

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–82315; File No. SR–BOX–2017–36]

### Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing of Proposed Rule Change To Adopt Rule 7600(i) To Allow Split-Price Transactions on the Trading Floor

December 13, 2017.

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 November 30, 2017, BOX Options Exchange LLC (“Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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 proposes to amend Rule 7600 to allow split-price transactions on the Trading Floor. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s internet website at <http://boxoptions.com>.

#### 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 Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange proposes to adopt Rule 7600(i). Specifically, the Exchange is proposing to adopt rules for split-price transactions on the Trading Floor. The

proposal is based on the rules of another options exchange with an open outcry trading floor.<sup>3</sup>

Proposed Rule 7600(i) establishes priority principles for split-price transactions occurring in open outcry on the Trading Floor. Generally, if an order or offer (bid) for any number of contracts of a series is represented to the trading crowd, a Floor Participant that buys (sells) one or more contracts of that order or offer (bid) at one price will have priority over all other orders and quotes, except Public Customer Orders resting in the BOX Book, to buy (sell) up to the same number of contracts of those remaining from the same order or offer (bid) at the next lower (higher) price.<sup>4</sup>

In order to execute a split-price transaction, a Floor Broker will submit a Qualified Open Outcry (“QOO”) Order to the system in the same manner as done today on the Trading Floor, with the exception that the QOO Order will be entered at a sub-minimum trading increment.<sup>5</sup> After receiving the QOO Order, the system will split the QOO Order into two transactions. The transactions are separated by one tick that, when combined, will yield a net price equal to the original price entered by the Floor Broker. For example, assume a Floor Broker submits a QOO Order with a price of \$1.025 for 100 contracts in a series with a minimum trading increment of \$0.05. The system will split the QOO Order into two transactions; a transaction for the purchase of 50 contracts at \$1.00 and a transaction for the purchase of 50 contracts at \$1.05.

The manner in which a Floor Broker brings an order to the Trading Floor is the same for a split-price QOO Order as it is for all other QOO Orders. Specifically, a Floor Broker may bring a single-sided order (*i.e.*, the initiating side of a QOO Order) to the Trading Floor in order to seek liquidity (*i.e.*, contra-side of a QOO Order). In such case, the Floor Broker announces the single-sided order to the trading crowd in an attempt to source contra-side liquidity. After finding sufficient liquidity for the single-sided order, the Floor Broker would be able to submit a two-sided QOO Order to the system as required.<sup>6</sup> If a Floor Participant responds by providing liquidity at two separate prices, then the Floor Broker would submit the QOO Order at a sub-

minimum trading increment resulting in a split-price transaction.<sup>7</sup> For example, a Floor Market Maker might be willing to buy half of the contracts at one price provided that the Floor Market Maker could buy the other half at one tick lower. Alternatively, the Floor Broker may have had both sides of the QOO Order (*i.e.*, the initiating side and the contra-side) when the order is brought to the Trading Floor and desires to execute the order at two separate prices in an attempt to have a net execution price with a sub-minimum trading increment. In such situation, the Floor Broker will announce the QOO Order to the trading crowd as required by Rule 7580(e)(2) and Floor Participants will be able to respond. Specifically, the Floor Broker will announce they are attempting to execute a QOO Order as a split-price transaction.

For example, assume the market for a series is \$0.25–\$0.35 (with a minimum trading increment of \$0.05), and a Floor Broker receives an order from a customer who would like to buy 50 contracts at a price or prices no higher than \$0.35. The Floor Broker will announce the single-sided order (*i.e.*, the initiating side of the QOO Order) to the crowd in order to solicit contra-side interest. Assume a Floor Market Maker is willing to sell 25 contracts at \$0.30 provided that he can also sell the remaining 25 contracts at \$0.35. Under the proposed Rule, that Floor Market Maker could offer \$0.30 for 25 contracts and then, by virtue of the proposed split-price priority, he will have priority for the balance of the order (up to 25 contracts) over all other Participants, except Public Customer Orders resting on the BOX Book. The Floor Broker will enter a QOO Order at a price of \$0.325, now that the Floor Broker has a two-sided order. The system will then split the QOO Order. The first transaction will be for 25 contracts at \$0.30. The second transaction will be for 25 contracts at \$0.35, the next best price for the Floor Broker customer. The Floor Market Maker (*i.e.*, the contra-side of the QOO Order) would have priority over all other Participants to sell the 25 contracts at \$0.35, except Public Customer Orders resting on the BOX Book. Two trades will be reported to the tape; a purchase of 25 contracts at \$0.30 and a purchase of 25 at \$0.35. The Floor Broker’s customer will receive a net

<sup>3</sup> See Cboe Rule 6.47. See also NYSE Arca Rule 6.75–O(h), NYSE American Rule 963NY(f), and Phlx Rule 1014(g)(i)(B).

<sup>4</sup> See proposed Rule 7600(i)(1).

<sup>5</sup> For example, entering a QOO Order at a price of \$1.03 when the minimum trading increment for the series is \$0.05.

<sup>6</sup> See Rule 7600(a).

<sup>7</sup> The Exchange notes that nothing prevents a Floor Participant from responding for the full amount of the order at the better price for the Floor Broker’s customer. For example if a Floor Broker announces an order for a customer looking to buy at \$0.30 and \$0.35, a Floor Participant could respond to sell the full quantity at \$0.30 instead of selling part at \$0.30 and part at \$0.35.

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

<sup>2</sup> 17 CFR 240.19b–4.

purchase price of \$0.325 for 50 contracts,<sup>8</sup> which is the price that the Floor Broker entered when submitting the QOO Order.

If an order or offer (bid) of 100 or more contracts of a series is represented to the trading crowd, a Floor Participant that buys (sells) 50 or more of the contracts of that order or offer (bid) at one price will have priority over all other orders and quotes to buy (sell) up to the same number of contracts of those remaining from the same order or offer (bid) at the next lower (higher) price.<sup>9</sup> If the bids or offers of two or more Floor Participants are both entitled to split-price priority, it will be afforded to the extent practicable on a pro-rata basis.<sup>10</sup> Further, the Exchange may increase the minimum qualifying size of 100 contracts. These changes will be announced to Participants via Regulatory Circular.

For example, assume the market for a series is \$0.25–\$0.35, and a Floor Broker receives an order from a customer who would like to buy 100 contracts at a price or prices no higher than \$0.35. Assume a Floor Market Maker is willing to sell 50 contracts at \$0.30 provided that he can also sell the remaining 50 contracts at \$0.35. Under the proposed Rule, that Floor Market Maker could offer \$0.30 for 50 contracts then, by virtue of the proposed split-price priority, he will have priority for the balance of the order (up to 50 contracts) over all other Participants, including any resting Public Customer Orders on the BOX Book. The Floor Broker will enter a QOO Order with a price of \$0.325. The system will then split the QOO Order. The first transaction will be for 50 contracts at \$0.30. The second transaction will be for 50 contracts at \$0.35, the next best price for the Floor Broker's customer. The Floor Market Maker will have priority over all other Participants to sell the 50 contracts at \$0.35, including any resting Public Customer Orders on the BOX Book. Two trades will be reported to the tape; a purchase of 50 contracts at \$0.30 and a purchase of 50 at \$0.35. The Floor Broker's customer will receive a net purchase price of \$0.325 for 100 contracts, which is the price that the Floor Broker entered when submitting the QOO Order.

In order for a Floor Participant to avail himself to split-price priority, there are certain requirements. First, the priority is available for open outcry

transactions only (*i.e.*, QOO Orders) and does not apply to Complex Orders. The Floor Participant must make its bid (offer) at the next lower (higher) price for the second (or later) transaction at the same time as the first bid (offer) or promptly following the announcement of the first (or earlier) transaction. The second (or later) purchase (sale) must represent the opposite side of a transaction with the same order or offer (bid) as the first (or earlier) purchase (sale).

The Exchange further proposes that if the width of the quote for a series is the minimum increment for that series (*e.g.*, \$1.00–\$1.05 for a series with a minimum increment of \$0.05, or \$1.00–\$1.01 for a series with a minimum increment of \$0.01), and both the bid and offer represent Public Customer Orders resting in the BOX Book, split-price priority pursuant to this rule is not available to Floor Participant until the Public Customer Order(s) resting in the BOX Book on either side of the market trades. This exception is consistent with the Exchange's allocation and priority rules, which provide for Public Customer Orders to have priority at the best price in open outcry over QOO Orders.<sup>11</sup>

For example, assume the market for a series with a minimum increment of \$0.05 is \$1.00–\$1.05 (with the \$1.00 bid and \$1.05 offer each representing a Public Customer Order for 25 contracts), and a Floor Broker receives an order from a customer who would like to buy 100 contracts at a price or prices no higher than \$1.05. Assume a Floor Market Maker is willing to sell 50 contracts at \$1.00 and 50 contracts at \$1.05. The Floor Broker will enter a QOO Order at a price of \$1.025. The system will then attempt to split the QOO Order. The first transaction would be for 50 contracts at \$1.00. However, there is Public Customer interest resting at \$1.00 on the BOX Book, which will have priority to trade at \$1.00. Therefore, the system will reject the QOO Order entered at \$1.025.<sup>12</sup> In this situation, if the Floor Market Maker wants to receive split-price priority at \$1.05, the Floor Market Maker will not be able to execute the first part of a split-price transaction with the order being represented by the Floor Broker until after the resting Public Customer Order at \$1.00 trades.

The proposed rule change provides that “either side of the market” must trade for split-price priority to become available. The proposal provides that a Floor Participant is eligible to receive split-price priority, which could include the Floor Participant representing the order or offer (quote). Thus, the proposal allows for the Floor Participant on either side of a transaction to be eligible for split-price priority. Assume the market for a series with a minimum increment of \$0.05 is \$1.00–\$1.05 (with the \$1.00 bid representing a Public Customer order for 25 contracts), and a Floor Broker receives an order from a customer who would like to buy 100 contracts at a price or prices no higher than \$1.05. After receiving no interest from the trading crowd to sell 100 contracts at \$1.00, the Floor Broker represents to the trading crowd that he would like to buy 50 contracts at \$1.00 and 50 contracts at \$1.05 for a net execution price of \$1.025. Assume a Floor Market Maker is willing to sell 50 contracts at \$1.00 and 50 contracts at \$1.05. The Floor Broker will enter a QOO Order at a price of \$1.025. The system will then split the QOO Order. The first transaction will be for 50 contracts at \$1.05 (at which price there is no resting Public Customer offer). The second transaction will be for 50 contracts at \$1.00, the next best price for the Floor Broker. In this situation, the Floor Broker's customer (*i.e.*, the initiating side of the QOO Order) is eligible to receive split-price priority at \$1.00 over the resting Public Customer interest at \$1.00 and achieve a better net price execution of \$1.025 for its customer order, which is the price that the Floor Broker entered when submitting the QOO Order. Two trades will be reported to the tape; a purchase of 50 contracts at \$1.00 and a purchase of 50 at \$1.05.

The Floor Broker may utilize the book sweep size, as provided in Rule 7600(h), when entering a split-price QOO Order. For example, assume the market for a series is \$0.30–\$0.35 (with a minimum trading increment of \$0.05 and the \$0.35 offer is a Public Customer Order for 10 contracts). A Floor Broker intends to execute a split-price QOO Order for a customer looking to buy 80 contracts (*i.e.*, the initiating side) at \$0.325 with a Floor Market Maker willing to sell 80 contracts (*i.e.*, the contra-side). The QOO Order will be split by the system into transactions for 40 contracts at \$0.30 and 40 contracts at \$0.35. A QOO Order entered at \$0.325 will be accepted as long as the Floor Broker provided a book sweep size of at least 10 contracts which would sweep the resting Public

<sup>8</sup> The Floor Broker's customer would receive 25 contracts at \$0.30 and 25 contracts at \$0.35. The net price that the customer paid for the contracts would be \$0.325 ((25 \* \$0.30 + 25 \* \$0.35)/50).

<sup>9</sup> See proposed Rule 7600(i)(2).

<sup>10</sup> See proposed Rule 7600(i)(3).

<sup>11</sup> See Rules 7600(c) and (d).

<sup>12</sup> If, however, the resting interest at \$1.00 on the BOX Book was for non-Public Customer interest, the system would accept the QOO Order entered at \$1.025. This is in line with the priority rules applicable to the Trading Floor as outlined in Rule 7600(c).

Customer interest on the contra-side. Assuming the Floor Broker entered a book sweep size of 10 contracts for the QOO Order, the second transaction at \$0.35 will result in an allocation of the initiating side of the QOO Order to the Public Customer Order for 10 contracts and the remaining 30 contracts will be allocated to the Floor Market Maker.

To address potential concerns regarding Section 11(a) of the Act,<sup>13</sup> the Exchange is proposing IM-7600-6. Section 11(a) generally prohibits members of national securities exchanges from effecting transactions for the member's own account, absent an exemption. With respect to the proposal, there could be situations where because of the limited exception to Public Customer priority, orders on behalf of members could trade ahead of orders of nonmembers in violation of Section 11(a).<sup>14</sup> The proposal would make clear that Floor Brokers may avail themselves of the split-price priority rule, but they would be obligated to ensure compliance with Section 11(a). Specifically, the Exchange is proposing that a Floor Broker who bids (offers) on behalf of a non-Market-Maker BOX Participant broker-dealer ("BOX Participant BD") must ensure that the BOX Participant BD qualifies for an exemption from Section 11(a)(1) of the Exchange Act or the transaction satisfies the requirements of Exchange Act Rule 11a2-2(T). Pursuant to IM-7600-5, a Participant shall not utilize the Trading Floor to effect any transaction for its own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion by relying on an exemption under Section 11(a)(1)(G) of the Exchange Act (the "G Exemption").<sup>15</sup> Therefore, a Floor Broker bidding or offering on behalf of a BOX Participant must rely on other exceptions from Section 11(a).<sup>16</sup> Otherwise a Floor Broker cannot execute a split-price transaction on the Trading Floor. The

Exchange notes that the proposed rule change would not limit in any way the obligation of a BOX Participant, while acting as a Floor Broker or otherwise, to comply with Section 11(a) or the rules thereunder.

The Exchange will provide at least two weeks' notice to Participants via Circular prior to the launch of split-price priority. The Exchange anticipates launching in the first quarter of 2018.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>17</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>18</sup> 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.

In particular, the Exchange believes the proposed rule change is consistent with the existing split-price priority on another options exchange.<sup>19</sup> The proposed rule change is designed to induce Floor Participants to bid (offer) at better prices for an order or offer (bid) that may require execution at multiple prices (such as larger orders), which will result in a better average price for the originating Floor Participant (or its customer).

Further, the Exchange believes that the proposal should lead to more aggressive quoting by Floor Participants, which in turn could lead to better executions. A Floor Participant might be willing to trade at a better price for a portion of an order if he were assured of trading with the balance of the order at the next pricing increment. As a result, Floor Brokers representing orders in the trading crowd might receive better-priced executions. As such, the Exchange believes that the proposed rule change will encourage Participants on BOX's Trading Floor to bid or offer better prices, thus creating more opportunities for price improvement, which ultimately enhances competition.

Lastly, as discussed above, the Exchange notes that the proposed change is substantially similar to the split-price priority rules at another options exchange with open outcry trading floor.<sup>20</sup> As such, the Exchange believes that the proposed change would remove impediments to and perfect the mechanism of a free and open market because the proposed rules

establishing split-price priority on the BOX Trading Floor would further promote competition among options exchange with open outcry trading floors. As such, the Exchange believes that the proposed change is consistent with the Act.

## 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 not necessary or appropriate in furtherance of the purposes of the Act. As discussed above, the proposed change aligns the rules of the Exchange with those of another options exchange<sup>21</sup> and will allow the Exchange to compete with the options exchanges that have open outcry floors. The Exchange believes it will help Floor Brokers at the Exchange to compete for executions against floor brokers at other exchanges by providing an additional tool to Floor Brokers that allows them to provide better executions for their customers. This, in turn, helps the Exchange compete against exchanges in a deeply competitive landscape.

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

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

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

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

(A) By order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

## IV. Solicitation of Comments

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

<sup>13</sup> 15 U.S.C. 78k(a).

<sup>14</sup> For example, assume Floor Broker A walks into the trading crowd attempting to find a crowd member willing to effect a split-price transaction. Floor Broker B, who is representing either a proprietary or Participant broker-dealer order, expresses interest. In this instance, Section 11(a) could be implicated, absent an exemption.

<sup>15</sup> See Securities Exchange Act Release No. 80720 (May 18, 2017), 82 FR 23657 (May 23, 2017) (Notice of Amendment 2 to SR-BOX-2016-48) at 23674 and 23681. See also Securities Exchange Act Release No. 81292 (August 2, 2017), 82 FR 37144 (August 8, 2017) (Order Approving SR-BOX-2016-48).

<sup>16</sup> For example, other Section 11(a)(1) exemptions include, the "effect vs. execute" exemption, the market maker exemption, and the error account exemption.

<sup>17</sup> 15 U.S.C. 78f(b).

<sup>18</sup> 15 U.S.C. 78f(b)(5).

<sup>19</sup> See *supra* note 3.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

*Electronic Comments*

- Use the Commission's internet comment form (<http://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-BOX-2017-36 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-BOX-2017-36. 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 (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BOX-2017-36 and should be submitted on or before January 9, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>22</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

[FR Doc. 2017-27234 Filed 12-18-17; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-82308; File No. SR-CBOE-2017-077]

**Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Fees Schedule**

December 13, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 8, 2017, Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchanges seeks to amend the Fees Schedule. The text of the proposed rule change is available on the Exchange's website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

Pursuant to Footnote 38 of the Fees Schedule, if a Lead Market-Maker ("LMM") in SPX options during extended trading hours ("ETH") (1) provides continuous electronic quotes in at least the lesser of 99% of the non-adjusted series or 100% of the non-adjusted series minus one call-put pair in an ETH allocated class (excluding intra-day add-on series on the day during which such series are added for trading) and (2) enters opening quotes within five minutes of the initiation of an opening rotation in any series that is not open due to the lack of a quote (see Rule 6.2B(d)(i)(A) or (ii)(A)), provided that the LMM will not be required to enter opening quotes in more than the same percentage of series set forth in clause (1) for at least 90% of the trading days during ETH in a month, the LMM will receive a rebate for that month and will receive a pro-rata share of a compensation pool equal to \$15,000 times the number of LMMs in that class (or pro-rated amount if an appointment begins after the first trading day of the month or ends prior to the last trading day of the month).

The Exchange proposes<sup>3</sup> to amend Footnote 38 to modify the standard an SPX LMM will need to satisfy in order to receive a rebate for its ETH activity, and increase the compensation pool for SPX LMMs to \$30,000 per LMM.<sup>4</sup> In addition to providing continuous electronic quotes and entering opening quotes, as described above, in order for an LMM in SPX to receive the monthly rebate, it must satisfy the following time-weighted average quote widths and bid/ask sizes for each moneyness category during the month: (A) Out of the money options ("OTM") category, average quote width of \$0.75 or less and average bid/ask size of 15 contracts or greater; (B) at the money options ("ATM") category, average quote width of \$3.00 or less and bid/ask size of 10 contracts or more; and (C) in the money options ("ITM") category, average quote width of \$10.00 or less and bid/ask size of 5 contracts or more. In other words, the LMM will need to satisfy the following nine criteria during a month to receive the payment described above for that month.

<sup>22</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> The Exchange initially filed the proposed rule change on December 1, 2017 (SR-CBOE-2017-075). On December 8, 2017 the Exchange withdrew SR-CBOE-2017-075 and then subsequently submitted this filing (SR-CBOE-2017-077).

<sup>4</sup> The proposed rule change does not change the standard a VIX LMM will need to meet to receive a rebate.