all PMMs uniformly. The Exchange believes it is reasonable for PMMs to receive a preferential allocation, as they have heightened quoting obligations. As noted above, the Exchange believes the proposed changes will encourage PMMs to continue to provide

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[9] See Rule 5.32(a)(1)(B).

liquidity, thereby providing more trading opportunities and tighter spreads, to the benefit of investors.

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 proposed rule change will not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the proposed rule change will apply in the same manner to all PMMs. To the extent PMMs would receive a preferential allocation, as stated above, this is consistent with the intent of the participation entitlement, which is to provide PMMs with a benefit for their heightened quoting obligations, which may provide more active and liquid markets, thereby providing a robust market which benefits all market participants. The proposed rule change has no impact on intermarket competition, as it applies to the allocation of PMM orders on the Exchange.

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

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act[10] and paragraph (f) of Rule 19b-4[11] thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend

[10] 15 U.S.C. 78s(b)(3)(A).

[11] 17 CFR 240.19b-4(f).

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.

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-2025-013 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-2025-013. 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-2025-013 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.[12]

Sherry R. Haywood,

Assistant Secretary.

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

EXHIBIT 5

(additions are <u>underlined</u>; deletions are [bracketed])

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Rules of Cboe Exchange, Inc.

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Rule 5.32. Order and Quote Book Processing, Display, Priority, and Execution

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(a) *Priority and Allocation.* The Exchange determines which base allocation algorithm in subparagraph (1), and whether one or more of the priority overlays in subparagraph (2), applies on a class-by-class basis. Pursuant to any allocation algorithm and any priority overlay, the System only allocates to an order or quote (including a bulk message bid or offer) up to the number of contracts of that order or quote at the execution price.

(1) *Base Allocation Algorithms.*

(A) *Price-Time.* Resting orders and quotes on the Book with the highest bid and lowest offer have priority. If there are two or more resting orders or quotes at the same price, the System prioritizes them at the same price in the order in which the System received them (*i.e.*, in time priority).

(B) *Pro-Rata.* Resting orders and quotes on the Book with the highest bid and lowest offer have priority. If there are two or more resting orders at the same price, the System allocates orders proportionally according to size (*i.e.*, on a pro-rata basis). The System allocates executable quantity to the nearest whole number, with fractions ½ or greater rounded up (in size-time priority) and fractions less than ½ rounded down. If the executable quantity cannot be evenly allocated, the System distributes remaining contracts one at a time in size-time priority to orders that were rounded down.

(2) *Priority Overlays.* The Exchange may apply one or more of the priority overlays to a class in any sequence, except if the Exchange applies any participation entitlement pursuant to subparagraph (B) or the small order priority pursuant to subparagraph (C), it must apply the Priority Customer overlay in subparagraph (A) ahead of the participation entitlement and small-size order priority in the priority sequence. After the System executes an incoming order subject to the applicable priority overlays, the System executes any remaining orders resting on the Book (which are non-Priority Customer orders if the Exchange applies any of the overlays in subparagraphs (A) through (C)) pursuant to the applicable base allocation algorithm.

(A) *Priority Customer Overlay.* A Priority Customer order at the highest bid or lowest offer has priority over orders and quotes of all other market participants at that price. If there are two or more Priority Customer orders at the same price, the System prioritizes them in the order in which the System received them (*i.e.*, in time priority).

(B) *DPM/LMM/PMM Participation Entitlement.* The Exchange may apply one or more of the DPM, LMM, and PMM participation entitlements (in any sequence) to a class. If the DPM or LMM, as applicable, has a quote at the highest bid or lowest offer, it will receive the greater of (i) the number of contracts it would receive pursuant to the applicable base allocation algorithm and (ii) 50% of the contracts if there is one other non-Priority Customer, 40% of the contracts if there are two non-Priority Customers, or 30% of the contracts if there are three or more non-Priority Customers with orders or quotes on the Book at that price. If the PMM, as applicable, has a quote at the highest bid or lower offer, it will receive the greate[r]st of (i) the number of the contracts it would receive pursuant to the applicable base allocation algorithm, [and] (ii) [5]60% of the contracts if there is one other non-Priority Customer, or 40% of the contracts if there are two or more non-Priority Customers with orders or quotes on the Book at that price and (iii) one contract.

(i) Only one participation entitlement may apply to a trade (*e.g.*, if the Exchange applies a PMM participation entitlement and DPM participation entitlement to a class, with the PMM participation entitlement ahead of the DPM participation entitlement in the priority sequence, and both a PMM and DPM have a quote at the highest bid or lowest offer, the PMM will receive an entitlement on a trade and the DPM will not).

(ii) The participation entitlement is based on the number of non-Priority Customer contracts remaining after the Priority Customer overlay is applied.

(iii) If the Exchange appoints both an On-Floor LMM or DPM and Off-Floor DPM or LMM to a class, the On-Floor LMM or DPM, as applicable, may receive a participation entitlement with respect to orders represented in open outcry but not for orders executed electronically, and an Off-Floor DPM or LMM, as applicable, may receive a participation entitlement with respect to orders executed electronically but not orders represented in open outcry.

(iv) The DPM/LMM/PMM participation entitlement does not apply during Global Trading Hours or Curb Trading Hours.

(v) For orders of more than one contract, if the PMM participation entitlement applies, the executable quantity is allocated to the nearest whole number, with fractions 1/2 or greater rounded up and fractions less than 1/2 rounded down, as applicable.

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