

investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings under Section 19(b)(2)(B)<sup>38</sup> of the Act 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-CboeEDGX-2026-032 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-CboeEDGX-2026-032. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-CboeEDGX-2026-032 and should be submitted on or before June 1, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>39</sup>

**J. Matthew DeLesDernier,**  
*Deputy Secretary.*

[FR Doc. 2026-09253 Filed 5-8-26; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105379; File No. SR-CboeBZX-2026-038]

### Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Its Rule Regarding Members and Associated Persons of Members Who Are or Become Subject to a Statutory Disqualification

May 6, 2026.

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 April 28, 2026, Cboe BZX Exchange, Inc. (the "Exchange" or "BZX") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II 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 BZX Exchange, Inc. (the "Exchange" or "BZX") proposes to amend its rule regarding Members and associated persons of Members who are or become subject to a statutory disqualification. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Commission's website (<https://www.sec.gov/rules/sro.shtml>), the Exchange's website ([https://www.cboe.com/us/equities/regulation/rule\\_filings/bzx/](https://www.cboe.com/us/equities/regulation/rule_filings/bzx/)), and at the principal office of the Exchange.

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

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 is proposing to amend Exchange Rule 2.5, the Exchange's eligibility proceedings section regarding statutory disqualifications, and adopt Rule 2.13 to conform (with certain exceptions) to rules of the Financial Industry Regulatory Authority, Inc. ("FINRA")<sup>3</sup> and to industry standard rules.<sup>4</sup> The Exchange's proposal also includes the proposed Statutory Disqualification Circular ("SD Circular") that outlines the applicable eligibility procedures. The amended rules would incorporate by reference the procedures in the SD Circular. As further detailed in the SD Circular, the need for a Member to file an application with the Exchange for approval, notwithstanding the disqualification would depend on (i) the type of disqualification; (ii) the date of disqualification; and (iii) whether the firm or individual is seeking admission, readmission or continuation in the securities industry.

By way of background, Section 3(a)(39) of the Act defines the term "statutory disqualification" and the circumstances that can cause a person (either a Member, or a person associated with a Member) to be subject to a statutory disqualification.<sup>5</sup> Absent relief, a statutory disqualification would preclude a Member or person associated with a Member from certain activities, including membership in a self-regulatory organization ("SRO").

There is, however, a well-established process through which a Member (or a person associated with a broker-dealer) may continue to operate in the securities industry (and either become a Member of, or continue as a Member of, one or more SROs) despite being subject to a statutory disqualification.<sup>6</sup>

In particular, SEC Rule 19h-1<sup>7</sup> describes several ways an SRO may seek relief for a member (or prospective member) that is subject to a statutory disqualification, including whether an

<sup>3</sup> See Securities Exchange Act Release No. 59586 (March 17, 2009), 74 FR 12166 (March 23, 2009) (SR-FINRA-2008-045); Securities Exchange Act Release No. 59722 (April 7, 2009), (SR-FINRA-2009-022).

<sup>4</sup> See, e.g., NYSE Rules 9520-9550 or IEX Rule Series 9.520.

<sup>5</sup> 15 U.S.C. 78c(a)(39).

<sup>6</sup> See FINRA Regulatory Notice 09-19 ("Amendments to FINRA Rule 9520 Series to Establish Procedures Applicable to Firms and Associated Persons Subject to Certain Statutory Disqualifications").

<sup>7</sup> 17 CFR 240.19h-1.

<sup>38</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>39</sup> 17 CFR 200.30-3(a)(12), (59).

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

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

SRO must file a notice with the Commission in order to allow the disqualified firm to become or continue as a member with the SRO (a “19h–1 Notice”).

The existing Rule 2.5(b) provides that if a Member or person associated with a Member that becomes subject to a statutory disqualification under the Exchange Act wants to continue as a Member of the Exchange or in association with a Member, the Member or associated person must, within 30 days of becoming subject to a statutory disqualification, submit a request to the Exchange seeking to continue as a Member or in association with a Member notwithstanding the statutory disqualification. Failure to timely submit such a request may be taken into consideration by the Exchange in determining whether the Exchange may determine not to permit a person to become a Member or person associated with a Member or person associated with a Member in any capacity on the Exchange pursuant to Rule 2.5(a). The existing Rule 2.5(c) provides that the procedural elements for making this request and the Exchange’s review of the request will occur pursuant to Chapter X of the Exchange’s Rulebook.

Currently, FINRA processes statutory disqualification applications on behalf of the Exchange.<sup>8</sup> Notably, having different rules has led to outcomes where FINRA is not required to process an application and/or an applicable 19h–1 Notice under its rules, but the Exchange (or FINRA, acting on the Exchange’s behalf) is required under its existing Rule 2.5. As such, the Exchange proposes to, in large part, conform to FINRA Rule Series 9520 Eligibility Proceedings in order to prevent different outcomes when FINRA is reviewing potential statutory disqualifications on behalf of the Exchange. The Exchange also notes that its existing Rule 2.5 is an outlier when compared to industry standards, as other exchanges have adopted rules similar to FINRA’s. This may lead to inconsistent results when a firm is a member of multiple exchanges and/or FINRA.<sup>9</sup>

To aid in further conformity between the Exchange and FINRA, the Exchange further proposes that it shall also rely on the no-action letter issued to FINRA in 2009 that provides interpretive guidance regarding (i) the effect of certain time-limited bars or license revocations, (ii) the effect of bars by State securities

commissions that are based solely upon a disciplinary action taken by an SRO, (iii) the notice requirements for willful violations of the Municipal Securities Rulemaking Board and aiding and abetting violations, and (iv) enforcement action to the Commission under Exchange Action 15A(g)(2) or Rule 19h–1(a) if an SRO does not file a notice with the Commission for any person subject to a statutory disqualification under Section 3(a)(39) that an SRO is proposing to admit or continue in membership or association with a member under specific circumstances.<sup>10</sup> Due to FINRA’s No-Action Letter, there have been instances where review of the same circumstances had resulted in different outcomes regarding when a notice is required pursuant to Rule 19h–1.<sup>11</sup> Specifically, the No-Action Letter makes clear certain instances where they will grant no-action relief if FINRA does not file a 19h–1 Notice with the Commission. For example, the Commission explicitly grants no-action relief if FINRA does not file a 19h–1 Notice if the subject person is subject to a statutory disqualification solely due to a finding of a willful violation of the CEA or the rules or regulations thereunder, provided that the sanctions are no longer in effect. The FINRA No-Action Letter ultimately requires fewer 19h–1 Notices to be filed.

The Exchanges notes that other exchanges, such as The Nasdaq Stock Market LLC (“Nasdaq”), Investors Exchange (IEX) and New York Stock Exchange (“NYSE”), have already adopted similar changes to more materially align their rules with FINRA’s.

Proposed Rule 2.13 would govern eligibility proceedings for persons subject to statutory disqualifications.<sup>12</sup>

<sup>10</sup> See Financial Industry Regulatory Authority, Inc., SEC No-Action Letter, 2009 SEC No-Act. (March 17, 2009) (“FINRA No-Action Letter”).

<sup>11</sup> For example, the FINRA No-Action Letter grants FINRA relief from notice requirements regarding a member’s continued association with a disqualified person when the statutory disqualification is based on willful violations of the CEA. Because of the relief granted by the No Action Letter and pursuant to Regulatory Notice 09–19, FINRA would not require a member to file an application. However, the Exchange’s current Rule 2.5 does not offer relief from application requirements for the firm to continue its association with an associated person, notwithstanding their disqualification. Relief is also not provided under the Exchange Act Rule 19h–1(a)(3)(iii), since the disqualifying event is a finding by the CFTC of a willful violation of the CEA and not a finding by the SEC or SRO of a willful violation of the Exchange Act, among others. As such, a notice pursuant to Rule 19h–1 for the Exchange is required, but is not required for FINRA.

<sup>12</sup> The Exchange notes that it is also proposing to amend the text of Rule 2.5(b) to specify that the procedures set forth under the proposed Rule 2.13 shall be followed if a Member or person associated

Proposed Rule 2.13(a) would add certain definitions relating to eligibility proceedings that are not currently part of the Exchange’s rules, including “Application,” “disqualified Member,” “disqualified person,” “sponsoring Member,” and “Exchange staff.” The Exchange notes that this is substantially similar to FINRA’s Rule 9521, with the following exceptions: (i) “member” has been replaced with “Member”; (ii) references to FINRA By Laws have been replaced with references to the Exchange Act and Exchange rules (where applicable); (iii) a new term of Exchange staff has been added to account for the relationship between the Exchange and FINRA, where the Exchange has a regulatory services agreement in place with FINRA and FINRA may act within the bounds of the agreed upon services; (iv) the definition of a disqualified Member differs; and (v) proposed Rule 2.13(a)(1) does not include reference to FINRA By Laws.

The Exchange proposes to define “disqualified Member” as a Member that is or becomes subject to a disqualification under Section 3(a)(39) of the Exchange Act. This differs from the definition in FINRA Rule 9521(b)(2), which includes various other industry participants in addition to existing members in the definition. The Exchange limited its definition to Members, as the Exchange has jurisdiction over Members.<sup>13</sup>

Further, while the Exchange differs from FINRA in that it does not include reference to FINRA By Laws or Exchange Rules under proposed Rule 2.13(a)(1), the Exchange believes this language better suits the intended purpose of this section. Specifically, proposed Rule 2.13 specifies procedures to be followed in the event of a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act. FINRA’s equivalent Rule 9521 states that the Rule 9520 Series sets forth procedures for a person to become or remain

with a Member becomes subject to a statutory disqualification.

<sup>13</sup> The Exchange notes the definition excludes Member applicants (the Exchange understands FINRA’s definition also does not apply to FINRA member applicants), because the Exchange would address a disqualification of a Member applicant as part of the Member application process, and the Exchange would not file a 19h–1 Notice with the Commission for a Member applicant. The proposed rule language, like FINRA’s, indicates the provisions that are applicable to a Member applicant. If the Exchange approves the Member application of an applicant that is or becomes subject to a disqualification, the firm would then be a Member that could take advantage of the provisions of the proposed rule that apply to a disqualified Member. The Exchange understands this is consistent with FINRA’s process with respect to member applicants that are or become subject to a disqualification.

<sup>8</sup> FINRA processes these applications on behalf of the Exchange pursuant to a Regulatory Services Agreement (“RSA”) between the Exchange and FINRA.

<sup>9</sup> See, e.g., NYSE Rule 9520, IEX Rule 9.520 and Nasdaq Rule 9520.

associated with a member, notwithstanding the existence of a statutory disqualification as defined in Article III, Section 4 of the FINRA By-Laws and for a current member or person associated with a member to obtain relief from the eligibility or qualification requirements of the FINRA By-Laws and FINRA rules. Such actions hereinafter are referred to as ‘eligibility proceedings.’” While the Exchange only references statutory disqualification events in its equivalent rule, for its purposes, it believes it is more fitting as different procedures would be followed in the event a Member, or Member applicant is ineligible for other reasons.<sup>14</sup>

Proposed Rule 2.13(b) is largely mirrored off of FINRA’s Rule 9522; however, there were adjustments made to account for updating rule references, adjusting “member” to “Member”, and replacing the “National Adjudicatory Council” with the “Appeals Committee.” First, the proposed Rules 2.13(b)(1)<sup>15</sup> and 2.13(b)(2) would govern the initiation of an eligibility proceeding by the Exchange and the obligation for a Member to file an application to initiate an eligibility proceeding if it or a Member’s associated person<sup>16</sup> has been subject to certain disqualifications.

Next, Rule 2.13(b)(3) sets out the process for a withdrawal of an application and Rule 2.13(b)(4) sets out prohibitions against ex parte communications when Exchange staff has initiated the eligibility proceedings. The Exchange notes that its rule text does differ from FINRA’s; however, this is due to FINRA having a panel that reviews the matter prior to an appeal

<sup>14</sup> See, e.g., Rule 2.7, which permits the Exchange to revoke a person’s membership or association if the Exchange has reason to believe that such a Member or associated person fails to meet all the qualifications set forth in the Exchange Rules. The Exchange understands FINRA similarly follows procedures set forth in other applicable rules (such as FINRA Rule 9555) in the event a FINRA member or member applicant is ineligible for other reasons.

<sup>15</sup> The Exchange notes that for instances in which Exchange staff will not issue written notice to Members or applicants for membership with respect to disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act (when a Member or application for membership under Exchange Rules is not required to file an application pursuant to the SD Regulatory Circular), information regarding the disqualifying event and the resolution of any fines, sanctions, or undertakings related to the disqualification are recorded in WebCRD.

<sup>16</sup> Under proposed Rule 2.13(b)(1)(C), if a Member fails to file the application or, where appropriate, the written request for relief, within the 10-day period, the registration of the disqualified person shall be revoked and the sponsoring Member must promptly terminate association with the disqualified person.

and thus, ex parte communication concerns arise before appeals. Under the Exchange’s proposed rule, with Exchange staff making determinations, a firm will need to talk to the Exchange and FINRA while their application is pending. Thus, the Exchange proposes to note that the proposed ex parte communications provision shall become effective only when an appeal is initiated. Further, under the proposed Rule 2.13(b)(5), the Exchange could approve a written request for relief from the eligibility requirements under certain circumstances. Specifically, Rule 2.13(b)(5)(A) describes certain circumstances of which a matter may be approved by the Exchange staff without the filing of an application. This provision is the same as the corresponding provisions of FINRA, Nasdaq, and IEX, with one exception. Specifically, under proposed Rule 2.13(b)(5)(A)(iii), Exchange staff may approve a written request for relief without the filing of an application if a disqualified Member or sponsoring Member is a Member or seeking to become a Member is a member of both the Exchange and another SRO and the other SRO intends to file a Notice under Exchange Act Rule 19h–1 approving the membership continuance of the disqualified Member or, in the case of a sponsoring Member, the proposed association or continued association of the disqualified person and Exchange staff concurs with that determination. This proposed provision is the same as that of Nasdaq, FINRA, and IEX, except it applies to those seeking to become a Member in addition to Members, while the corresponding rules of Nasdaq, FINRA, and IEX apply solely to members of those SROs. However, other organizations have acknowledged this gap in their rules, noting it would be their practice to apply this provision to prospective members as well as members. Therefore, despite the differences in the rule text of these other organizations, the Exchange believes the outcome under its proposed rule would be the same as both IEX and Nasdaq from a practical perspective.<sup>17</sup>

<sup>17</sup> See, e.g., Securities Exchange Act Release No. 101799 (November 29, 2024), 89 FR 96698 (December 5, 2024) (SR–IEX–2024–26), where IEX states “In the course of reviewing this membership application, IEX identified that its rules do not specifically address this situation, which has not previously occurred with respect to IEX. Specifically, the Exchange believes that its rules regarding the process by which a prospective Member that is subject to a statutory disqualification can be approved for membership on IEX notwithstanding the statutory disqualification could be enhanced to provide additional clarity and more clearly align with the processes set forth in Rule 19h–1 for a membership

Proposed Rule 2.13(b)(5)(B) covers matters that may be approved by<sup>18</sup> the Exchange staff after the filing of an application. Notably, under proposed Rule 2.13(b)(5)(B) the Exchange staff may approve an application with respect to disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Act or arising under Section 3(a)(39)(E) of the Act. Proposed Rule 2.13(b)(6) specifies the process for implementing an interim plan of heightened supervision during the application process for a disqualified person.

Proposed Rules 2.13(b)(7) and 2.13(b)(8) cover the process for determining that an application is substantially incomplete and the consequences for not remedying an application in a timely manner.<sup>19</sup> In the event an applicant fails to remedy an application under Rule 2.13(b)(8), Exchange staff will serve a written notice on the sponsoring Member of its determination to reject the application and the sponsoring Member must promptly terminate association with the disqualified person. Under FINRA’s Rule 9522, there is a reference to FINRA’s application fee and that FINRA shall refund the application fee, less \$1,000 which shall be retained by FINRA as a processing fee. The Exchange notes, however, that the Exchange has its own application fee program reflected in its fee schedule that is distinct from FINRA’s. As a result, the Exchange proposes to not include this in its proposed rule.

As further explained, proposed Rule 2.13(c) largely mirrors FINRA Rule 9523, with technical changes to account for different defined terms and functions across the SROs. This proposed rule would allow the Exchange staff (handled by FINRA) to recommend a supervisory plan to which the disqualified Member, sponsoring Member, and/or disqualified person, as the case may be, may consent and by doing so, waive the right to appeal if the plan is accepted and right to claim bias or prejudgment, or prohibited ex parte communications. If such a supervisory plan were rejected, proposed Rule 2.13(d) would allow a request for review

applicant that is subject to a statutory disqualification.”

<sup>18</sup> The Exchange notes that approval of an application allows for a Member’s continued participation on the Exchange.

<sup>19</sup> Proposed Rule 2.13(b)(7) applies to applications that are deemed substantially incomplete if they do not include information related to an interim plan of heightened supervision. Plans of heightened supervisions are issued solely for associated persons (and not Members), and thus this provision applies solely to associated persons.

by the applicant to the Appeals Committee and would provide that a filing of an application for review would not stay the effectiveness of final action by the Exchange unless the Commission otherwise ordered.

Proposed Rule 2.13(c) is covered under two parts: (i) to cover all disqualification except those arising solely from findings or orders specified in Section 15(b)(4)(D),(E), or (H) of the Exchange Act and (ii) to cover disqualifications that arise solely from findings or orders specified in Section 15(b)(4)(D), (E) or (H). The Exchange notes that the latter (proposed Rule 2.13(c)(2)) is intended to cover events where an application is required under the SD Circular, as under the proposed rule, events arising from findings or order specified in Section 15(b)(4)(D), (E) or (H) of the Exchange Act do not typically require an application unless otherwise specified in the SD Circular.

The text of the proposed rule change is similar to that in FINRA's counterpart rules, except for conforming and technical changes and except as follows. First, under proposed Rule 2.13(c), if the disqualified Member, sponsoring Member, and/or disqualified person executed a letter consenting to a supervisory plan, it would be submitted to the Exchange staff. Under FINRA's rule, the letter is submitted to FINRA Office of General Counsel, which submits it to the Chairman of the Statutory Disqualification Committee, acting on behalf of the NAC; the Chairman may accept or reject the plan or refer it to the NAC for action. The Exchange does not propose to utilize the NAC or the Statutory Disqualification Committee Chairman for this purpose. The Exchange believes that its staff can provide an appropriate review. The staff is performing this same function today when it reviews statutory disqualification decisions reached by FINRA subject to an RSA Agreement between the Exchange and FINRA. In addition, under FINRA's rule, the waiver of bias or prejudice is with respect to the Department of Member Regulation, the FINRA General Counsel, the NAC and any member thereof, while under proposed Rule 2.13(c), the waiver would be with respect to the Exchange staff, the Exchange, the Appeals Committee, or any member of the Appeals Committee.

Next, under proposed Rule 2.13(d), if the Exchange staff rejects the plan, the Member or applicant may request a review by the Appeals Committee.<sup>20</sup>

<sup>20</sup> The Exchange's proposed Rule 2.13(d) closely aligns with NYSE Rule 9524 except for conforming and technical changes.

This differs from FINRA's process, which provides for a hearing before the NAC and further consideration by the FINRA Board of Directors. Because the Exchange does not propose to utilize the NAC, the Exchange proposes instead that any appeal be heard by the Appeals Committee. FINRA Rule 9525 also allows for discretionary review by the FINRA Board and the Exchange does not propose to adopt a comparable rule. The Exchange believes that the Exchange staff's role in the process will provide sufficient oversight and independence.

The Exchange does not propose to adopt the text of FINRA Rule 9526, which provides for expedited proceedings by the FINRA Board of Governors in certain instances. The Exchange believes that its proposed rules for review can be carried out in a timely manner and would sufficiently protect investors. The Exchange historically has not provided an expedited statutory disqualification review.

Lastly, the Exchange also notes that it will adopt a definition of "associated person" in Rule 1.5(q), specifically as it pertains to statutory disqualifications. This rule will be similar to the definitions of associated persons implemented by other exchanges to specifically apply to the process of statutory disqualifications.<sup>21</sup> Currently, the Exchange's rule for associated person includes entities, meaning that an entity that is under common control of a Member is considered a person associated with the Member. As the proposed rule requires Members to submit an application for continuance as a TH if any person associated with the Member becomes subject to a statutory disqualification, the Exchange's current rules require Members to file applications for affiliates under common control that would be subject to a statutory disqualification under securities law. In contrast, FINRA does not define "Person Associated with a member" or "Associated Person of a Member" as including affiliates under common control of the FINRA member.<sup>22</sup> Thus,

<sup>21</sup> See IEX Rule 1.160(y)(2) and Nasdaq General 3, Rule 1002(b)(2).

<sup>22</sup> FINRA Regulation, Inc. By-laws, Article I, paragraph (ee) defines the terms "person associated with a member" or "associated person of a member" in relevant part as: "(2) a sole proprietor, partner, officer, director, or branch manager of a member, or other natural person occupying a similar status or performing similar functions, or a natural person engaged in the investment banking or securities business who is directly or indirectly controlling or controlled by a member, whether or not any such person is registered or exempt from registration with the Corporation under these By-

a firm that is both an Exchange Member and FINRA member, which has an affiliate under common control that would be subject to a statutory disqualification under securities laws, is required to file an application with the Exchange, but not with FINRA.

The Exchange proposes to adopt a similar definition to Nasdaq and IEX except that it shall (i) remove the reference to investment banking as that is not applicable for the Exchange's functions and (ii) remove subpoint (3) which specifies that for the purposes of another exchange rule of Nasdaq and IEX<sup>23</sup> (that is not the exchange's statutory disqualification rule), that it shall also include any other person listed in Schedule A of Form BD of a member. As the Exchange does not have this rule, the Exchange proposes not to include this subpoint (3) in its adopted definition of associated persons for the purpose of statutory disqualifications.

As noted above, other exchanges, such as Nasdaq, IEX and NYSE, have already adopted similar changes to more materially align its rules with FINRA's, and similar to the Exchange, have made some edits to align its proposed rules with existing exchange processes.<sup>24</sup>

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with 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>25</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>26</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

Laws or the Rules of the Corporation; and (3) for purposes of Rule 8210, any other person listed in Schedule A of Form BD."

<sup>23</sup> See IEX Rule 8.210 and Nasdaq General 5, Rule 8210.

<sup>24</sup> See, e.g., Securities Exchange Act Release No. 61703 (March 12, 2010), 75 FR 13620 (March 22, 2010) (SR-NASDAQ-2010-023) and Securities Exchange Act Release No. 68678 (January 16, 2013), 78 FR 5213 (January 24, 2013) (SR-NYSE-2013-02).

<sup>25</sup> 15 U.S.C. 78f(b).

<sup>26</sup> 15 U.S.C. 78f(b)(5).

the Section 6(b)(5)<sup>27</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers, because the rule applies uniformly to all Members and does not unfairly discriminate against any Member or type of market participant. The Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act,<sup>28</sup> which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and to enforce compliance by the Exchange's Members and persons associated with its Members with the Act, the rules and regulations thereunder, and the rules of the Exchange.

In particular, the proposed rule change will better enable the Exchange to streamline the administration of its statutory disqualification program and better protect investors and the public interest, as it will eliminate the need for Members or associated persons of Members to submit Statutory Disqualification Applications for prior statutory qualifications that have been resolved. Similar to Nasdaq, IEX and NYSE, the Exchange proposes to harmonize its description of statutory disqualification to align its application of statutory disqualification to FINRA.<sup>29</sup> This proposal would avoid potentially different outcomes for members of both FINRA and the Exchange with respect to ineligibility for membership and association.

The proposed changes will provide greater harmonization between Exchange and FINRA rules of similar purpose, resulting in less burdensome and more efficient regulatory compliance for dual members. As previously noted, in many instances the proposed rule text is substantially similar to FINRA's current rule text, which already has been approved by the Commission, and in many other cases the differences between current FINRA rules and the proposed rules would be strictly technical in nature. Further, in other instances, such as the Exchange's proposed Rule 2.13(d), the Exchange's rule closely follows NYSE's Rule 9524.

#### *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 is not designed to

address any competitive issues but rather is designed to provide greater harmonization between Exchange and FINRA rules of similar purpose for investigations and disciplinary matters, resulting in less burdensome and more efficient regulatory compliance for dual members and facilitating FINRA's performance of its regulatory functions under the RSA.

#### *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 Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>30</sup> and Rule 19b-4(f)(6) thereunder.<sup>31</sup> Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>32</sup> and Rule 19b-4(f)(6) thereunder.<sup>33</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>34</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>35</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the Exchange and its affiliates can have uniform proposed rules in place at the same time. The Exchange notes that its proposed rule is mirrored off the revised rule for Cboe Exchange, Inc., which will become operative on May 18, 2026, and

it is in the best interest of participants to have a uniform change carried out across all Cboe exchanges<sup>36</sup> on the same date to avoid confusion. Further, the Exchange states that waiver of the operative delay will permit the Exchange to harmonize its rules regarding statutory disqualifications with the industry as soon as practicable, allowing for consistent outcomes for industry participants across exchanges and FINRA. For these reasons, and because the proposed rule change does not raise any new or novel regulatory issues, the Commission finds that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposed rule change as operative upon filing.<sup>37</sup>

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 under Section 19(b)(2)(B)<sup>38</sup> of the Act 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-CboeBZX-2026-038 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange

<sup>30</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>31</sup> 17 CFR 240.19b-4(f)(6).

<sup>32</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>33</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>34</sup> 17 CFR 240.19b-4(f)(6).

<sup>35</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>36</sup> The Exchange notes that the Exchange's affiliated exchanges, Cboe BYX Exchange, Inc., Cboe C2 Exchange, Inc., Cboe EDGX Exchange, Inc., and Cboe EDGA Exchange, Inc. are also proposing this revised new rule for statutory disqualifications.

<sup>37</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>38</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>27</sup> *Id.*

<sup>28</sup> 15 U.S.C. 78f(b)(1).

<sup>29</sup> See *supra* note 11.

Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-CboeBZX-2026-038. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-CboeBZX-2026-038 and should be submitted on or before June 1, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>39</sup>

**J. Matthew DeLesDernier,**  
*Deputy Secretary.*

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**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105383; File No. SR-IEX-2026-14]

### Self-Regulatory Organizations; Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend IEX Rule 11.190(g)

May 6, 2026.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on April 30, 2026, Investors Exchange LLC (“IEX” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Pursuant to the provisions of Section 19(b)(1) under the Act,<sup>4</sup> and Rule 19b-4 thereunder,<sup>5</sup> the Exchange is filing with the Commission a proposed rule change to amend IEX Rule 11.190(g)(1) to incrementally optimize the effectiveness of the proprietary mathematical calculation used to make quote instability determinations for certain orders. The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.<sup>6</sup>

The text of the proposed rule change is available at the Exchange's website at <https://www.iexexchange.io/resources/regulation/rule-filings> and at the principal office of the Exchange.

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

In its filing with the Commission, the self-regulatory organization 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 self-regulatory organization 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 the Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

The purpose of the proposed rule change is to amend IEX Rule 11.190(g)(1) to incrementally optimize the proprietary mathematical calculation used to make quote instability determinations for certain orders (*i.e.*, to assess the probability of a “crumbling quote”—an imminent change to the current Protected NBB<sup>7</sup> to a lower price or the current Protected NBO<sup>8</sup> to a higher price for a particular security). This calculation is referred to as the “crumbling quote indicator” or “CQI”. The System<sup>9</sup> uses the CQI to make quote instability determinations for all Discretionary Limit (“D-Limit”)<sup>10</sup>

and Corporate Discretionary Peg (“C-Peg”)<sup>11</sup> orders, and for Discretionary Peg (“D-Peg”)<sup>12</sup> and primary peg (“P-Peg”)<sup>13</sup> orders unless the User<sup>14</sup> submitted the D-Peg or P-Peg order with an instruction that the System apply the Quote Imbalance Indicator<sup>15</sup> instead of the CQI to the order.

#### Description of CQI Functionality

The Exchange has made incremental changes to optimize and enhance the effectiveness of the CQI in determining whether a crumbling quote exists several times since Exchange launch.<sup>16</sup> Each change to the CQI was designed to incrementally increase the coverage<sup>17</sup> of the System's quote instability determinations in predicting whether a particular quote is unstable by adjusting the logic underlying the quote instability calculation and introducing enhanced functionality designed to increase the number of crumbling quotes identified, while maintaining the CQI's accuracy rate<sup>18</sup> in predicting the direction and timing of the next price change in the NBB or NBO, as applicable. The incrementally increased coverage is designed to increase protection from adverse selection associated with latency arbitrage during periods of quote instability to applicable D-Limit, C-Peg, D-Peg and P-Peg orders.

The CQI utilizes real time relative quoting activity of certain Protected Quotations<sup>19</sup> as reference data and a

<sup>11</sup> See IEX Rule 11.190(b)(16).

<sup>12</sup> See IEX Rule 11.190(b)(10).

<sup>13</sup> See IEX Rule 11.190(b)(8).

<sup>14</sup> See IEX Rule 1.160(qq).

<sup>15</sup> See IEX Rule 11.190(g)(2). This rule filing will have no impact on the Quote Imbalance Indicator's inputs or rules.

<sup>16</sup> See Securities Exchange Act Release 34-78510 (August 9, 2016), 81 FR 54166 (August 15, 2016) (SR-IEX-2016-11); Securities Exchange Act Release No. 80202 (March 10, 2017), 82 FR 14058 (March 16, 2017) (SR-IEX-2017-06); Securities Exchange Act Release No. 83048 (April 13, 2018), 83 FR 17467 (April 19, 2018) (SR-IEX-2018-07); Securities Exchange Act Release No. 96416 (December 1, 2022), 87 FR 75099 (December 7, 2022) (SR-IEX-2022-06); Securities Exchange Act Release No. 99990 (April 18, 2024), 89 FR 31236 (April 24, 2024) (SR-IEX-2024-07).

<sup>17</sup> “Coverage” means the percentage of all “adverse” NBBO changes per symbol (lower for bids, higher for offers) that were predicted by the CQI (meaning the CQI was “on” at the time of the adverse NBBO change).

<sup>18</sup> “Accuracy rate” means the percentage of time that the CQI accurately predicted the direction of the next price change.

<sup>19</sup> Specifically, IEX utilizes real time relative quoting activity of Protected Quotations from the “Signal Exchanges”, which are the following eleven exchanges: Cboe BZX Exchange (“BATS”), Cboe BYX Exchange (“BATY”), Cboe EDGA Exchange (“EDGA”), Cboe EDGX Exchange (“EDGX”), MIAX Pearl (“EPRL”), MEMX LLC (“MEMX”), the Nasdaq Stock Market (“XNGS”), Nasdaq BX (“XBOS”), Nasdaq PHLX (“XPHL”), the New York Stock Exchange (“XNYS”), and NYSE Arca (“ARCA”). See IEX Rule 11.190(g).

<sup>4</sup> 15 U.S.C. 78s(b)(1).

<sup>5</sup> 17 CFR 240.19b-4.

<sup>6</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>7</sup> See IEX Rule 1.160(cc).

<sup>8</sup> See IEX Rule 1.160(cc).

<sup>9</sup> See IEX Rule 1.160(nn).

<sup>10</sup> See IEX Rule 11.190(b)(7).

<sup>39</sup> 17 CFR 200.30-3(a)(12), (59).

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.