

would not impose a burden on competition.

*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<sup>27</sup> and paragraph (f) of Rule 19b-4<sup>28</sup> 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.

**IV. Solicitation of Comments**

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

*Electronic Comments*

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-C2-2025-006 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090. All submissions should refer to file number SR-C2-2025-006. 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-C2-2025-006 and should be submitted on or before April 21, 2025.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>29</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-102727; File No. SR-CboeBYX-2025-008]

**Self-Regulatory Organizations; Cboe BYX Exchange, Inc.; Notice of Filing of a Proposed Rule Change To Amend Exchange Rule 11.25(e) To Allow Users To Utilize the Exchange's Match Trade Prevention Functionality When Entering Periodic Auction Orders Onto the Exchange for Execution**

March 25, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 14, 2025, Cboe BYX Exchange, Inc. ("Exchange" or "BYX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to

<sup>29</sup> 17 CFR 200.30-3(a)(12).

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

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

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 BYX Exchange, Inc. (the "Exchange" or "BYX") Cboe BYX Exchange, Inc. (the "Exchange" or "BYX") proposes to amend Exchange Rule 11.25(e) ("Priority and Execution of Orders") to allow (1) Users to utilize the Exchange's Match Trade Prevention ("MTP") functionality when entering Periodic Auction Orders onto the Exchange for execution; (2) add new rule text describing how the System will handle Periodic Auction Orders entered with MTP instructions when a Periodic Auction is *not* in progress; (3) add new rule text describing how the System will handle Periodic Auction Orders entered with MTP instructions when a Periodic Auction is in progress; and (4) add new rule text describing how System will handle Periodic Auction Orders entered with both an MTP instruction and Minimum Quantity instruction, when a Periodic Auction is in progress. 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://markets.cboe.com/us/equities/regulation/rule\\_filings/byx/](http://markets.cboe.com/us/equities/regulation/rule_filings/byx/)), 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 Exchange Rule 11.25(e) ("Priority and Execution of Orders") to allow (1) Users to utilize the Exchange's Match Trade Prevention ("MTP")<sup>3</sup> functionality when entering Periodic Auction

<sup>3</sup> See Rule 11.9(f).

<sup>27</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>28</sup> 17 CFR 240.19b-4(f).

Orders<sup>4</sup> onto the Exchange for execution; (2) add new rule text describing how the System<sup>5</sup> will handle Periodic Auction Orders entered with MTP instructions when a Periodic Auction is *not* in progress; (3) add new rule text describing how the System will handle Periodic Auction Orders entered with MTP instructions when a Periodic Auction is in progress; and (4) add new rule text describing how System will handle Periodic Auction Orders entered with both an MTP instruction and Minimum Quantity<sup>6</sup> instruction, when a Periodic Auction is in progress.

By way of background, MTP is an existing process<sup>7</sup> through which Users can prevent their incoming orders designated with a MTP modifier from executing against a resting opposite side order also designated with an MTP modifier and originating from the same market participant identifier (“MPID”), Exchange Member identifier, trading group identifier, Exchange Sponsored Participant identifier, affiliate identifier, or Multiple Access identifier (any such identifier, a “Unique Identifier”).<sup>8</sup> Both the buy and the sell order must include the same Unique Identifier in order to prevent an execution from occurring and to effect a cancel instruction. MTP is a valuable tool for Exchange Users because it allows them to better manage order their flow to prevent undesirable trading activity such as wash sales<sup>9</sup> or self-trades<sup>10</sup> that may occur because of

the high-speed nature of trading in today’s marketplace. MTP is an optional order instruction, and Users are not required to utilize this functionality. Rather, the Exchange offers this optional functionality for Users as a supplementary tool which they may choose to utilize in helping them comply with relevant securities, rules, laws, or regulations.

#### Proposed Rule Change

Currently, Rule 11.25(e) states that all MTP modifiers (as defined in Rule 11.9(f)(1)–(5)) for Periodic Auction Orders will be ignored for executions occurring during a Periodic Auction. As part of the Exchange’s prior Periodic Auction Rule filings,<sup>11</sup> the Exchange reasoned that MTP is mainly designed for use on the Continuous Book,<sup>12</sup> and use of MTP for Periodic Eligible Orders (“PAE”)<sup>13</sup> and Periodic Auction Only Orders (“PAO”)<sup>14</sup> (collectively, Periodic Auction Orders) may complicate the execution of an auction that requires the pooling and matching of multiple orders against other orders at the Periodic Auction Book Price.<sup>15</sup>

no change in beneficial ownership of the security.” FINRA requires members to have policies and procedures in place that are reasonably designed to review trading activity for, and prevent, a pattern or practice of self-trades resulting from orders originating from a single algorithm or trading desk, or related algorithms or trading desks. See FINRA Rule 5210, Supplementary Material .02, available at: <https://www.finra.org/rules-guidance/rulebooks/finra-rules/5210>.

<sup>11</sup> See Securities and Exchange Act Release No. 34–91423 (March 26, 2021), 86 FR 17230 (April 1, 2021) (SR-CboeBYX–2020–021).

<sup>12</sup> The term “Continuous Book” shall mean an order on the BYX Book that is not a Periodic Auction Order, and the term “Continuous Book” shall mean the System’s electronic file of such Continuous Book Orders. See Rule 11.25(a)(2), definition of “Continuous Book Order”.

<sup>13</sup> “A ‘Periodic Auction Eligible Order’ is a non-displayed limit order eligible to trade on the Continuous Book that is entered with an instruction to also initiate a Periodic Auction, if possible . . . Periodic Auction Eligible Orders will be ranked as Non-Displayed Limit Orders consistent with the priority of order outlined in Rule 11.12(a). An incoming Periodic Auction Eligible Order that is eligible both to trade on the Continuous Book and initiate a Periodic Auction against a Periodic Auction Only Order at the same price will trade immediately with the Continuous Book. Incoming Periodic Auction Eligible Orders will upon entry interact with Continuous Book Orders and other Periodic Auction Eligible Orders according to their rank under Rule 11.12(a). Periodic Auction Eligible Orders will not trade on the Continuous Book during a Periodic Auction Period in the security.” See 11.25(b)(2).

<sup>14</sup> “A ‘Periodic Auction Only Order’ is a non-displayed limit order entered with an instruction to participate solely in Periodic Auctions pursuant to this Rule 11.25. Periodic Auction Only Orders are not eligible for executions on the Continuous Book.” See Rule 11.25(b)(1). Hereinafter, Periodic Auction Only Orders as, “PAO Orders.”

<sup>15</sup> “The term ‘Periodic Auction Book Price’ shall mean the price within the Collar Price Range at which the most shares from the Periodic Auction

Based on User feedback, however, Users of Periodic Auctions desire the ability to utilize MTP for their Periodic Auction Orders (when the Periodic Auction is *not* in progress) to help them manage their order flow and prevent undesirable executions against themselves. Users are not asking to utilize MTP for their Periodic Auction Orders when a Periodic Auction is occurring.

Accordingly, the Exchange now seeks to allow Users to enter onto the Exchange Periodic Auction Orders with MTP instructions (“MTP Order”).<sup>16</sup> Importantly, allowing Users to enter MTP Orders will *not* impact how the Periodic Auction itself is conducted, and the proposed MTP functionality will *not* prevent the completion of a Periodic Auction once it has been initiated.

The Exchange also wishes to add rule text describing how the System will handle MTP Orders when a Periodic Auction is in progress. As proposed, when a Periodic Auction is in progress, there will be instances where the Exchange has elected to temporarily bypass the MTP instruction that a User has included on MTP Order or apply MTP and cancel an inbound MTP Order despite the fact that such order would trade with a MTP Order participating in the Periodic Auction originating from the same Unique Identifier. As described below, when a Periodic Auction is in progress, how the System<sup>17</sup> applies MTP will depend on whether the inbound MTP Order is a Continuous Book Order<sup>18</sup> or a Periodic Auction Order.

Book would match. In the event of a volume-based tie at multiple price-levels, the Periodic Auction Book Price will be the price that results in the minimum total imbalance. In the event of a volume-based tie and a tie in minimum total imbalance at multiple price levels, the Periodic Auction Book Price will be the price closest to the Volume Based Tie Breaker. The Periodic Auction Book Price will be expressed in the minimum increment for the security unless the midpoint of the NBBO establishes the Periodic Auction Book Price.” See 11.25(a)(5), definition of “Periodic Auction Book Price”.

<sup>16</sup> The Exchange notes that previous proposals extending the functionality of MTP to other trading scenarios were effective upon filing with the Commission. See Securities and Exchange Act Release No. 53429 (December 3, 2010), 75 FR 76763 (December 9, 2010) (SR–EDGX–2010–18); Securities and Exchange Act Release No. 34–96292 (November 10, 2022), 87 FR 68766 (November 16, 2022) (SR–CboeEDGX–2022–048).

<sup>17</sup> The term “System” shall mean the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away. See Rule 1.5(aa).

<sup>18</sup> The term “Continuous Book Order” shall mean an order on the BYX Book that is not a Periodic Auction Order, and the term “Continuous Book” shall mean System’s electronic file of such Continuous Book Orders. See Rule 11.25(a)(2).

<sup>4</sup> The term “Periodic Auction Order” shall mean a “Periodic Auction Only Order” or “Periodic Auction Eligible Order” as those terms are defined in Rules 11.25(b)(1)–(2), and the term “Periodic Auction Book” shall mean the System’s electronic file of such Periodic Auction Orders. See Rule 11.25(a)(6).

<sup>5</sup> The term “System” shall mean the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away. See Rule 1.5(aa).

<sup>6</sup> Minimum Quantity Order. A limit order to buy or sell that will only execute if a specified minimum quantity of shares can be obtained. See Rule 11.9(c)(5).

<sup>7</sup> The Exchange notes that previous proposals extending the functionality of MTP to other trading scenarios were effective upon filing with the Commission. See generally Securities and Exchange Act Release No. 53429 (December 3, 2010), 75 FR 76763 (December 9, 2010) (SR–EDGX–2010–18); Securities and Exchange Act Release No. 34–96292 (November 10, 2022), 87 FR 68766 (November 16, 2022) (SR–CboeEDGX–2022–048).

<sup>8</sup> See Rule 11.9(f)—Match Trade Prevention (“MTP”) Modifiers.

<sup>9</sup> A “wash sale” is generally defined as a trade involving no change in beneficial ownership that is intended to produce the false appearance of trading and is strictly prohibited under both the federal securities laws and FINRA rules. See, e.g., 15 U.S.C. 781(a)(1); FINRA Rule 6140(b) (“Other Trading Practices”).

<sup>10</sup> Self-trades are “transactions in a security resulting from the unintentional interaction of orders originating from the same firm that involve

First, proposed Rule 11.25(g)(1)(A) would state that if a Periodic Auction is in progress, and the inbound order is an MTP Continuous Book Order that would, but for application of MTP, execute against a contra-side resting MTP Periodic Auction Order participating in the Periodic Auction, then the System will not apply MTP upon entry of the MTP Continuous Book, or at the end of the Periodic Auction Period. Instead, the inbound MTP Continuous Book Order would be processed as set forth in Rule 11.25(a)–(e). The temporary bypassing of MTP in this scenario is due to the fact that while the inbound MTP Continuous Book orders *may* trade with the MTP Periodic Auction Order, it is just as likely that the MTP Continuous Book Order may not trade with the MTP Periodic Auction Order. As such, based on User feedback, the Exchange has elected to temporarily bypass MTP to prevent the cancelation of the inbound MTP Continuous Book Order and denying such order the chance from executing on the Continuous Book.

Second, proposed Rule 11.25(g)(1)(B) would state that if a Periodic Auction is in progress, and the inbound order is an MTP Periodic Auction Order that would, but for the application of MTP, join the Periodic Auction, and there is a resting contra-side MTP Continuous Book Order on the BYX Book, then the System will not apply MTP at the of the Periodic Auction Period. Rather, the inbound MTP Periodic Auction Order would be processed as set forth in Rule 11.25(a)–(e). Here, the Exchange believes that the temporarily bypassing MTP is warranted because the inbound MTP Periodic Auction Only Order may or may not end up trading with the MTP Continuous Book order at the end of the Periodic Auction Period. Specifically, based on feedback from its Users, the Exchange believes that canceling the resting MTP Continuous Book Order in this scenario would be overly restrictive, and based only on a mere *possibility* that the MTP Periodic Auction Only Order *might* trade with the resting MTP Continuous Book order. Moreover, while the Periodic Auction is in progress, the resting MTP Continuous Book order could receive an execution on the Continuous Book, and it would be more costly to deny an order an execution at its desired terms, than to cancel the order based on the possibility that it *may* trade with another MTP Order.

Third, proposed Rule 11.25(g)(1)(C) would state that if a Periodic Auction is in progress, and the inbound order is an MTP Periodic Auction Order that upon entry would, but for the application of

MTP, execute against a contra-side resting MTP Periodic Auction Order participating in the Periodic Auction, then the inbound MTP Periodic Auction Order will be canceled. In this scenario, the canceling the inbound MTP Periodic Auction Order is necessary in order to prevent disrupting the Periodic Auction. While this action may result in a User executing an undesirable wash sale, the Exchange does not wish to interrupt a Periodic Auction once it is initiated, as doing so may impact multiple Users, not just the User utilizing MTP.

Finally, proposed Rule 11.25(g)(2) would state that when a Periodic Auction is in progress, the System will ignore a Minimum Quantity instruction appended to an MTP Periodic Auction Order or an MTP Continuous Book Order. However, at the end of the Periodic Auction Period, Minimum Quantity Orders will execute in accordance with Rule 11.25(b)(2)(C). The Exchange notes it has designed the proposed MTP and Minimum Quantity Order functionality in this manner because the design of Exchange's Systems would require multiple scans of resting orders to determine whether an incoming MTP Periodic Auction Order's Minimum Quantity requirement could be satisfied. This additional System scan would add unnecessary complexity to the Periodic Auction process, potentially resulting in unwarranted order processing delays, and impacting the initiation and completion of a Periodic Auction based on *optional* risk checks that a single User has chosen to utilize, thereby unintentionally impacting other Users participating in the Periodic Auction.

Importantly, BYX notes that the bypassing of an inbound order's MTP modifier—whether a MTP Continuous Book Order or MTP Periodic Auction Order—is *temporary* and occurs only upon entry of the inbound order. At the conclusion of the Periodic Auction Period (*i.e.*, the Periodic Auction has completed and there is no Periodic Auction in progress), the System would again enforce the MTP modifier consistent with Rule 11.9(f) and proposed Rule 11.25(g)(2). While the scenarios described in proposed Rule 11.25(g)(1)(A)–(C) may result in certain executions occurring despite the User's inclusion of an MTP instruction, or the cancelation of their inbound Periodic Auction Order when the Periodic Auction is in progress, the Exchange believes this behavior is necessary and appropriate to help strike a responsible balance between providing Users with an *optional* risk tool and ensuring that Periodic Auctions will complete once initiated. Importantly, in designing this

functionality, the Exchange consulted with its Periodic Auction Users, as well as potential new Users, and explained the limitations of MTP for Periodic Auction Orders, including that in some instances, MTP modifiers may be temporarily bypassed, or that a User's inbound MTP Periodic Auction Order may be canceled because it is marketable versus their MTP Order participating in the Periodic Auction. Despite these noted limitations, Users still believe the proposed MTP functionality to be valuable and a reasonable compromise that is likely to foster their increased use of Periodic Auctions. Should Users find the proposed functionality to be too complex, or not sufficiently restrictive in how it applies MTP, Users are free to decline usage of MTP and instead rely on their own internal risk checks.

#### Periodic Auctions Background

Periodic Auctions are available on BYX during the Regular Trading Session (9:30 a.m. ET to 4:00 p.m. ET). Periodic Auction Orders (*i.e.*, PAOs or PAEs) are non-displayed, and Members may send PAOs or PAEs. PAOs will only execute in a Periodic Auction and are eligible to initiate a Periodic Auction when matched with a contra-side Periodic Auction Order. PAEs are eligible to trade with Continuous Book orders and may also participate in Periodic Auctions. PAEs are eligible to initiate a Periodic Auction when matched with a contra-side Periodic Auction Order. PAEs may also trade immediately upon entry with a resting Continuous Book order instead of initiating a Periodic Auction. PAEs will be locked from trading in the Continuous Book upon initiation of a Periodic Auction. In addition, Continuous Book orders, both displayed and non-displayed (*e.g.*, Midpoint Peg Orders) are not eligible to initiate a Periodic Auction but may be swept into the Periodic Auction at the end of the Periodic Auction Period.<sup>19</sup> A Periodic Auction is initiated when a buy (sell) Periodic Auction Order is eligible to trade with a sell (buy) Periodic Auction Order within the Collar Price Range.<sup>20</sup>

<sup>19</sup>The term "Periodic Auction Period" shall mean the fixed time period of 100 milliseconds for conducting a Periodic Auction. Notwithstanding the foregoing, a Periodic Auction initiated pursuant to Rule 11.25(c) will be performed at the end of the Regular Trading Session if the Periodic Auction Period would otherwise end after the Regular Trading Session. See Rule 11.25(a)(8).

<sup>20</sup>The term "Collar Price Range" shall mean the more restrictive of the Midpoint Collar Price Range, as defined in Rule 11.25(a)(1), and the Protected NBBO. Notwithstanding the foregoing, if the Collar Price Range calculated by the Exchange would be outside of the applicable Price Bands established

Once a Periodic Auction is initiated, a Periodic Auction message will be generated and disseminated via the Exchange's proprietary depth of book market data feed at a randomized time prior to the end of the auction. All Periodic Auctions will run for a fixed time period of 100 milliseconds. The Periodic Auction Book Price<sup>21</sup> will be the price where most shares will trade within the Collar Price Range. Orders are executed according to the following three priority levels: (1) Displayed Continuous Book orders will be executed first using price/time Priority; (2) Periodic Auction Orders will be executed second using Size/Time Priority; and (3) hidden Continuous Book orders will be executed third using standard BYX Priority.<sup>22</sup>

Example 1: Non-MTP Scenario, Periodic Auction Only or Periodic Auction Eligible Orders Initiate an Auction

- NBBO: 10.00 x 10.05
- Order 1: Buy 100 @10.05 Midpoint Peg—Periodic Auction Only/Eligible
- Order 2: Sell 100 @10.05 Midpoint Peg—Periodic Auction Only/Eligible
- Result: A Periodic Auction is initiated when Order 2 matches with Order 1

Example 2: Non-MTP Scenario, Periodic Auction Eligible Order Can Trade Immediately With Continuous Book

- NBBO: 10.00 x 10.10
- Order 1: Buy 100 @10.05 Midpoint Peg—Continuous Book order
- Order 2: Buy 100 @10.05 Midpoint Peg—Periodic Auction Only
- Order 3: Sell 100 @10.05 Midpoint Peg—Periodic Auction Eligible
- Result: Periodic Auction is not started; Order 1 and Order 3 trade immediately for 100 @10.05

Example 3: Non-MTP Scenario, Periodic Auction Only Order and Periodic Auction Eligible Order Start an Auction

- NBBO: 10.00 x 10.10
- Order 1: Buy 150 @10.05 Midpoint Peg—Periodic Auction Only

pursuant to the Limit Up-Limit Down Plan, the Collar Price Range will be capped at such Price Bands. See Rule 11.25(a)(1).

<sup>21</sup> The term "Periodic Auction Book Price" shall mean the price within the Collar Price Range at which the most shares from the Periodic Auction Book would match. In the event of a volume-based tie at multiple price levels, the Periodic Auction Book Price will be the price that results in the minimum total imbalance. In the event of a volume-based tie and a tie in minimum total imbalance at multiple price levels, the Periodic Auction Book Price will be the price closest to the Volume Based Tie Breaker. The Periodic Auction Book Price will be expressed in the minimum increment for the security unless the midpoint of the NBBO establishes the Periodic Auction Book Price. See Rule 11.25(a)(5).

<sup>22</sup> See Rule 11.12, Priority of Orders.

- Order 2: Sell 100 @10.05 Midpoint Peg; does not trade with Order 1 immediately or initiate a Periodic Auction
- Order 3: Sell 100 @10.05 Midpoint Peg—Periodic Auction Eligible
- Result:
  - Periodic Auction begins when Order 3 is entered;
  - Matched size and price message is sent for 100 @10.05 after X (random time period between 0–99 milliseconds) milliseconds.
  - Order 3 is locked from trading in the Continuous Book for entire duration of the Periodic Auction Period
  - Order 2 is still available for trading in the Continuous Book during the Periodic Auction Period
  - Periodic Auction ends after 100 milliseconds
  - Order 1 trades @10.05 with Order 3 (Periodic Auction Only/Periodic Auction Eligible orders have priority over hidden continuous book orders).
  - Order 1 trades 50 @10.05 with Order 2.

Periodic Auctions—When MTP Is Appended to a User's Periodic Auction Orders

As discussed further above, Users have expressed a desire to utilize BYX's MTP functionality for their Periodic Auction Orders. Users have stated that use of MTP will assist them in better managing their regulatory risk by helping to prevent the execution of wash sales when a User's buy (sell) Periodic Auction Order or Continuous Book order inadvertently executes with its sell (buy) Periodic Auction Order or Continuous Book Order. By reducing their risk, Users may, in turn, increase their usage of Periodic Auctions, thereby providing more liquidity, including but not limited to block size transactions, thereby providing the marketplace with alternative to off-exchange venues where a growing percentage of such transactions are executed today. To illustrate how MTP will behave when applied to Periodic Auction Orders, consider the following examples:

Example 1: Periodic Auction Is Not in Progress—Two PAE Orders Matching—MTP Action Occurs

Example 1 illustrates how MTP will operate when Firm A's resting PAE Order with an MTP modifier of MTP Cancel Oldest ("MCO"),<sup>23</sup> interacts with

<sup>23</sup> MTP Cancel Oldest ("MCO") is defined as "[a]n incoming order marked with the "MCO" modifier will not execute against opposite side resting interest marked with any MTP modifier originating from the same Unique Identifier. The resting order marked with the MCO modifier will be cancelled

a subsequent inbound PAE Order submitted by Firm A with an MTP modifier of MCO and a Periodic Auction is not in progress. Here, MTP operates in the same manner<sup>24</sup> as it would for Continuous Book Orders, in accordance with Rule 11.9(f) and proposed Rule 11.25(g)(2); i.e., because Firm A's inbound PAE Order was entered with an MTP modifier of MCO, the System will cancel Firm A's Order 1,<sup>25</sup> which is the "oldest" contra-side Firm A order that is marketable versus Firm A's inbound PAE Order to sell. This MTP action prevents Firm A from potentially trading with itself either on the Continuous Book or during a Periodic Auction.<sup>26</sup>

- Order 1—Resting (Firm A): PAE Order (MTP = Cancel Oldest), Buy 100 @1.00
- Order 2—Inbound order (Firm A): PAE Order (MTP = Cancel Oldest), Sell 200 @1.00
- Result: Order 1 is canceled

Example 2: Two PAO Orders Matching—MTP Action Occurs

Example 2 illustrates how MTP will operate when Firm A's resting PAO Order with an MTP Modifier of MCN, interacts with Firm A's inbound PAO Order with an MCN modifier, and a Periodic Auction is not in progress. Here, MTP operates in the same manner as it would for Continuous Book Orders and as provided for in Rule 11.9(f) and

back to the originating User(s). The incoming order marked with the MCO modifier will remain on the BYX Book. See Rule 11.9(f)(2).

<sup>24</sup> See Rule 11.9(f)—Match Trade Prevention ("MTP") Modifiers. Any incoming order designated with an MTP modifier will be prevented from executing against a resting opposite side order also designated with an MTP modifier and originating from the same market participant identifier ("MPID"), Exchange Member identifiers, trading group identifier, Exchange Sponsored Participant identifier, affiliate identifier, or Multiple Access identifier (any such identifier, a "Unique Identifier"). The order canceled by the System will depend on the incoming order's MTP modifier, as described in 11.9(f)(1)–(5).

<sup>25</sup> See Rule 11.9(f)(2).

<sup>26</sup> As MTP action is controlled by the incoming order ("... the MTP modifier on the incoming order controls the interaction between two orders marked with MTP modifiers." See Rule 11.21(g)), Firm A's Order 1 was correctly cancelled in this situation. Note, however, that if Firm A's Order 2 had included an MTP modifier of MTP Cancel Newest ("MCN"), the result would simply be that Order 2 is instead canceled. MTP Cancel Newest ("MCN") is defined as "[a]n incoming order marked with the "MCN" modifier will not execute against opposite side resting interest marked with any MTP modifier originating from the same Unique Identifier. The incoming order marked with the MCN modifier will be cancelled back to the originating User(s). The resting order marked with an MTP modifier will remain on the BYX Book." See Rule 11.9(f)(1). Similarly, if we changed Order 1's MTP Modifier to Cancel Newest and Order 2 remained as MTP Cancel Oldest, Order 1 would be canceled as Order 2's instruction controls MTP action.

proposed Rule 11.25(g)(2); *i.e.* because Firm A has designated its inbound Order 2 with MCN, the System will cancel Firm A's Order 2, which is Firm's A's newest contra-side order that is marketable versus Firm A's resting Order 1. This MTP action prevents Firm A from potentially trading with itself during a Periodic Auction.

- *Order 1—Resting (Firm A): PAO Order (MTP = Cancel Newest), Buy 100 @1.00*
- *Order 2—Inbound order (Firm A): PAO Order (MTP = Cancel Newest), Sell 200 @1.00*
- *Result: Order 2 is canceled*

For the sake of clarity, the Exchange also wishes to explain what would happen to Order 2 if a Periodic Auction was in progress when Order 2 arrived. To address this scenario, assume an inbound Periodic Auction Order from Firm B—Order X—arrived between Order 1 and Order 2, and initiated a Periodic Auction with Order 1. Here, when Order 2 arrives, and the Periodic Auction is in progress, Order 2 would still be canceled. When a Periodic Auction is in progress, and an inbound Periodic Auction Order is designated with an MTP modifier, and such order matches against a resting contra-side Periodic Auction Order originating from the same Unique Identifier that is also designated with a MTP modifier, the inbound Periodic Auction Order will be canceled. This behavior will enable Users to better manage their order flow and prevent undesirable executions in Periodic Auctions, just as they do today for their Continuous Book orders.

#### Example 3: Incoming PAE Order Matching Against a PAO Order—MTP Action Occurs

Example 3 illustrates how MTP will operate when Firm A's resting PAO Order with a MTP modifier of MTP Cancel Smallest ("MCS"),<sup>27</sup> interacts with Firm A's inbound PAE Order with an MCS modifier, and an auction is *not* in progress. Here, MTP operates in the same manner as it would for Continuous Book Orders; *i.e.*, because Firm A has designated its orders with the MTP modifier, MCS, the System will cancel Firm A's Order 1, which is Firm A's small quantity order.<sup>28</sup> This MTP action

<sup>27</sup> MTP Cancel Smallest ("MCS") is defined as "[a]n incoming order marked with the "MCS" modifier will not execute against opposite side resting interest marked with any MTP modifier originating from the same Unique Identifier. If both orders are equivalent in size, both orders will be cancelled back to the originating User(s). If the orders are not equivalent in size, the smaller of the two orders will be cancelled back to the originating User and the larger order will remain on the book. See Rule 11.9(f)(5).

<sup>28</sup> See Rule 11.9(f)(5).

prevents Firm A from potentially trading with itself during a Periodic Auction.

- *Order 1—Resting (Firm A): PAO Order (MTP = Cancel Smallest), Buy 100 @1.00*
- *Order 2—Inbound order (Firm A): PAE Order (MTP = Cancel Smallest), Sell 200 @1.00*
- *Result: Order 1 is canceled*

#### Example 4: Incoming PAE Order Matching Against a Continuous Book Order—MTP Action Occurs

Example 4 illustrates how MTP will operate when Firm A's incoming PAE Order with a MCS modifier, matches against Firm A's resting Continuous Book Order, and a Periodic Auction is *not* in progress. Here, MTP operates in the same manner as it would for Continuous Book Orders, *i.e.*, Firm's A's Order 1 is canceled based on Firm A's Order 2 MCS modifier because Order 1 is smaller than Order 2. Because a PAE Order is eligible to receive an execution on the Continuous Book, and both Order 1 and Order 2 are designated with MTP modifiers, the System correctly cancels Order 1, thereby preventing Firm A from potentially trading with itself on the Continuous Book.

- *Order 1—Resting (Firm A): Continuous Book order (MTP = Cancel Smallest), Buy 100 @1.00*
- *Order 2—Inbound order (Firm A): PAE Order (MTP = Cancel Smallest), Sell 200 @1.00*
- *Result: Order 1 is canceled*

#### Example 5—Incoming PAE Order Matching Against a Continuous Book Order When a Periodic Auction Is in Progress—No MTP Action Occurs

For the sake of clarity, the Exchange wishes to describe what would happen to Order 1 if a Periodic Auction is in progress and an inbound Periodic Auction Order arrives (*e.g.*, Order 4). First, note that a Continuous Book Order cannot initiate a Periodic Auction.<sup>29</sup> Therefore, to initiate a Periodic Auction in this example, assume that two Periodic Auction Orders arrived, from Firm B and Firm C, prior to Order 1 and Order 4—*e.g.*, Order X (Firm B) and Order Y (Firm C). Further assume that Order X and Order Y are marketable versus each other and initiated a Periodic Auction. Additionally, assume that Order 1, a Continuous Book Order is entered prior to Order 4, and that

<sup>29</sup> See Rule 11.25(c), Initiation and Publication of Periodic Auction Information, "A Periodic Auction will be initiated in a security during Regular Trading Hours when one or more Periodic Auction Orders to buy become executable against one or more Periodic Auction Orders to sell pursuant to this Rule 11.25."

Order 1 and Order 4 are designated with MTP modifiers originating from the same Unique Identifiers. Upon the arrival of Order 4, a Periodic Auction Order, the System will temporarily bypass<sup>30</sup> Order 1's and Order 4's MTP instruction, and Order 4 will join the Periodic Auction. Order 1 will remain on the Book. If Order 1 did not execute in the Continuous Book while the Periodic Auction was in progress, then Order 1 could potentially execute with Order 4, provided that Order 1 has priority as determined by Rule 11.25(f). The bypassing of the MTP modifiers in this scenario occurs only upon entry of Order 4 to prevent the cancellation of orders in situations where an immediate execution would not occur.

- *NBBO: 10.00 x 10.05*
- *Order X (Firm B): Buy 100 @10.03—Midpoint Peg PAO*
- *Order Y (Firm C): Sell 100 @10.02—Midpoint Peg PAO*
- *Auction is initiated between Order X and Order Y*
- *Order 1 (Firm A): Buy 100 @10.03—Midpoint Peg Continuous Book Order—MTP=Cancel Oldest*
- *Order 4 (Firm A): Sell 100 @10.02—Midpoint Peg PAE—MTP=Cancel Oldest*
- *MTP would be bypassed when Order 4 is entered and Order 4 would join the Periodic Auction in progress.*
- *Result: Order X and Order Y trade 100 @10.025 in Periodic Auction. Order 1 and Order 2 trade 100 @ 10.025 in Periodic Auction*

Here, even though Order 1 and Order 4 both originated from Firm A, and are designated with an MTP modifier, Order 1 is not canceled upon Order 4's arrival because Order 1 is a Continuous Book Order that may or may not end up trading with Order 4 once the Periodic Auction is complete. Because Order 1 could receive an execution on the Continuous Book while the Periodic Auction is in progress, the Exchange temporarily bypasses Order 1's MTP instruction upon Order 4's arrival to prevent Order 1 from forfeiting a Continuous Book execution based on a *possibility* that Order 1 would be executable versus Order 4 at the completion of the Periodic Auction.

<sup>30</sup> The Exchange notes that the bypassing of the MTP modifiers in this scenario is *temporary*. Should the Periodic Auction complete and Order 1 does not have the opportunity to trade with Order 4 in the Periodic Auction, then Order 1 would remain posted on the Continuous Book with its MTP modifier and be afforded the protections of MTP.

Example 6: Incoming Continuous Book Order Matching Against a PAO Order—No MTP Action Occurs

Example 6 illustrates how MTP will operate when Firm A's incoming Continuous Book Order with an MCS modifier matches with Firm A's resting PAO Order with an MCS modifier, and a Periodic Auction is *not* in progress. Here, MTP will not be applied because PAO Orders and Continuous Book Orders are not permitted to trade with one another.<sup>31</sup> As such, MTP is not needed to prevent Firm A's Order 1 from trading with Firm A's Order 2 and as such, Order 2 is permitted to post to the BYX Book.

- *Order 1—Resting (Firm A): PAO Order (MTP = Cancel Smallest), Buy 100 @1.00*
- *Order 2—Inbound order (Firm A): Continuous Book order (MTP = Cancel Smallest), Sell 200 @1.00*
- *Result: Order 2 will rest in the Continuous Book, and there is no MTP action*

Example 7: Incoming Order Is Canceled Due to “Periodic Auction in Progress” Involving a PAO Order

Example 7 illustrates how an incoming order with a MTP modifier is canceled because a Periodic Auction is in progress. Here, Firm A's inbound Order 2, a PAE Order to sell 200 @1.00, with a MTP modifier of MTP Cancel Both (“MCB”),<sup>32</sup> immediately starts an auction with Firm B's Order 1, a resting PAO Order to Buy 100 @1.00, that is participating in the Periodic Auction. While the Periodic Auction is in progress, Firm A enters Order 3, a PAE Order to Buy 200 @1.00 with an MCB instruction.

The entry of Order 3 presents a scenario in which the Exchange seeks to implement MTP functionality that behaves differently than demonstrated in each of the preceding five examples. Specifically, if a Periodic Auction is in progress, and an inbound Periodic Auction Order is designated with an MTP modifier, and such order matches against a resting contra-side Periodic Auction Order that is participating in the Periodic Auction originating from the same Unique Identifier that is also

designated with an MTP modifier, then the inbound Periodic Auction Order will be cancelled. Importantly, this behavior is necessary to help ensure that once a Periodic Auction is initiated it will be completed.

Applying this proposed behavior to Example 7's fact pattern, when Firm A's Order 3, a PAE Order with an MCB modifier is entered after Periodic Auction has been initiated and Order 3 subsequently matches with Firm A's Order 2 (a PAE Order with a MCB modifier), Order 3 will be cancelled. Without this proposed behavior, Order 3 would otherwise be included in the Periodic Auction, and its MTP Cancel Both<sup>33</sup> instruction would result in the cancelation of Order 2, preventing the Periodic Auction from completing, and denying Firm A an execution it would otherwise have expected to receive. The Exchange believes that this proposed behavior appropriately balances the dual goals of ensuring that Periodic Auctions complete once initiated and providing Members the ability to utilize MTP for their Periodic Auction Orders in each of the scenarios described in the preceding five examples.<sup>34</sup>

- *Order 1—Resting (Firm B): PAO Order, Buy 100 @1.00*
- *Order 2—Inbound Order (Firm A): PAE Order (MTP = Cancel Both), Sell 200 @1.00*
- *Action: Order 2 initiates a Periodic Auction with Order 1*
- *Order 3—Inbound order (Firm A): PAE Order (MTP = Cancel Both), Buy 200 @1.00*
- *Result: Order 3 is canceled in order to prevent Order 3 from participating in the Periodic Auction, canceling Order 2, and disrupting the completion of the Periodic Auction*

Example 8: Incoming Order Has MTP Temporarily Bypassed in a Periodic Auction

Example 8 is another example of MTP being temporarily bypassed when a Periodic Auction is in progress, despite the Member adding MTP instructions to their Periodic Auction Order(s) and Continuous Book Order(s). Here, Firm

B's Order 2, a PAE Order with an MCO modifier, initiates a Periodic Auction upon entry with Firm A's Order 1, a resting PAE Order with an MCO modifier. Firm A subsequently enters a Continuous Book Order (Hidden) with an MCO modifier. Here, the Exchange will temporarily bypass<sup>35</sup> an inbound Continuous Book Order's MTP modifier when a Periodic Auction is in progress, and such Continuous Book Order would post to the Continuous Book, and be eligible to participate in the Periodic Auction, or alternatively receive an execution from the Continuous Book. In such instance, applying the Continuous Book Order's MTP modifier and canceling such order based on the *potential* that the order could trade in the Periodic Auction, would be unnecessarily prohibitive. By posting to the Continuous Book, such order could still execute without violating its MTP instructions.

Based on the proposed MTP functionality, Order 3 will post to the BYX Book prior to the end of the Periodic Auction as the MTP modifier is temporarily bypassed.<sup>36</sup> Order 1 and Order 2 will trade in the Periodic Auction for 500 shares @10.02. After trading with Order 2, Order 1 still has 500 shares remaining. Prior to the end of the Periodic Auction, Order 3 will be matched in the Periodic Auction and trade 200 shares with Order 1 @10.02, bypassing the MCO modifier assigned by Firm A to its Order 1 and Order 3.

The Exchange believes that temporarily bypassing an MTP modifier in this scenario is necessary to ensure that a Periodic Auction completes once it is initiated. Additionally, bypassing Order 3's MTP instruction is also necessary to avoid disrupting trading in the Continuous Book, because Order 3 could perhaps post and trade while the Periodic Auction is in progress. The Exchange therefore believes cancelling Order 3 based on its *potential* to trade in the Periodic Auction would unnecessarily prevent a Member from potentially receiving a Continuous Book execution. While the proposed MTP functionality will explicitly and

<sup>31</sup> *Supra* note 12 (“Periodic Auction Only Orders are not eligible for execution on the Continuous Book.”).

<sup>32</sup> MTP Cancel Both (“MCB”) is defined as “[a]n incoming order marketed with the “MCB” modifier will not execute against opposite side resting interest marked with any MTP modifier originating from the same Unique Identifier. The entire size of both orders will be cancelled back to the originating User(s). See Rule 11.9(f)(4). demonstrates the proposed functionality described in proposed Rule 11.25(e)

<sup>33</sup> See Rule 11.9(f)(4).

<sup>34</sup> The Exchange notes that the proposed MTP functionality is intended as a supplementary risk tool that Members may voluntarily use to help them manage their risk and compliance with applicable securities rules. As registered broker-dealers, Members are ultimately responsible for compliance with applicable securities rules and should not rely on the proposed functionality as a sole means of compliance. As such, while the proposed MTP functionality will, in some instances, operate differently than it does outside of the context of Periodic Auctions, its design as a supplementary risk tool will still serve to benefit Members that choose to utilize this tool.

<sup>35</sup> The Exchange notes that the bypassing of the Continuous Book Order's MTP modifier in this scenario is *temporary*. Should the Periodic Auction complete and Order 3 does not have the opportunity to trade with Order 1 in the Periodic Auction, then Order 3 would remain posted on the Continuous Book with its MTP modifier and be afforded the protections of MTP.

<sup>36</sup> The Exchange notes that the bypassing of the Continuous Book Order's MTP modifier in this scenario is *temporary*. Should the Periodic Auction complete and Order 3 does not have the opportunity to trade with Order 1 in the Periodic Auction, then Order 3 would remain posted on the Continuous Book with its MTP modifier and be afforded the protections of MTP.

automatically temporarily bypass a Member's MTP modifier when the scenario described in Example 8 is present, the Exchange believes that such behavior appropriately balances the dual goals of ensuring that Periodic Auctions operate as designed (*i.e.*, once initiated they will complete, executing the maximum number of shares), and still provides Members the ability to utilize MTP for their Periodic Auction Orders in majority of instances described in each of the preceding six examples.<sup>37</sup>

- *Order 1—Firm A: PAE Order (MTP = Cancel Oldest), Buy 1000 @10.02*
- *Order 2—Firm B: PAE Order (MTP = Cancel Oldest), Sell 500, @10.02*
- *Action: Order 2 initiates an auction with Order 1, because Firm A and Firm B are different entities.*
- *Order 3—Inbound order (Firm A): Continuous Book Order (MTP = Cancel Oldest), Sell 200 @10.02*
- *Action: MTP modifier on Order 3 is temporarily bypassed*
- *Result: Order 3 posts to the BYX Book prior to the end of the auction; Order 1 and Order 2 trade in the Periodic Auction for 500 @10.02; Order 3 then trades 200 @10.02 with Order 1 (bypassing MTP).*

#### Example 9: Minimum Quantity Order Unable To Be Filled (PAE vs. PAE)

Example 9 illustrates how the System will ignore the Minimum Quantity instruction on a Periodic Auction Order that is also designated with an MTP modifier when the Minimum Quantity cannot be satisfied. Specifically, in the event a Periodic Auction Order is entered as a Minimum Quantity Order in addition to an MTP modifier (*e.g.*, Order 1), and such Periodic Auction Order could initiate a Periodic Auction with a contra-side Periodic Auction Order or trade with a Continuous Book Order (*e.g.*, Order 2), designated with an MTP modifier from the same Unique Identifier as Order 1, the System will ignore Order 1's Minimum Quantity instruction, and apply MTP, regardless of whether the Minimum Quantity is satisfied. Here, upon entry of Order 2, the System will ignore Order 1's

Minimum Quantity instruction, and instead apply MTP, resulting in the cancellation of Order 1.

- *Order 1 (Firm A): Buy 1000 @10.02—PAE—Min Quantity = 500 (MTP=any)*
- *Order 2 (Firm A): Sell 400 @10.02—PAE order (MTP=Cancel Oldest)*
- *Result: Order 2 cannot initiate an auction with Order 1 due to the MIN quantity on Order 1. 'MIN' on Order 1 is ignored and Order 2 cancels Order 1. Order 2 posts to the book.*

#### Example 10: Minimum Quantity Order Able To Be Filled (PAE vs. PAE)

Example 10 illustrates how the System will ignore the Minimum Quantity instruction on a Periodic Auction Order that is also designated with an MTP modifier, when the Minimum Quantity is satisfied. Here, even though the Minimum Quantity for Order 1 can be satisfied by Order 2, the System will apply MTP resulting in the cancellation of Order 1.

- *Order 1 (Firm A): Buy 1000 @10.02—PAE—Min Quantity = 500 (MTP = any)*
- *Order 2 (Firm 2): Sell 1000 @10.02—PAE (MTP = Cancel Oldest)*
- *Result: The System applies MTP, and cancels Order 1*

#### 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.<sup>38</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>39</sup> 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)<sup>40</sup> 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 that its proposed MTP functionality is

designed to promote the just and equitable principles of trade, and to protect investors and the public interest, by enabling Users to better prevent undesirable trading activity such as wash sales or self-trades for not only their Continuous Book Orders, but their Periodic Auction Orders as well. Additionally, by providing Users with a supplemental risk tool that will better enable them to achieve compliance with applicable securities rules and regulations, the proposed rule change will help to further ensure that orders eligible for execution in the Periodic Auction indeed represent genuine trading interest from separate and distinct firms. While the proposed MTP functionality would not operate identically to MTP as it is used in non-Periodic Auction scenarios, the Exchange believes that its proposal strikes an appropriate balance between ensuring Users receive executions in the Periodic Auction and providing Users' the ability to utilize MTP in most trading situations involving Periodic Auctions.

By making clear to Users the differences in MTP functionality for Periodic Auction Orders as compared to non-Periodic Auction Orders, Users will be able to anticipate how MTP modifiers will interact with their Periodic Auction Orders and mitigate any confusion that Users may have in using the proposed functionality. Moreover, the Exchange notes that the use of MTP on Periodic Auction Orders is entirely optional, and Users may choose whether they want to utilize MTP. The Exchange conferred with its Periodic Auction Users and despite the limitations described in Rule 11.25(g)(1)(A)–(C), Users still requested that the Exchange implement the proposed functionality. Moreover, the Exchange will issue an Exchange Notice that notifies all Users of the planned implementation date for the proposed MTP functionality and describes the functionality. Accordingly, Users will be fully aware of how MTP will impact their Periodic Auction Orders.

Similarly, by making clear how the Exchange will ignore Minimum Quantity instructions appended to MTP Orders when a Periodic Auction is in progress, Users will be better informed as to how MTP operates in conjunction with Minimum Quantity restrictions and will be better able to manage their Periodic Auction Orders. The Exchange notes that while ignoring a User's Minimum Quantity instruction for their MTP Periodic Auction Orders is not ideal, this functionality is necessary in order to avoid adding unnecessary complexity to the Exchange's System. As discussed further above, by

<sup>37</sup> The Exchange notes that the proposed MTP functionality is intended as a supplementary risk tool that Members may voluntarily use to help them manage their risk and compliance with applicable securities rules. As registered broker-dealers, Members are ultimately responsible for compliance with applicable securities rules and should not rely on the proposed functionality as a sole means of compliance. As such, while the proposed MTP functionality will, in some instances, operate differently than it does outside of the context of Periodic Auctions, its design as a supplementary risk tool will still serve to benefit Members that choose to utilize this tool.

<sup>38</sup> 15 U.S.C. 78f(b).

<sup>39</sup> 15 U.S.C. 78f(b)(5).

<sup>40</sup> *Id.*

incorporating Minimum Quantity into the Periodic Auction process is likely to add latency to this process, leading to longer Periodic Auction times. Rather than impacting Users' Periodic Auction experience, the Exchange has elected to incorporate User feedback and instead choose, in the limited circumstance of when a Periodic Auction is in progress, ignored Minimum Quantity instructions appended to MTP Periodic Auction Orders.

Additionally, the Exchange believes that the proposed rule changes are designed to facilitate transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system. Based on User feedback, the lack of MTP functionality for Periodic Auction Orders may discourage Users from entering Periodic Auction Orders because they do not have an automated way to systematically prevent undesirable executions resulting from orders originating from a User's algorithm or trading desk, or their related algorithms or trading desks. In this regard, the proposed rule changes may encourage Users to increase their Periodic Auction participation, thereby further enhancing the Periodic Auction liquidity pool and the ability of investors to execute larger orders that may otherwise be difficult to execute without market impact in the continuous market. Additionally, because Periodic Auctions are price-forming, the enhanced liquidity pools would indeed augment Periodic Auction's valuable price discovery function, which may be particularly helpful for investors when trading securities that typically trade with wider spreads.

Finally, the Exchange further believes that the proposed rule change does not unfairly discriminate amongst Users because the proposal will allow all Periodic Auction Users to utilize MTP just as all Users entering Continuous Book Orders may utilize MTP today. In this regard, the proposed amendment will avoid disparate treatment of Users. Furthermore, the bypassing or amending of MTP modifiers, as described in the Examples above, will apply equally to all Periodic Auction Users, regardless of the User's size.

#### *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. MTP is an optional risk tool offered by the Exchange and Periodic Auction Users

are free to decide whether to use MTP when submitting Periodic Auction Orders to the Exchange. Similarly, the Exchange does not believe that the proposed amendment poses a burden on intermarket competition that is not necessary or appropriate in furtherance of the Act. Indeed, the proposed rule change is designed to increase competition by offering Periodic Auction Users the ability to better manage their order flow and prevent undesirable executions. In turn, Users may be further incentivized to send additional orders to BYX's Periodic Auction mechanism, thereby fostering competition amongst exchanges, as well as with off-exchange venues (*e.g.*, alternative trading systems) where Users that may otherwise utilized Periodic Auctions, typically seek to source block-sized liquidity.<sup>41</sup>

#### *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**

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

- A. by order approve or disapprove such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be disapproved.

#### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing,

<sup>41</sup> See "Trade Big with Cboe U.S. Periodic Auctions," available at: [https://www.cboe.com/us/equities/trading/offers/periodic\\_auctions/](https://www.cboe.com/us/equities/trading/offers/periodic_auctions/). ("Cboe created its patented Periodic Auctions to establish an on-exchange alternative to the growth of off-exchange liquidity. Most recently, the use of conditional order types on Alternative Trading Systems (ATSs) has reached new highs as a percentage of ATS volumes. Periodic Auctions would offer a new price forming auction for investors seeking liquidity, including but not limited to block size transactions, during the course of the trading day. These intraday auctions may be a useful tool to attract buyers and sellers in less liquid or wider spread names, and would create an equal and fair market for market participants and investors that wish to either initiate or respond to such auctions. Periodic Auctions will be available on Cboe's BYX™ market center.")

including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

#### *Electronic Comments*

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-CboeBYX-2025-008 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-CboeBYX-2025-008. 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-CboeBYX-2025-008 and should be submitted on or before April 21, 2025.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>42</sup>

**Sherry R. Haywood,**  
Assistant Secretary.

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<sup>42</sup> 17 CFR 200.30-3(a)(12).