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

File No. * SR 2026 - * 001

Amendment No. (req. for Amendments *)

Filing by Texas Stock Exchange LLC

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

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
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Rule

<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010
Section 806(e)(1) *

Section 806(e)(2) *

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

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

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

The Exchange proposes to add Offset Peg Orders.

Contact Information

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

First Name * Last Name *

Title *

E-mail *

Telephone * Fax

Signature

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

Date (Title *)

By
(Name *)

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

KYLE PATRICK MURRAY
Digitally signed by KYLE PATRICK MURRAY
Date: 2026.02.17 14:53:37 -06'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add Remove View

SR-TXSE-2026-001 (Offset Peg Order)

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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SR-TXSE-2026-001 (Offset Peg Order)

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

SR-TXSE-2026-001 (Offset Peg Order)

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² Texas Stock Exchange LLC (the “Exchange” or “TXSE”) is filing with the Securities and Exchange Commission (“Commission”) a proposal to add an Offset Peg order that operates similarly to offset peg orders on other exchanges, as further described below. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The proposed rule change was approved by Exchange staff pursuant to authority delegated to it by the Board of Directors of the Exchange (the “Exchange Board”). Exchange staff will advise the Exchange Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the proposed rule change.

(b) Please refer questions and comments on the proposed rule change to Jeff Brown, General Counsel and Corporate Secretary, (571) 286-6097, or Kyle Murray, Deputy General Counsel, (214) 838-6038.

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

(a) Purpose

The Exchange proposes to amend Rule 11.006(h) to add an Offset Peg order with similar functionality to comparable pegged orders on other exchanges. In addition, the Exchange is proposing to make certain corresponding changes to TXSE Rules 11.007(c), 11.008(a)(2)(iii),

¹ 15 U.S.C. 78s(b)(1)

² 17 CFR 240.19b-4.

11.0120H(b)(7)(A)(i), 11.022(a)(8)(A)(i), and 11.023(a)(2) in order to add reference to Offset Peg orders in other places in the rulebook where other Pegged Order³ types are mentioned, to make a copycat change to the definition of Pegged Order in Rule 11.006(h), and to make a cleanup change to add a reference to Primary Peg Orders in Rule 11.023(a)(2).

Overview

Currently, the Exchange offers three types of Pegged Orders: Primary Peg,⁴ Midpoint Peg,⁵ and Market Peg,⁶ each of which are non-displayed orders that upon entry into the System⁷ and while resting on the TXSE Book,⁸ are pegged to a reference price based on the NBBO⁹ and the order is automatically managed by the System in response to changes in the NBBO.

The Exchange is proposing to add a fourth type of Pegged Order, an Offset Peg, which is a non-displayed Pegged Order with instructions to peg to the less aggressive of: (i) the primary

³ As provided in Rule 11.006(h), the term “Pegged Order” means an order that automatically re-prices in response to changes in the NBBO, as further described in TXSE Rule 11.007(c). A User entering a Pegged Order can specify that the order’s price will peg to the NBB or NBO, the midpoint of the NBBO or to the opposing bid or offer, as described below.

⁴ As provided in Rule 11.006(h)(1), the term “Primary Peg” means an order with instructions to peg to the NBB, for a buy order, or the NBO, for a sell order. A User submitting a Pegged Order with a Primary Peg instruction may, but is not required to, include a limit price on such order.

⁵ As provided in Rule 11.006(h)(2), the term “Midpoint Peg” means a Pegged Order with an instruction to peg to the midpoint of the NBBO. A User submitting a Pegged Order with a Midpoint Peg instruction may, but is not required to, include a limit price on such order. A Pegged Order with a Midpoint Peg instruction and a limit price that is more aggressive than the midpoint of the NBBO will execute at the midpoint of the NBBO or better subject to its limit price. A Pegged Order with a Midpoint Peg instruction may execute at its limit price or better when its limit price is less aggressive than the midpoint of the NBBO. A Pegged Order with a Midpoint Peg instruction will be ranked at the midpoint of the NBBO where its limit price is equal to or more aggressive than the midpoint of the NBBO. In such case, pursuant to TXSE Rule 11.008, all Pegged Orders that are ranked at the midpoint of the NBBO will retain their priority as compared to each other based upon the time such orders were initially received by the System. A Pegged Order with a Midpoint Peg instruction will be ranked at its limit price where its limit price is less aggressive than the midpoint of the NBBO.

⁶ As provided in Rule 11.006(h)(3), the term “Market Peg” means an order with instructions to peg to the NBO, for a buy order, or the NBB, for a sell order. A User submitting a Pegged Order with a Market Peg instruction may, but is not required to, include a limit price on such order.

⁷ As provided in Rule 1.005(ff), the term “System” means the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking and execution.

⁸ As provided in Rule 1.005(ii), the term “TXSE Book” means the System’s electronic file of orders.

⁹ As provided in Rule 1.005(r), the term “NBBO” means the national best bid or offer.

quote (i.e. the NBB¹⁰ for buy orders and NBO¹¹ for sell orders) plus or minus (plus for buy orders and minus for sell orders) an offset amount;¹² and (ii) the order's limit price. While resting on the TXSE Book an Offset Peg Order to buy (sell) order is automatically adjusted by the System in response to changes in the NBB (NBO) plus (minus) the offset amount up (down) to the order's limit price. Based on informal feedback from Members, the Exchange believes that Offset Peg orders will provide additional flexibility to the Exchange's Pegged Order functionality and would be useful to market participants seeking to trade within the NBBO.

Offset Peg Order

The Exchange proposes to add new Rule 11.006(h)(4) to add the Offset Peg order. As proposed, an Offset Peg order would be a Pegged Order with instructions to peg to the less aggressive of the primary quote (i.e. the NBB for buy orders and NBO for sell orders) plus or minus (plus for buy orders and minus for sell orders) an offset amount or the order's limit price upon entry and when posting to the TXSE Book. While resting on the Order Book, (i) a buy order is automatically adjusted by the System in response to the changes in the NBB plus the offset amount up to the order's limit price; and (ii) a sell order is automatically adjusted by the System in response to changes in the NBO minus the offset amount down to the order's limit price. If the offset amount would result in the price of an Offset Peg order being in an increment smaller than specified in Rule 11.006(g), the price of a buy order will be rounded down and the price of a sell order will be rounded up to the nearest permissible increment.¹³ If no offset

¹⁰ As provided in Rule 1.005(r), the term "NBB" means the national best bid.

¹¹ As provided in Rule 1.005(r), the term "NBO" means the national best offer.

¹² The Exchange notes that the offset amount will be entered by Users in basis points at or within the NBBO. As provided in proposed Rule 11.006(h)(4), if the offset amount would result in the price of an Offset Peg order being in an increment smaller than specified in Rule 11.006(g), the price of a buy order will be rounded down and the price of a sell order will be rounded up to the nearest permissible increment. If no offset amount is specified, the System will consider the offset amount to be zero.

¹³ Like Midpoint Peg orders, Offset Peg orders may result in executions at a sub-penny midpoint price.

amount is specified, the System will consider the offset amount to be zero. A User¹⁴ submitting a Pegged Order with an Offset Peg instruction is required to include a limit price on such order. An Offset Peg order entered with an offset equal to a Primary Peg, a Midpoint Peg, or a Market Peg will be treated as a Primary Peg, a Midpoint Peg, or a Market Peg, respectively.

The Exchange is also proposing to amend Rule 11.007(c) to provide that for Offset Peg orders, a User may indicate to peg an order to a reference price plus or minus an offset amount (the NBB plus the offset amount up to the order's limit price for buy orders, the NBO minus the offset amount down to the order's limit price for sell orders). Like other Pegged Orders, Offset Peg orders will be subject to Rules 11.007(c)(1)-(7), which provide: (1) a Pegged Order may contain the following TIF instructions: Day,¹⁵ SYS,¹⁶ IOC,¹⁷ RHO¹⁸ or GTT;¹⁹ (2) Pegged

Pursuant to Rule 612 under Regulation NMS execution at a sub-penny midpoint price is permissible so long as the execution did not result from an impermissible sub-penny order or quotation. See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37556 (June 29, 2005) (File No. S7-10-04) ("NMS Adopting Release").

¹⁴ As provided in Rule 1.005(jj), the term "User" means any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to TXSE Rule 11.003.

¹⁵ As provided in Rule 11.006(o)(2), the term "Day" means an instruction the User may attach to an order stating that an order to buy or sell is designated for execution starting with the Pre-Market Session and, if not executed, expires at the end of Regular Trading Hours. Any Day order entered into the System before the opening for business on the Exchange as determined pursuant to TXSE Rule 11.001 or after the closing of Regular Trading Hours will be rejected.

¹⁶ As provided in Rule 11.006(o)(6), the term "SYS" means an instruction a User may attach to an order stating that an order to buy or sell is designated for execution starting with the Pre-Market Session and, if not executed, expires at the end of the Post-Market Session. Any order with a TIF instruction of SYS entered into the System before the opening for business or after the closing for business on the Exchange as determined pursuant to TXSE Rule 11.001 will be rejected.

¹⁷ As provided in Rule 11.006(o)(1), the term "IOC" means an instruction the User may attach to an order stating the order is to be executed in whole or in part as soon as such order is received. The portion not executed immediately on the Exchange is treated as cancelled and is not posted to the TXSE Book

¹⁸ As provided in Rule 11.006(o)(5), the term "RHO" means an instruction a User may attach to an order stating that an order to buy or sell is designated for execution only during Regular Trading Hours which includes the Opening Auction, the Closing Auction and IPO/Halt Auctions for TXSE-Listed securities and the Opening Process for non-TXSE-Listed securities (as such terms are defined in TXSE Rules 11.022 and 11.023) and, if not executed, expires at the end of Regular Trading Hours. Any order with a TIF instruction of RHO entered into the System after the closing of Regular Trading Hours will be rejected. Any portion of a market RHO order will be cancelled immediately following any auction in which it is not executed.

¹⁹ As provided in Rule 11.006(o)(4), the term "GTT" means an instruction the User may attach to an order specifying the time of day at which the order expires, which is designated for execution starting with the Pre-Market Session. Any unexecuted portion of an order with a TIF instruction of GTT will be cancelled at the expiration of the User's specified time, which can be no later than the close of the Post-Market Session.

Orders may be entered as an Odd Lot,²⁰ Round Lot²¹ or Mixed Lot;²² (3) Pegged Orders are not eligible to include a Displayed²³ instruction; (4) Pegged Orders may be executed during the Pre-Market Session,²⁴ the Market Session²⁵ and the Post-Market Session;²⁶ (5) a Pegged Order may include a Book Only²⁷ or Post Only²⁸ instruction; (6) to the extent an incoming Pegged Order would be a Crossing Quotation²⁹ if displayed at the price at which it would be ranked in the TXSE Book, such order will execute against interest in the TXSE Book at prices up to and including the Locking Price³⁰ and will then be cancelled by the System. A Pegged Order resting

²⁰ As provided in Rule 11.006(q)(2), the term “Odd Lot” means any amount less than a Round Lot. Orders of Odd Lot size are only eligible to be Protected Quotations if aggregated to form a Round Lot.

²¹ As provided in Rule 11.006(q)(1), the term “Round Lot” means One hundred (100) shares or any multiple thereof shall constitute a Round Lot, unless an alternative number of shares is established as a Round Lot by the listing exchange for the security. Orders that are a Round Lot are eligible to be Protected Quotations.

²² As provided in Rule 11.006(q)(3), the term “Mixed Lot” means Any amount greater than a Round Lot that is not an integer multiple of a Round Lot shall constitute a Mixed Lot. Odd Lot portions of orders of Mixed Lot size are only eligible to be Protected Quotations if aggregated to form a Round Lot.

²³ As provided in Rule 11.006(c)(1), the term “Displayed” means an instruction the User may attach to an order stating that the order is to be displayed by the System on the TXSE Book.

²⁴ As provided in Rule 1.005(v), the term “Pre-Market Session” means the time between 8:00 a.m. and 9:30 a.m. Eastern Time.

²⁵ As provided in Rule 1.005(p), the term “Market Session” means the time between 9:30 a.m. and 4:00 p.m. Eastern Time.

²⁶ As provided in Rule 1.005(u), the term “Post-Market Session” means the time between 4:00 p.m. and 5:00 p.m. Eastern Time.

²⁷ As provided in Rule 11.006(l)(1), the term “Book Only” means an order instruction stating that an order will be matched against an order on the TXSE Book or posted to the TXSE Book.

²⁸ As provided in Rule 11.006(l)(2), the term “Post Only” means an instruction that may be attached to an order that is to be ranked and executed on the Exchange pursuant to TXSE Rule 11.008 and TXSE Rule 11.009(a)(4) or cancelled, as appropriate, without routing away to another trading center except that the order will not remove liquidity from the TXSE Book, except as described below. An order with a Post Only instruction and a Display-Price Sliding instruction will remove contra-side liquidity from the TXSE Book if the order is an order to buy or sell a security priced below \$1.00 or if the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the TXSE Book and subsequently provided liquidity, including the applicable fees charged or rebates provided. To determine at the time of a potential execution whether the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the TXSE Book and subsequently provided liquidity, the Exchange will use the highest possible rebate paid and highest possible fee charged for such executions on the Exchange.

²⁹ As provided in Rule 11.006(b), the term “Crossing Quotation” means the display of a bid (offer) for an NMS stock at a price that is higher (lower) than the price of an offer (bid) for such NMS stock previously disseminated pursuant to an effective national market system plan in violation of Rule 610(e) of Regulation NMS. Pursuant to TXSE Rule 13.004(a), the Exchange will use certain data feeds for the handling and execution of orders.

³⁰ As provided in Rule 11.006(d), the term “Locking Price” means the price at which an order to buy (sell), that if displayed by the System on the TXSE Book, upon entry into the System would be a Locking

on the TXSE Book is not eligible for execution when a Locking Quotation³¹ or Crossing Quotation exists. In such cases, a Pegged Order would rest on the TXSE Book and would not be eligible for execution in the System until a Locking Quotation or Crossing Quotation no longer exists; and (7) a Pegged Order received by the System when the NBBO is not available will be rejected or cancelled back to the entering User. A Pegged Order resting on the TXSE Book will be cancelled back to the User when the NBB or NBO that the order is pegged to is no longer available.

The Exchange notes that the proposed Offset Peg order is very similar to functionality either currently or previously offered by several exchanges. Specifically, the Offset Peg order is similar to order types offered by Nasdaq Stock Market LLC (“Nasdaq”), NYSE Arca, Inc. (“Arca”), and Cboe BZX Exchange, Inc. (“BZX”),³² as well as to order types previously offered by Investors Exchange, Inc. (“IEX”).³³

Corresponding Changes

The Exchange is also proposing to amend Rules 11.06(h) (Pegged Orders), 11.008(a)(2)(A)(iii) (Priority of Orders), 11.020(H)(b)(7)(A)(i) (Trading Halts), 11.022(a)(8)(A)(i) (Auctions), and 11.023(a)(2) (Opening Process for Non-TXSE-Listed Securities) to add reference to Offset Peg orders where other Pegged Order types are mentioned,

Quotation. Pursuant to TXSE Rule 13.004(a), the Exchange will use certain data feeds for the handling and execution of orders.

³¹ As provided in Rule 11.006(e), the term “Locking Quotation” means the display of a bid for an NMS stock at a price that equals the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock at a price that equals the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan in violation of Rule 610(e) of Regulation NMS

³² See Nasdaq Rule 4703(d) (Primary Pegging with an Offset Amount), Arca Rule 7.31-E(h)(1) (Market Pegged Order with an offset amount), and BZX Rule 11.9(c)(8)(A) (Primary Pegged Orders with designated Primary Offset Amounts).

³³ See Securities Exchange Act Release No. 90197 (October 15, 2020), 85 FR 67074 (October 21, 2020) (File No. SR-IEX-2020-16) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Add an Offset Peg Order Type).

specifically as it relates to: (i) including a reference to an offset amount in the definition of Pegged Orders; (ii) Offset Peg orders being subject to the same time priority as other orders with a peg instruction, which are all ranked in priority based upon the time that such orders were initially received by the System;³⁴ (iii) cancelling any unexecuted portion of a Pegged Order during a Regulatory Halt;³⁵ (iv) rejecting Pegged Orders entered into an IPO auction; and (v) allowing Pegged Orders to participate in the Opening Process,³⁶ respectively.

Copycat/Cleanup Changes

Finally, the Exchange is proposing to amend the description of “Pegged Order” under Rule 11.006(h) to describe a Pegged Order as “An order that is automatically adjusted by the System in response to changes in the NBBO,” instead of “An order that automatically re-prices in response to changes in the NBBO.” The Exchange believes that this language better reflects system functionality and is generally consistent with the way that other exchanges describe pegged orders.³⁷

The Exchange is also proposing to add reference to Primary Peg Orders in Rule 11.023(a)(2). The reference was unintentionally excluded and adding it makes clear that Primary Peg Orders will be treated like all Pegged Orders in the Opening Process for Non-TXSE-Listed Securities.

(b) Statutory Basis

³⁴ Because all Pegged Orders are kept in time priority based on when they were initially received by the System, the System does not modify Pegged Orders or generate new timestamps or order update messages for Pegged Orders based on movements of the NBBO.

³⁵ As provided in Rule 11.020H(a)(15), the term “Regulatory Halt” has the same meaning as in the CTA Plan.

³⁶ See Rule 11.023.

³⁷ See, e.g. BZX Rule 11.9(c)(8).

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,³⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act,³⁹ in particular, in that it is designed to promote just and equitable principles of trade, 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. Specifically, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because it is designed to increase competition among execution venues by providing an additional Pegged Order type that market participants can use to trade at an offset to the primary quote, as described above, and thereby enable the Exchange to better compete with order types on other national securities exchanges that offer similar features to market participants.

Further, the Exchange believes that the proposal is consistent with the protection of investors and the public interest in that the Offset Peg order type would provide additional flexibility to market participants in their use of Pegged Orders. As described above, the Exchange already offers three types of Pegged Orders - Primary Peg, Midpoint Peg, and Market Peg. As proposed, the Offset Peg order would function in a similar manner but provide flexibility to market participants to specify an offset to the primary quote. Such functionality could be used for a number of purposes, including providing Users with the ability to post orders at more precise permissible price levels than are available with the Exchange's current Pegged Order types. Although broker-dealers could implement similar functionality on their own by consuming market data feeds and sending limit orders at prices that would accomplish the same outcome, implementing this functionality through an exchange order type will be much more efficient

³⁸ 15 U.S.C. 78f(b).

³⁹ 15 U.S.C. 78f(b)(5).

(fewer orders entered and cancelled every time the NBBO moves) and ensures that it is widely available to market participants on a fair and non-discriminatory basis. At the same time, the Offset Peg order type would be offered on a purely voluntary basis, and with flexibility for Users to choose the amount of any offset, thereby providing flexibility to continue using current Pegged Order types without a User specified offset and to choose different offsets based on a User's specific needs. The Exchange does not believe that providing flexibility to Users to select the amount of any offset raises any significant or novel concerns, since similar offset functionality is already available on other national securities exchanges, as discussed above.

In addition, the Exchange believes that it is consistent with the Act to round the price of a buy order down and a sell order up to the nearest permissible increment if the offset amount would result in the price of an Offset Peg order being in an increment smaller than specified in Rule 11.006(g). Rounding assures that the Exchange is compliant with Regulation NMS Rule 612⁴⁰ and TXSE Rule 11.006(g). Moreover, this approach is generally consistent with the way other national securities exchanges handle pegged orders.⁴¹

⁴⁰ See 17 CFR 242.612 and FAQs 8, 1, and 2 in Division of Market Regulation: Responses to Frequently Asked Questions Concerning Rule 612 (Minimum Pricing Increment) of Regulation NMS, available at <https://www.sec.gov/divisions/marketreg/subpenny612faq.htm> which provides that although exchanges (and broker-dealers) may not accept and round orders in NMS stocks explicitly priced in sub-penny increments (FAQs 8 and 1), they may accept such orders when the order is not "explicitly" priced in an impermissible sub-penny increment, meaning that a calculation must be performed to obtain the price of the order, in which case the exchange or broker-dealer may round the price of the stock to determine the "actual explicit price for the order." (FAQ 2). The Exchange believes that Offset Peg orders would not be explicitly priced in sub-penny increments even if the offset amount specified is in a sub-penny increment because the Exchange would need to perform a calculation to obtain the price of the order by applying the offset amount to the NBB or NBO as applicable. Accordingly, the Exchange believes that rounding as proposed is consistent with Rule 612 under Regulation NMS and relevant FAQs, which provide that exchanges (and broker-dealers) may not accept and round orders in NMS stocks explicitly priced in sub-penny increments (FAQs 8 and 1), except for when the order is not "explicitly" priced in an impermissible sub-penny increment, in which case the exchange may round the price of the stock to determine the "actual explicit price for the order," (FAQ 2).

⁴¹ See, e.g., Cboe US Equities FIX Specification (Version 2.9.51) describing treatment of Tag 211 regarding "Pegged Difference" available at https://cdn.cboe.com/resources/membership/Cboe_US_Equities_FIX_Specification.pdf.

The Exchange also believes that the corresponding changes to align Offset Peg treatment with other Pegged Orders as it relates to the definition of Pegged Orders, priority, treatment in a regulatory halt, treatment in an IPO auction, and participation in the Opening Process, are consistent with the Act in that they are consistent with the way that the Exchange treats other Pegged Orders already available on the Exchange and are generally consistent with how comparable order types are treated on other national securities exchanges.

The Exchange also believes that the copycat change to its description of Pegged Orders is consistent with the Act because the language better reflects system functionality and is generally consistent with the way that other exchanges describe pegged orders.⁴²

Finally, the Exchange believes that adding reference to Primary Peg Orders in Rule 11.023(a)(2). The reference was unintentionally excluded and adding it makes clear that Primary Peg Orders will be treated like all Pegged Orders in the Opening Process for Non-TXSE-Listed Securities.

For these reasons, the Exchange believes that the proposed changes do not raise any new or novel material issues that have not already been considered by the Commission in connection with existing order types offered by the Exchange and other national securities exchanges.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposal will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the proposal is a competitive response to similar order types available on other exchanges.

⁴² See, e.g. BZX Rule 11.9(c)(8).

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Competing exchanges have and can continue to adopt similar order types, as noted above.

The Exchange also does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. All Members would be eligible to use an Offset Peg order on the same terms.

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

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

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)⁴³ of the Act and Rule 19b-4(f)(6)⁴⁴ thereunder in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4⁴⁵ because it is substantially similar to functionality previously approved or

⁴³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴⁴ 17 CFR 240.19b-4(f)(6).

⁴⁵ 17 CFR 240.19b-4(f)(6).

considered by the Commission, as discussed above. Thus, the Exchange believes that the proposed changes do not significantly affect the protection of investors or the public interest and do not raise any new or novel material issues that have not already been considered by the Commission. The Exchange also believes that the proposed changes do not impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the proposal is a competitive response to similar order types available on other exchanges, all Members would be eligible to use an Offset Peg order on the same terms, and, to the extent that other exchanges do not have such functionality, they could choose to offer similar order types.

Furthermore, Rule 19b-4(f)(6)(iii)⁴⁶ requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

For the foregoing reasons, this rule filing qualifies as a “non-controversial” rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of 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.

⁴⁶ 17 CFR 240.19b-4(f)(6)(iii).

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

The proposed rule change is based in part on Nasdaq Rule 4703(d) (Primary and Market Peg order types may include a specified offset amount), NYSE Arca Rule 7.31-E(h)(1) (Market Pegged order type may include a specified offset amount), Cboe BZX Rule 11.9(c)(8)(A) (Primary Pegged Order may include a specified offset amount), and IEX Rule 11.190(b), as described in the Purpose section.

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

Not applicable.

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

Not applicable.

11. Exhibits

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

Exhibit 2 – 4: Not applicable.

Exhibit 5: Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-_____ ; File No. SR-TXSE-2026-001]

[Insert date]

Self-Regulatory Organizations; Texas Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Add an Offset Peg Order

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on [insert date], Texas Stock Exchange LLC (the “Exchange” or “TXSE”) 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 Exchange filed the proposal as a “non-controversial proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange filed a proposal to add an Offset Peg order that operates similarly to offset peg orders on other exchanges, as further described below.

The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is available on the Commission’s website (<https://www.sec.gov/rules/sro.shtml>) at the Exchange’s website (<https://txse.com/rule-filings>), and at the principal office of the Exchange.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

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 parts of such statements.

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

1. Purpose

The Exchange proposes to amend Rule 11.006(h) to add an Offset Peg order with similar functionality to comparable pegged orders on other exchanges. In addition, the Exchange is proposing to make certain corresponding changes to TXSE Rules 11.007(c), 11.008(a)(2)(iii), 11.0120H(b)(7)(A)(i), 11.022(a)(8)(A)(i), and 11.023(a)(2) in order to add reference to Offset Peg orders in other places in the rulebook where other Pegged Order⁵ types are mentioned, to make a copycat change to the definition of Pegged Order in Rule 11.006(h), and to make a cleanup change to add a reference to Primary Peg Orders in Rule 11.023(a)(2).

Overview

Currently, the Exchange offers three types of Pegged Orders: Primary Peg,⁶ Midpoint

⁵ As provided in Rule 11.006(h), the term “Pegged Order” means an order that automatically re-prices in response to changes in the NBBO, as further described in TXSE Rule 11.007(c). A User entering a Pegged Order can specify that the order’s price will peg to the NBB or NBO, the midpoint of the NBBO or to the opposing bid or offer, as described below.

⁶ As provided in Rule 11.006(h)(1), the term “Primary Peg” means an order with instructions to peg to the NBB, for a buy order, or the NBO, for a sell order. A User submitting a Pegged Order with a Primary Peg instruction may, but is not required to, include a limit price on such order.

Peg,⁷ and Market Peg,⁸ each of which are non-displayed orders that upon entry into the System⁹ and while resting on the TXSE Book,¹⁰ are pegged to a reference price based on the NBBO¹¹ and the order is automatically managed by the System in response to changes in the NBBO.

The Exchange is proposing to add a fourth type of Pegged Order, an Offset Peg, which is a non-displayed Pegged Order with instructions to peg to the less aggressive of: (i) the primary quote (i.e. the NBB¹² for buy orders and NBO¹³ for sell orders) plus or minus (plus for buy orders and minus for sell orders) an offset amount,¹⁴ and (ii) the order's limit price. While resting on the TXSE Book an Offset Peg Order to buy (sell) order is automatically adjusted by the System in response to changes in the NBB (NBO) plus (minus) the offset amount up (down) to the order's limit price. Based on informal feedback from Members, the Exchange believes that Offset Peg orders will provide additional flexibility to the Exchange's Pegged Order

⁷ As provided in Rule 11.006(h)(2), the term "Midpoint Peg" means a Pegged Order with an instruction to peg to the midpoint of the NBBO. A User submitting a Pegged Order with a Midpoint Peg instruction may, but is not required to, include a limit price on such order. A Pegged Order with a Midpoint Peg instruction and a limit price that is more aggressive than the midpoint of the NBBO will execute at the midpoint of the NBBO or better subject to its limit price. A Pegged Order with a Midpoint Peg instruction may execute at its limit price or better when its limit price is less aggressive than the midpoint of the NBBO. A Pegged Order with a Midpoint Peg instruction will be ranked at the midpoint of the NBBO where its limit price is equal to or more aggressive than the midpoint of the NBBO. In such case, pursuant to TXSE Rule 11.008, all Pegged Orders that are ranked at the midpoint of the NBBO will retain their priority as compared to each other based upon the time such orders were initially received by the System. A Pegged Order with a Midpoint Peg instruction will be ranked at its limit price where its limit price is less aggressive than the midpoint of the NBBO.

⁸ As provided in Rule 11.006(h)(3), the term "Market Peg" means an order with instructions to peg to the NBO, for a buy order, or the NBB, for a sell order. A User submitting a Pegged Order with a Market Peg instruction may, but is not required to, include a limit price on such order.

⁹ As provided in Rule 1.005(ff), the term "System" means the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking and execution.

¹⁰ As provided in Rule 1.005(ii), the term "TXSE Book" means the System's electronic file of orders.

¹¹ As provided in Rule 1.005(r), the term "NBBO" means the national best bid or offer.

¹² As provided in Rule 1.005(r), the term "NBB" means the national best bid.

¹³ As provided in Rule 1.005(r), the term "NBO" means the national best offer.

¹⁴ The Exchange notes that the offset amount will be entered by Users in basis points at or within the NBBO. As provided in proposed Rule 11.006(h)(4), if the offset amount would result in the price of an Offset Peg order being in an increment smaller than specified in Rule 11.006(g), the price of a buy order will be rounded down and the price of a sell order will be rounded up to the nearest permissible increment. If no offset amount is specified, the System will consider the offset amount to be zero.

functionality and would be useful to market participants seeking to trade within the NBBO.

Offset Peg Order

The Exchange proposes to add new Rule 11.006(h)(4) to add the Offset Peg order. As proposed, an Offset Peg order would be a Pegged Order with instructions to peg to the less aggressive of the primary quote (i.e. the NBB for buy orders and NBO for sell orders) plus or minus (plus for buy orders and minus for sell orders) an offset amount or the order's limit price upon entry and when posting to the TXSE Book. While resting on the Order Book, (i) a buy order is automatically adjusted by the System in response to the changes in the NBB plus the offset amount up to the order's limit price; and (ii) a sell order is automatically adjusted by the System in response to changes in the NBO minus the offset amount down to the order's limit price. If the offset amount would result in the price of an Offset Peg order being in an increment smaller than specified in Rule 11.006(g), the price of a buy order will be rounded down and the price of a sell order will be rounded up to the nearest permissible increment.¹⁵ If no offset amount is specified, the System will consider the offset amount to be zero. A User¹⁶ submitting a Pegged Order with an Offset Peg instruction is required to include a limit price on such order. An Offset Peg order entered with an offset equal to a Primary Peg, a Midpoint Peg, or a Market Peg will be treated as a Primary Peg, a Midpoint Peg, or a Market Peg, respectively.

The Exchange is also proposing to amend Rule 11.007(c) to provide that for Offset Peg orders, a User may indicate to peg an order to a reference price plus or minus an offset amount

¹⁵ Like Midpoint Peg orders, Offset Peg orders may result in executions at a sub-penny midpoint price. Pursuant to Rule 612 under Regulation NMS execution at a sub-penny midpoint price is permissible so long as the execution did not result from an impermissible sub-penny order or quotation. See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37556 (June 29, 2005) (File No. S7-10-04) ("NMS Adopting Release").

¹⁶ As provided in Rule 1.005(jj), the term "User" means any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to TXSE Rule 11.003.

(the NBB plus the offset amount up to the order's limit price for buy orders, the NBO minus the offset amount down to the order's limit price for sell orders). Like other Pegged Orders, Offset Peg orders will be subject to Rules 11.007(c)(1)-(7), which provide: (1) a Pegged Order may contain the following TIF instructions: Day,¹⁷ SYS,¹⁸ IOC,¹⁹ RHO²⁰ or GTT;²¹ (2) Pegged Orders may be entered as an Odd Lot,²² Round Lot²³ or Mixed Lot;²⁴ (3) Pegged Orders are not eligible to include a Displayed²⁵ instruction; (4) Pegged Orders may be executed during the Pre-

¹⁷ As provided in Rule 11.006(o)(2), the term "Day" means an instruction the User may attach to an order stating that an order to buy or sell is designated for execution starting with the Pre-Market Session and, if not executed, expires at the end of Regular Trading Hours. Any Day order entered into the System before the opening for business on the Exchange as determined pursuant to TXSE Rule 11.001 or after the closing of Regular Trading Hours will be rejected.

¹⁸ As provided in Rule 11.006(o)(6), the term "SYS" means an instruction a User may attach to an order stating that an order to buy or sell is designated for execution starting with the Pre-Market Session and, if not executed, expires at the end of the Post-Market Session. Any order with a TIF instruction of SYS entered into the System before the opening for business or after the closing for business on the Exchange as determined pursuant to TXSE Rule 11.001 will be rejected.

¹⁹ As provided in Rule 11.006(o)(1), the term "IOC" means an instruction the User may attach to an order stating the order is to be executed in whole or in part as soon as such order is received. The portion not executed immediately on the Exchange is treated as cancelled and is not posted to the TXSE Book

²⁰ As provided in Rule 11.006(o)(5), the term "RHO" means an instruction a User may attach to an order stating that an order to buy or sell is designated for execution only during Regular Trading Hours which includes the Opening Auction, the Closing Auction and IPO/Halt Auctions for TXSE-Listed securities and the Opening Process for non-TXSE-Listed securities (as such terms are defined in TXSE Rules 11.022 and 11.023) and, if not executed, expires at the end of Regular Trading Hours. Any order with a TIF instruction of RHO entered into the System after the closing of Regular Trading Hours will be rejected. Any portion of a market RHO order will be cancelled immediately following any auction in which it is not executed.

²¹ As provided in Rule 11.006(o)(4), the term "GTT" means an instruction the User may attach to an order specifying the time of day at which the order expires, which is designated for execution starting with the Pre-Market Session. Any unexecuted portion of an order with a TIF instruction of GTT will be cancelled at the expiration of the User's specified time, which can be no later than the close of the Post-Market Session.

²² As provided in Rule 11.006(q)(2), the term "Odd Lot" means any amount less than a Round Lot. Orders of Odd Lot size are only eligible to be Protected Quotations if aggregated to form a Round Lot.

²³ As provided in Rule 11.006(q)(1), the term "Round Lot" means One hundred (100) shares or any multiple thereof shall constitute a Round Lot, unless an alternative number of shares is established as a Round Lot by the listing exchange for the security. Orders that are a Round Lot are eligible to be Protected Quotations.

²⁴ As provided in Rule 11.006(q)(3), the term "Mixed Lot" means Any amount greater than a Round Lot that is not an integer multiple of a Round Lot shall constitute a Mixed Lot. Odd Lot portions of orders of Mixed Lot size are only eligible to be Protected Quotations if aggregated to form a Round Lot.

²⁵ As provided in Rule 11.006(c)(1), the term "Displayed" means an instruction the User may attach to an order stating that the order is to be displayed by the System on the TXSE Book.

Market Session,²⁶ the Market Session²⁷ and the Post-Market Session;²⁸ (5) a Pegged Order may include a Book Only²⁹ or Post Only³⁰ instruction; (6) to the extent an incoming Pegged Order would be a Crossing Quotation³¹ if displayed at the price at which it would be ranked in the TXSE Book, such order will execute against interest in the TXSE Book at prices up to and including the Locking Price³² and will then be cancelled by the System. A Pegged Order resting on the TXSE Book is not eligible for execution when a Locking Quotation³³ or Crossing Quotation exists. In such cases, a Pegged Order would rest on the TXSE Book and would not be eligible for execution in the System until a Locking Quotation or Crossing Quotation no longer

²⁶ As provided in Rule 1.005(v), the term “Pre-Market Session” means the time between 8:00 a.m. and 9:30 a.m. Eastern Time.

²⁷ As provided in Rule 1.005(p), the term “Market Session” means the time between 9:30 a.m. and 4:00 p.m. Eastern Time.

²⁸ As provided in Rule 1.005(u), the term “Post-Market Session” means the time between 4:00 p.m. and 5:00 p.m. Eastern Time.

²⁹ As provided in Rule 11.006(l)(1), the term “Book Only” means an order instruction stating that an order will be matched against an order on the TXSE Book or posted to the TXSE Book.

³⁰ As provided in Rule 11.006(l)(2), the term “Post Only” means an instruction that may be attached to an order that is to be ranked and executed on the Exchange pursuant to TXSE Rule 11.008 and TXSE Rule 11.009(a)(4) or cancelled, as appropriate, without routing away to another trading center except that the order will not remove liquidity from the TXSE Book, except as described below. An order with a Post Only instruction and a Display-Price Sliding instruction will remove contra-side liquidity from the TXSE Book if the order is an order to buy or sell a security priced below \$1.00 or if the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the TXSE Book and subsequently provided liquidity, including the applicable fees charged or rebates provided. To determine at the time of a potential execution whether the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the TXSE Book and subsequently provided liquidity, the Exchange will use the highest possible rebate paid and highest possible fee charged for such executions on the Exchange.

³¹ As provided in Rule 11.006(b), the term “Crossing Quotation” means the display of a bid (offer) for an NMS stock at a price that is higher (lower) than the price of an offer (bid) for such NMS stock previously disseminated pursuant to an effective national market system plan in violation of Rule 610(e) of Regulation NMS. Pursuant to TXSE Rule 13.004(a), the Exchange will use certain data feeds for the handling and execution of orders.

³² As provided in Rule 11.006(d), the term “Locking Price” means the price at which an order to buy (sell), that if displayed by the System on the TXSE Book, upon entry into the System would be a Locking Quotation. Pursuant to TXSE Rule 13.004(a), the Exchange will use certain data feeds for the handling and execution of orders.

³³ As provided in Rule 11.006(e), the term “Locking Quotation” means the display of a bid for an NMS stock at a price that equals the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock at a price that equals the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan in violation of Rule 610(e) of Regulation NMS

exists; and (7) a Pegged Order received by the System when the NBBO is not available will be rejected or cancelled back to the entering User. A Pegged Order resting on the TXSE Book will be cancelled back to the User when the NBB or NBO that the order is pegged to is no longer available.

The Exchange notes that the proposed Offset Peg order is very similar to functionality either currently or previously offered by several exchanges. Specifically, the Offset Peg order is similar to order types offered by Nasdaq Stock Market LLC (“Nasdaq”), NYSE Arca, Inc. (“Arca”), and Cboe BZX Exchange, Inc. (“BZX”),³⁴ as well as to order types previously offered by Investors Exchange, Inc. (“IEX”).³⁵

Corresponding Changes

The Exchange is also proposing to amend Rules 11.06(h) (Pegged Orders), 11.008(a)(2)(A)(iii) (Priority of Orders), 11.020(H)(b)(7)(A)(i) (Trading Halts), 11.022(a)(8)(A)(i) (Auctions), and 11.023(a)(2) (Opening Process for Non-TXSE-Listed Securities) to add reference to Offset Peg orders where other Pegged Order types are mentioned, specifically as it relates to: (i) including a reference to an offset amount in the definition of Pegged Orders; (ii) Offset Peg orders being subject to the same time priority as other orders with a peg instruction, which are all ranked in priority based upon the time that such orders were initially received by the System;³⁶ (iii) cancelling any unexecuted portion of a Pegged Order

³⁴ See Nasdaq Rule 4703(d) (Primary Pegging with an Offset Amount), Arca Rule 7.31-E(h)(1) (Market Pegged Order with an offset amount), and BZX Rule 11.9(c)(8)(A) (Primary Pegged Orders with designated Primary Offset Amounts).

³⁵ See Securities Exchange Act Release No. 90197 (October 15, 2020), 85 FR 67074 (October 21, 2020) (File No. SR-IEX-2020-16) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Add an Offset Peg Order Type).

³⁶ Because all Pegged Orders are kept in time priority based on when they were initially received by the System, the System does not modify Pegged Orders or generate new timestamps or order update messages for Pegged Orders based on movements of the NBBO.

during a Regulatory Halt;³⁷ (iv) rejecting Pegged Orders entered into an IPO auction; and (v) allowing Pegged Orders to participate in the Opening Process,³⁸ respectively.

Copycat/Cleanup Changes

Finally, the Exchange is proposing to amend the description of “Pegged Order” under Rule 11.006(h) to describe a Pegged Order as “An order that is automatically adjusted by the System in response to changes in the NBBO,” instead of “An order that automatically re-prices in response to changes in the NBBO.” The Exchange believes that this language better reflects system functionality and is generally consistent with the way that other exchanges describe pegged orders.³⁹

The Exchange is also proposing to add reference to Primary Peg Orders in Rule 11.023(a)(2). The reference was unintentionally excluded and adding it makes clear that Primary Peg Orders will be treated like all Pegged Orders in the Opening Process for Non-TXSE-Listed Securities.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁴⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁴¹ in particular, in that it is designed to promote just and equitable principles of trade, 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. Specifically, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because

³⁷ As provided in Rule 11.020H(a)(15), the term “Regulatory Halt” has the same meaning as in the CTA Plan.

³⁸ See Rule 11.023.

³⁹ See, e.g. BZX Rule 11.9(c)(8).

⁴⁰ 15 U.S.C. 78f(b).

⁴¹ 15 U.S.C. 78f(b)(5).

it is designed to increase competition among execution venues by providing an additional Pegged Order type that market participants can use to trade at an offset to the primary quote, as described above, and thereby enable the Exchange to better compete with order types on other national securities exchanges that offer similar features to market participants.

Further, the Exchange believes that the proposal is consistent with the protection of investors and the public interest in that the Offset Peg order type would provide additional flexibility to market participants in their use of Pegged Orders. As described above, the Exchange already offers three types of Pegged Orders - Primary Peg, Midpoint Peg, and Market Peg. As proposed, the Offset Peg order would function in a similar manner but provide flexibility to market participants to specify an offset to the primary quote. Such functionality could be used for a number of purposes, including providing Users with the ability to post orders at more precise permissible price levels than are available with the Exchange's current Pegged Order types. Although broker-dealers could implement similar functionality on their own by consuming market data feeds and sending limit orders at prices that would accomplish the same outcome, implementing this functionality through an exchange order type will be much more efficient (fewer orders entered and cancelled every time the NBBO moves) and ensures that it is widely available to market participants on a fair and non-discriminatory basis. At the same time, the Offset Peg order type would be offered on a purely voluntary basis, and with flexibility for Users to choose the amount of any offset, thereby providing flexibility to continue using current Pegged Order types without a User specified offset and to choose different offsets based on a User's specific needs. The Exchange does not believe that providing flexibility to Users to select the amount of any offset raises any significant or novel concerns, since similar offset functionality is already available on other national securities exchanges, as discussed above.

In addition, the Exchange believes that it is consistent with the Act to round the price of a buy order down and a sell order up to the nearest permissible increment if the offset amount would result in the price of an Offset Peg order being in an increment smaller than specified in Rule 11.006(g). Rounding assures that the Exchange is compliant with Regulation NMS Rule 612⁴² and TXSE Rule 11.006(g). Moreover, this approach is generally consistent with the way other national securities exchanges handle pegged orders.⁴³

The Exchange also believes that the corresponding changes to align Offset Peg treatment with other Pegged Orders as it relates to the definition of Pegged Orders, priority, treatment in a regulatory halt, treatment in an IPO auction, and participation in the Opening Process, are consistent with the Act in that they are consistent with the way that the Exchange treats other Pegged Orders already available on the Exchange and are generally consistent with how comparable order types are treated on other national securities exchanges.

⁴² See 17 CFR 242.612 and FAQs 8, 1, and 2 in Division of Market Regulation: Responses to Frequently Asked Questions Concerning Rule 612 (Minimum Pricing Increment) of Regulation NMS, available at <https://www.sec.gov/divisions/marketreg/subpenny612faq.htm> which provides that although exchanges (and broker-dealers) may not accept and round orders in NMS stocks explicitly priced in sub-penny increments (FAQs 8 and 1), they may accept such orders when the order is not “explicitly” priced in an impermissible sub-penny increment, meaning that a calculation must be performed to obtain the price of the order, in which case the exchange or broker-dealer may round the price of the stock to determine the “actual explicit price for the order.” (FAQ 2). The Exchange believes that Offset Peg orders would not be explicitly priced in sub-penny increments even if the offset amount specified is in a sub-penny increment because the Exchange would need to perform a calculation to obtain the price of the order by applying the offset amount to the NBB or NBO as applicable. Accordingly, the Exchange believes that rounding as proposed is consistent with Rule 612 under Regulation NMS and relevant FAQs, which provide that exchanges (and broker-dealers) may not accept and round orders in NMS stocks explicitly priced in sub-penny increments (FAQs 8 and 1), except for when the order is not “explicitly” priced in an impermissible sub-penny increment, in which case the exchange may round the price of the stock to determine the “actual explicit price for the order,” (FAQ 2).

⁴³ See, e.g., Cboe US Equities FIX Specification (Version 2.9.51) describing treatment of Tag 211 regarding “Pegged Difference” available at https://cdn.cboe.com/resources/membership/Cboe_US_Equities_FIX_Specification.pdf.

The Exchange also believes that the copycat change to its description of Pegged Orders is consistent with the Act because the language better reflects system functionality and is generally consistent with the way that other exchanges describe pegged orders.⁴⁴

Finally, the Exchange believes that adding reference to Primary Peg Orders in Rule 11.023(a)(2). The reference was unintentionally excluded and adding it makes clear that Primary Peg Orders will be treated like all Pegged Orders in the Opening Process for Non-TXSE-Listed Securities.

For these reasons, the Exchange believes that the proposed changes do not raise any new or novel material issues that have not already been considered by the Commission in connection with existing order types offered by the Exchange and other national securities exchanges.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposal will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the proposal is a competitive response to similar order types available on other exchanges.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Competing exchanges have and can continue to adopt similar order types, as noted above.

The Exchange also does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. All Members would be eligible to use an Offset Peg order on the same terms.

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

⁴⁴ See, e.g. BZX Rule 11.9(c)(8).

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

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

Because the foregoing proposed rule change does not:

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

B. Impose any significant burden on competition; and

C. Become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁴⁵ and Rule 19b-4(f)(6)⁴⁶ 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 proposal is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);

or

⁴⁵ 15 U.S.C. 78s(b)(3)(A).
⁴⁶ 17 CFR 240.19b-4(f)(6).

- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-TXSE-2026-001 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 No. SR-TXSE-2026-001. This file number should be included on the subject line if e-mail 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 (<http://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-TXSE-2026-001 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁷

Sherry R. Haywood,

Assistant Secretary.

⁴⁷ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

Rules of Texas Stock Exchange LLC

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CHAPTER 11. TRADING RULES

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Rule 11.006. Definitions

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(h) Pegged Order. An order that is automatically [re-prices]adjusted by the System in response to changes in the NBBO, as further described in TXSE Rule 11.007(c). A User entering a Pegged Order can specify that the order's price will peg to the NBB or NBO or an offset thereof, the midpoint of the NBBO or to the opposing bid or offer, as described below.

* * * * *

(4) Offset Peg. A Pegged Order with instructions to peg to the less aggressive of the primary quote (i.e. the NBB for buy orders and NBO for sell orders) plus or minus (plus for buy orders and minus for sell orders) an offset amount or the order's limit price upon entry and when posting to the TXSE Book. While resting on the Order Book, (i) a buy order is automatically adjusted by the System in response to the changes in the NBB plus the offset amount up to the order's limit price; and (ii) a sell order is automatically adjusted by the System in response to changes in the NBO minus the offset amount down to the order's limit price. If the offset amount would result in the price of an Offset Peg order being in an increment smaller than specified in Rule 11.006(g), the price of a buy order will be rounded down and the price of a sell order will be rounded up to the nearest permissible increment. If no offset amount is specified, the System will consider the offset amount to be zero. A User submitting a Pegged Order with an Offset Peg instruction is required to include a limit price on such order. An Offset Peg order entered with an offset equal to a Primary Peg, a Midpoint Peg, or a Market Peg will be treated as a Primary Peg, a Midpoint Peg, or a Market Peg, respectively.

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Rule 11.007 Order Types and Modifiers

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(c) Pegged Order. A User may indicate to peg an order to a reference price, including an instruction of Primary Peg (the NBB for buy orders and NBO for sell orders), an instruction of Midpoint Peg (the midpoint of the NBBO) or an instruction of Market Peg (the NBO for buy orders and NBB for sell orders). For Offset Peg orders, a User may indicate to peg an order to a reference price plus or minus an offset amount (the NBB plus the offset

amount up to the order's limit price for buy orders, the NBO minus the offset amount down to the order's limit price for sell orders). The System's calculation of the NBBO does not take into account any Pegged Orders that are resting on the TXSE Book.

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Rule 11.008. Priority of Orders

(a) Ranking. Orders of Users shall be ranked and maintained in the TXSE Book based on the following priority:

(1) Price. The highest-priced order to buy (lowest-priced order to sell) shall have priority over all other orders to buy (sell) in all cases.

(2) Time. Subject to the execution process described in TXSE Rule 11.009(a), the following priority rules shall apply:

(A) Where orders to buy (sell) are entered into the System at the same price, the order clearly established as the first entered into the System at such particular price shall have precedence at that price, up to the number of shares of stock specified in the order. Except as provided in paragraph (B) below, the System shall rank equally priced trading interest within the System in time priority in the following order:

(i) The portion of a Limit Order with a Displayed instruction (including Market Maker Peg Orders);

(ii) Limit Orders with a Non-Displayed instruction (including the Reserve Quantity of Limit Orders); and

(iii) Orders with a Peg instruction (i.e., Midpoint Peg, Market Peg, [and] Primary Peg, and Offset Peg, and excluding Market Maker Peg Orders), ranked in priority based upon the time such orders were initially received by the System.

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11.020H. Trading Halts.

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(b) Regulatory Halts

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(7) Order Processing During a Regulatory Halt, Including SIP Halts

(A) During a Regulatory Halt that will reopen with a Trading Halt Auction, the Exchange will process new and existing orders as follows:

(i) cancel any unexecuted portion of Non-Display Limit Orders and orders with a Peg instruction (i.e., Midpoint Peg, Market Peg, [and] Primary Peg, and Offset Peg, and excluding Market Maker

Peg Orders);

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11.022. Auctions.

(a) Definitions

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(8) The term “Eligible Auction Order” shall mean any MOO, LOO, LLOO, MOC, LOC or LLOC order (each as defined below) that is entered in compliance with its respective cutoff for an Opening Auction (as defined below) or Closing Auction (as defined below), any RHO order prior to the Opening Auction, any limit or market order not designated to exclusively participate in the Closing Auction entered during the Quote-Only Period (as defined below) of an IPO Auction subject to the below restrictions, and any limit or market order not designated to exclusively participate in the Opening Auction or Closing Auction entered during the Quote-Only Period of a Halt Auction (as defined below).

With regard to an IPO Auction in a TXSE-Listed Security, the restrictions on Eligible Auction Orders in paragraphs (A), (B) and (C) below would apply.

(A) The following types of orders shall not be eligible to participate in an IPO Auction and will be rejected:

(i) Pegged Orders, Midpoint Peg Orders, Market Maker Peg Orders, Market Peg Orders, and Offset Peg Orders.

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11.023. Opening Process for Non-TXSE-Listed Securities

(a) Order Entry and Cancellation before the Opening Process. Prior to the beginning of Regular Trading Hours, Users who wish to participate in the Opening Process may enter orders to buy or sell that are designated as RHO orders. Orders cancelled before the Opening Process will not participate in the Opening Process. Any order that is not designated as RHO will not be eligible for participation in the Opening Process.

(1) All non-RHO orders and ISOs designated RHO entered between 9:30 a.m. Eastern Time and the completion of the Opening Process may execute against eligible Pre-Market Session contra-side interest resting on the TXSE Book. Any unexecuted portion of an ISO that is designated RHO will be converted into a non-ISO and be queued for participation in the Opening Process.

(2) All orders that are designated as RHO may participate in the Opening Process except orders with a Post Only instruction and ISOs not modified by TXSE Rule 11.023(a)(1) above. Limit orders with a Reserve Quantity may participate to the full extent of their displayed size and Reserve Quantity. All Pegged Orders, Midpoint Peg Orders, [and]Market Peg Orders, Primary Peg Orders, and Offset Peg Orders, as defined in TXSE Rule 11.007(c), will be eligible for execution in the Opening Process based on their pegged prices.

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