venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

In this instance, the Exchange's proposed credit amendment does not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition both from other exchanges and from off-exchange venues. The proposed modification to the $0.0015 per share executed credit represents a modest decrease in the criteria required to qualify for the credit. Thus, members will be able to receive the credit by accessing a lower amount of Consolidated Volume during a month. The Exchange believes that lowering the level of Consolidated Volume will incentivize more members to provide the market-improving Consolidated Volume needed to qualify for the credit. If the proposal is unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposal will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.[12]

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: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

[12] 15 U.S.C. 78s(b)(3)(A)(ii).

IV. Solicitation of Comments

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

Electronic Comments

- Use the Commission's internet comment form (*http://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov.* Please include File Number SR–BX–2019–006 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to File Number SR–BX–2019–006. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (*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–BX–2019–006 and should be submitted on or before May 8, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[13]

Eduardo A. Aleman,

Deputy Secretary.

[FR Doc. 2019–07615 Filed 4–16–19; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–85626; File No. SR–CboeEDGX–2019–017]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Adopt All-or-None (''AON'') Orders

April 11, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on April 2, 2019, Cboe EDGX Exchange, Inc. (''Exchange'' or '''''EDGX'''') 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 Exchange. The Exchange filed the proposal as a ''non-controversial'' proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[3] 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

Cboe EDGX Exchange, Inc. (the ''Exchange'' or ''EDGX'') proposes to adopt all-or-none (''AON'') orders. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange's website (*http://markets.cboe.com/us/options/regulation/rule_filings/edgx/*), 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

[13] 17 CFR 200.30–3(a)(12).

[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).

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

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

1. Purpose

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. (''Cboe Global''), which is the parent company of Cboe Exchange, Inc. (''Cboe Options'') and Cboe C2 Exchange, Inc. (''C2''), acquired the Exchange, Cboe EDGA Exchange, Inc. (''EDGA''), Cboe BZX Exchange, Inc. (''BZX or BZX Options''), and Cboe BYX Exchange, Inc. (''BYX'' and, together with C2, Cboe Options, the Exchange, EDGA, and BZX, the ''Cboe Affiliated Exchanges''). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of a technology migration. Cboe Options intends to migrate its technology to the same trading platform used by the Exchange, C2, and BZX Options in the fourth quarter of 2019. The proposal set forth below is intended to add certain functionality to the Exchange's System that is available on Cboe Options in order to ultimately provide a consistent technology offering for market participants who interact with the Cboe Affiliated Exchanges. Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent practicable will reduce potential confusion for Users.

The Exchange proposes to adopt AON orders. Proposed Rule 21.1(d)(4) defines AON orders as orders to be executed in their entirety or not at all. Additionally, it specifies that AON orders may be market or limit orders. Several other options exchanges offer AON orders (which can be market or limit orders), and this proposed definition is consistent with the definition of AON orders in other options exchanges' rules, including Cboe Options.[5] The Exchange will not disseminate bids or offers of AON orders to OPRA, as the prices of AON orders are not included in the Exchange's best bid or offer (''BBO'') for a series.[6]

The proposed AON order is similar to the existing Minimum Quantity Order currently available on the Exchange. Minimum Quantity Orders are orders that require a specified minimum quantity of contracts be obtained, or the order is cancelled.[7] Today, a Minimum Quantity Order with the minimum set as the full size of the order would function similar to the proposed AON order (except, as noted above, an AON order will not be required to be submitted as IOC).[8] The Exchange also offers a fill-or-kill (''FOK'') Time-in-Force, pursuant to which a limit order is to be executed in its entirety as soon as it is received and, if not so executed, cancelled.[9] A FOK order is equivalent to an AON entered with an IOC Time-in-Force. As discussed below, unlike Minimum Quantity Orders or orders designated as FOK, AON orders may rest in the Book or be routed, may also be market orders, and may have any Time-in-Force. However, the primary characteristic of both, which is that they must execute in their entirety, is the same.

The proposed rule change does not permit a User to designate an AON order as Post Only.[10] An AON order's size contingency, and the fact that (as discussed below) AON orders will have last priority while resting in the EDGX Options Book, will provide AON orders resting on the EDGX Options Book with few opportunities for AON orders to receive an execution. For this reason, the Exchange believes there will be minimal investor demand for Post Only AON orders.[11] The Exchange believes it is appropriate to not restrict the opportunities for execution of an AON order to the minimal execution opportunities that would exist for an AON order while resting on the Book. This ensures that an AON order may execute upon entry if there is sufficient size resting on the EDGX Options Book, as well as have an opportunity for execution if it cannot so execute.

Additionally, the proposed rule change only permits Users to apply MCN (MTP cancel newest), but no other MTP Modifiers, to an AON order.[12] Rule 21.1(g)(1) provides that an incoming order marked with the MCN Modifier will not execute against opposite side resting interest market with any MTP modifier originating from the same Unique Identifier. The incoming order marked with the MCN modifier will be cancelled back to the originating User(s). The resting order marked with an MTP modifier will remain on the EGDX Options Book. The Exchange believes there will be little demand for the use of any MTP Modifiers on AON orders given that primarily retail investors submit AONs, and retail investors are unlikely to have interest

[5] *See, e.g.,* Cboe Options Rule 6.53(i); NASDAQ ISE, LLC (''ISE'') Rule 715(c) (ISE requires AON orders to be entered as immediate-or-cancel (''IOC'')); NASDAQ OMX PHLX, LLC (''PHLX'') Rule 1066(c)(4); NASDAQ Options Market LLC (''NOM'') Chapter VI, Section 1(e)(10) (NOM requires AON orders to be entered as IOC and only after the market open); and NYSE Arca, Inc. (''Arca'') Rule 6.62–O(d)(4). The proposed rule change permits Users to apply all Times-in-Force to AON orders (as Cboe Options permits), as the Exchange already offers fill-or-kill (''FOK'') orders, which are the equivalent of an IOC AON order. *See* Rule 21.1(f)(5) (a FOK order is a limit order that is to be executed in its entirety as soon as it is received and, if not so executed, cancelled). However, as discussed below, Users may not apply a Post Only instruction to AON orders.

[6] *See* proposed Rule 21.1(d)(4)(A). Rules of other options exchanges explicitly provide that AON orders are not disseminated to OPRA. *See, e.g.,* Cboe Options Rule 6.44, Interpretation and Policy .02; and Phlx Option Floor Procedures A–9. Proposed Rule 21.1(d)(4)(E) states the Exchange may restrict the entry of AON orders in a series or class if the Exchange deems it necessary or appropriate to maintain a fair and orderly market. Cboe Options rules provide it with the same authority. *See, e.g.,* Cboe Options Rule 6.44, Interpretation and Policy .03.

[7] *See* Rule 21.1(d)(3). While Minimum Quantity Orders may only be IOC, the proposed rule change does not limit the Times-in-Force that Users may apply to AON orders as discussed above.

[8] For example, a Minimum Quantity Order for 100 contracts with a minimum set at 100 contracts has the same result as an AON order for 100 contracts, because both can only trade against an order(s) for 100 contracts.

[9] *See* Rule 21.1(f)(5). The proposed rule change does not adopt a provision corresponding to Cboe Options Rule 6.44, Interpretation and Policies .04 or .05, because the Exchange believes those provisions are redundant and unnecessary. Cboe Options Rule 6.44 states that an all-or-none bid or offer shall be deemed to be made only for the amount stated (*i.e.,* deemed to be all-or-none), which is redundant of the proposed definition of an AON order. Similarly, Cboe Options Rule 6.44, Interpretation and Policy .04, which essentially says that a FOK order will be deemed to be made only for the amount stated, is redundant of the Exchange's current definition of a FOK order. Cboe Options Rule 6.44, Interpretation and Policy .05 relates to minimum volume orders (which are similar to Minimum Quantity Orders on the Exchange, except minimum volume orders on Cboe Options may only be executed in open outcry), and states minimum volume orders will be deemed to be made only for the amount stated (*i.e.,* deemed to be all-or-none), which the Exchange believes is redundant of the Exchange's current definition of a Minimum Quantity Order.

[10] *See* proposed Rule 21.1(d)(4)(B). Pursuant to Rule 21.1(d)(8), a Post Only order may not, among other things, remove liquidity from the EDGX Options Book.

[11] Cboe Options does not offer a Post Only instruction. Additionally, other exchanges, such as ISE and NOM, only permit AON orders to be entered as IOC, and thus AON orders at those options exchanges would only execute upon entry and never rest on the book (and thus Post Only, if available on those exchanges, would not be permitted).

[12] *See* proposed Rule 21.1(d)(4)(D). If a User applies any other MTP Modifier to an AON order, the System will handle it as an MCN).

on both sides of the market. Given this expected minimal demand, the Exchange believes offering one MTP Modifier for AON orders is sufficient. The Exchange believes MCN is the most appropriate MTP modifier for AON orders, because it is the simplest modifier to implement from a System perspective and an offering of other MTP modifier for investors would present significant technical complexities given the size contingency of AON orders.[13] Additionally, the Exchange has determined to handle an AON order with any other MTP Modifier as an MCN rather than cancel the AON, because the proposed rules provide investors with sufficient transparency regarding how the System will handle AON orders with MTP Modifiers, and Users may achieve other results manually if so desired. For example, if User were to prefer to have a resting order with an MTP Modifier cancel and let the newer AON order rest, it could manually cancel the resting order and then resubmit the AON order.

Cboe Options offers match trade prevention only for market-makers, and thus the Cboe Options rules regarding AON orders contains no restrictions on the use of match trade prevention instructions, as it would only be available to market-makers that submit AON orders. Because the Exchange has match-trade prevention functionality available for all Users and not just Market-Makers, the Exchange believes it is appropriate to provide this functionality to all Users that submit AON orders and want match trade prevention functionality. The rules of other exchanges are also silent on whether any match trade prevention instructions are available for AON orders.

An AON limit order will always be subject to the Price Adjust process in Rule 21.1(i).[14] Because AON orders will have last priority on the EDGX Options Book (as discussed below), the Exchange believes it will maximize execution opportunities for AON limit orders to be subject to the Price Adjust process.[15] The Price Adjust process applies to orders (subject to the User's instructions or the Rules) that do not execute upon entry and go to rest in the EDGX Options Book (for example, because an order is not marketable upon entry, is not eligible to route, or, in the case of an AON order, there is insufficient size to satisfy its size contingency). It ensures these orders rest at executable prices in accordance with linkage rules.[16]

Currently, if an order, at the time of entry, would lock or cross a Protected Quotation of another options exchange or the Exchange, it will be ranked and displayed by the System at one minimum price variation below (above) the current NBO (NBB) for bids (offers).[17] An AON order resting on the EDGX Options Book is not displayed or part of the BBO (thus is not protected and would not be part of the NBBO). The proposed rule change provides that AON orders will rest on the EDGX Options Book at potentially executable prices (and thus not at prices that cross a Protected Quotation or the BBO).

Specifically, proposed Rule 21.1(i)(1)(A)(ii) provides if a buy (sell) non-AON order, at the time of entry, would lock or cross the offer (bid) of a sell (buy) AON order resting on the EDGX Options Book at or better than the Exchange's best offer (bid), the System ranks [18] the resting AON order at one minimum price variation above (below) the bid (offer) of the non-AON order. This is consistent with the price at which non-AON orders would rest on the EDGX Options Book if subject to price adjustment (except price adjustment currently only applies to incoming orders, not resting orders). For example, if an AON order to buy 5 at 1.10 is resting on the EDGX Options Book (which is the NBB), and a non-AON order to sell 1 (which does not satisfy the size of the AON order) at 1.10 enters the EDGX Options Book, the System reprices the AON order to rest in the EDGX Options Book at 1.05 (assuming the minimum price variation for the class is $0.05).

Similarly, pursuant to proposed Rule 21.1(i)(1)(B)(ii), if a buy (sell) AON order, at the time of entry, would lock or cross a Protected Offer (Bid) of the Exchange, the System ranks the incoming AON order at a price one minimum price variation below (above) the offer (bid) of the non-AON order resting on the EDGX Options Book at the Protected Offer (Bid). This is consistent with how an incoming non-AON would be handled if it locked or crossed a Protected Offer (Bid) of the Exchange. For example, if a non-AON order to buy 1 at 1.10 is resting at the top of the EDGX Options Book, and an AON order to sell 5 (which cannot satisfied by the resting interest) at 1.10 enters the EDGX Options Book, the System reprices the AON order to rest in the EDGX Options Book at 1.15 (assuming the minimum price variation for the class is $0.05).

Proposed subparagraph (i)(1)(B)(i) states if a buy (sell) AON order, at the time of entry, would cross a Protected Offer (Bid) of another options exchange or a sell (buy) AON order resting on the EDGX Options Book at or better than the Exchange's best offer (bid), the System will rank the incoming AON order at a price equal to the Protected Offer (Bid) or the offer (bid) of the resting AON order, respectively. For example, if a buy AON order has a bid of 1.05 and enters the EDGX Options Book when the NBO is 1.00, the System ranks the AON order at a 1.00 bid.[19] Or, if a sell AON order has an offer of 1.10 and enters the EDGX Options Book, where there is a resting AON order with a bid of 1.15, the System ranks the incoming AON order at a price of 1.15.

The proposed rule change applies the current Price Adjust process to the existence of AONs to reflect the fact that AONs are not displayed on the EDGX Options Book (and thus are not Protected Quotations). This factor distinguishes AONs from other orders on the Exchange. The Exchange believes the proposed application of the Price Adjust process to AONs is reasonable, because an AON order will rest on the EDGX Options Book at an executable price (*i.e.,* a price that locks or is one minimum price variation away from the new Protected Quotation or AON resting on the EDGX Options Book at or better than the Exchange's BBO).[20] The

[13] Additionally, the Decrement and Cancel MTP Modifier is inconsistent with an AON order, because it may result in partial execution of an order.

[14] *See* proposed Rule 21.1(d)(4)(C). If an AON market order is unable to execute for any reason, it would cancel in accordance with the terms of a market order. This is consistent with the handling of any other market order that was not able to execute on the Exchange.

[15] If a User does not want an AON order to rest on the EDGX Options Book at an adjusted price, it may cancel the AON order and resubmit it for execution at a later time.

[16] *See* Rule 27.3, which provides that the Exchange will reasonably avoid displaying quotations that lock or cross a Protected Quotation.

[17] *See* current Rule 21.1(i)(1) (which the proposed rule change renumbers and letters to be Rule 21.1(i)(1)(A)(i)).

[18] In the EDGX Rules, the term ''ranked'' means that an order will be prioritized and eligible for execution at its ranked price for purposes of allocation if an execution were to occur at that price. For an AON order ''ranked'' at a price, it would be prioritized last at that price (as discussed above).

[19] Pursuant to subparagraph (i)(2), if the NBO changes to 1.05, the resting AON order would receive a new timestamp and be repriced to 1.05.

[20] The proposed rule change makes corresponding changes to Rule 21.1(i)(2) to provide that in the event the circumstances that caused the System to adjust the price of an order pursuant to proposed subparagraph (1) change so that it would not lock or cross, as applicable, a Protected Quotation or an AON resting on the EDGX Options Book at a price at or better than the Exchange's BBO, the order subject to the price adjust will receive a new timestamp and be ranked or

Continued

proposed process will generally re-price the incoming (and thus later arriving order), which is consistent with the current Price Adjust process. As proposed, if an incoming buy (sell) AON order locked or crosses a Protected Offer (Bid) of the Exchange (*i.e.,* a non-AON order that was displayed at the Exchange's best offer (bid)), the System would adjust the price of the AON order to be one minimum price variation below (above) the Protected Offer (Bid). Similarly, if an incoming buy (sell) AON order crossed a Protected Offer (Bid) of another options market or a sell (buy) AON order resting on the Exchange, the System would adjust the price of the incoming order. However, unlike the current Price Adjust process, the proposed rule change will reprice a resting AON order rather than an incoming non-AON order, because AON orders have last priority (as discussed below) and are not displayed, and thus should not cause the price of an incoming non-AON order to reprice. Because AONs are not displayed and have last priority on the Book, the Exchange believes it is appropriate to adjust the price of an AON rather than an incoming order that would be displayed and protected. The proposed rule change is consistent with linkage rules, because AONs will not be part of the EDGX BBO, and repricing an AON to lock an away exchange price or a resting (and nondisplayed) order on the EDGX Options Book will, therefore, not result in a displayed locked market.

The proposed rule change also ensures that a resting AON order will not lock the price of a Protected Quotation on the EDGX Options Book. This prevents the situation in which an incoming order may execute ahead of the resting non-AON order. For example, if a non-AON order to buy 1 at 1.10 is resting on the EDGX Options Book, and an AON order to sell 5 (and thus is not satisfied by the resting interest) at 1.10 enters the EDGX Options Book, if the System permitted the AON order to rest at a price of 1.10 (rather than reprice the AON to rest at 1.15 as proposed), if subsequently an AON to buy 5 at 1.10 was submitted to EDGX Options, that AON would execute against the resting AON at 1.10, and thus ahead of the non-AON order to buy.[21] The proposed rule change will also reprice an AON order to a more aggressive price up to the limit price at which it would be able to execute without causing a trade-through as the market changes.[22]

Cboe Options does not have functionality that corresponds to the Price Adjust process. However, Cboe Options rules do not provide any special handling that applies to AON orders that lock or cross orders on Cboe Options or the quote of an away options market. Therefore, pursuant to Cboe Options' rules, if an AON order is unable to execute upon entry into the Cboe Options System (or after routing, if eligible for routing pursuant to Cboe Options' rules), the AON order will rest at its price, even if it locks or crosses the Cboe Options BBO or the quote of an away options market.[23] The proposed rule change will similarly permit an AON order to rest at a price that locks the quote of an away options market, as well as an AON order resting on the EDGX Options Book at a price at or better than the EDGX Options BBO. On Cboe Options, an AON order resting at a price that locks or crosses an order may only execute in accordance with the priority principles set forth in Cboe Options Rule 6.45 and may not execute at prices that would cause a trade-through pursuant to Cboe Options Rule 6.81. The Exchange believes the proposed rule change ultimately creates the same result for a resting AON order that would otherwise occur on Cboe Options (the proposed rule change merely changes the price of an AON order upon entry rather than at the time of execution), and in some cases results in price improvement for an AON order.

For example, as proposed, if the EDGX BBO was 1.15 x 1.30 (size of 50), and the NBBO was 1.15 x 1.20 (size of 50), and a User submitted an AON order for 100 to buy at 1.25, the AON order would rest on the EDGX Options Book with a price of 1.20 (which locks the Protected Offer of 1.20). If an order to sell 100 at 1.20 was later submitted to EDGX Options, it would execute against the resting AON order at its ranked price of 1.20. On Cboe Options, the AON would rest at 1.25. If an order to sell 100 at 1.20 was later submitted to Cboe Options, it would execute against the resting AON order at a price of 1.20 (and thus the same price at which it would execute on EDGX Options), as executions may only occur at or within the NBBO.

Additionally, suppose the EDGX BBO was 1.15 x 1.25 (non-AON order with size of 50), and was also the NBBO, and a User submitted an AON order for 100 to buy at 1.25, the AON order would rest on the EDGX Options Book with a price of 1.20 (which is one minimum price variation below the resting non-AON order). If an order to sell 100 at 1.20 was later submitted to EDGX Options, it would execute against the resting AON order at a price of 1.20 (which results in price improvement for the AON order). On Cboe Options, the AON would rest at 1.25. If an order to sell 100 at 1.20 was later submitted to Cboe Options, the AON would receive execution at a price of 1.25.[24] The Exchange believes the proposed rule change is an enhancement that will prevent such incoming orders to trade against a resting AON at the same price as a resting non-AON order on the opposite side of the market that had insufficient size to trade against the AON order.

As another example, if the EDGX BBO was 1.15 x 1.30 and was also the NBBO, and there was a sell AON order for 50 to sell at 1.25 resting on the EDGX Options Book, and a User submitted an AON order for 100 to buy at 1.25, the incoming AON order would rest on the EDGX Options Book at 1.25 (which locks the resting AON order). If an order to sell 100 at 1.25 was later submitted to EDGX Options, it would execute against the resting AON order to buy at 1.25. This is the same result that would occur on Cboe Options.

Because the proposed Price Adjust process always applies to an AON order, which provides that an AON order may rest at a price that locks the price of an away options exchange, proposed Rule 21.9(a)(3)(B) states that a User may not apply the Super Aggressive Re-Route instruction. The Super Aggressive Re-Route instruction provides that if an order resting on the EDGX Options Book

displayed at a price that locks or is one minimum price variation away from the new Protected Quotation or AON resting on the EDGX Options Book at a price at or better than the Exchange's BBO. These proposed changes reflect the fact that the trade or cancellation of an order resting on the EDGX Options Book at or better than the Exchange's best offer (bid) (as applicable) may cause a resting AON order to become repriced. Pursuant to the current Price Adjust process applicable to non-AON orders, repricing only occurs when the NBBO changes. The proposed rule change adds the phrase ''if applicable'' to the current rule text regarding orders being ranked and displayed to reflect the fact that AON orders will not be displayed in the EDGX Options Book.

[21] Priority rules apply to orders resting in the Book, not incoming orders. Therefore, with respect to an incoming order, the System checks opposite side interest to see if the incoming order can execute. It does not check to see if there is same-side interest ahead of which it cannot trade, as there would only be marketable same-side interest (from a price perspective) that would not otherwise execute against opposite side interest if such opposite side interest was an AON order.

[22] *See* Rules 27.2 (which prohibits trade-throughs, subject to certain exceptions) and 27.3 (requires the Exchange to reasonably avoid displaying quotes that lock a Protected Quotation).

[23] If the AON order submitted to Cboe Options was a market order and was unable to execute for any reason, it would cancel in accordance with the terms of a market order. This is consistent with the handling of any other market order that was not able to execute on the Exchange.

[24] *See* Cboe Options Rule 6.45.[sic]

at a price that becomes subsequently locked or crossed by the price of another options exchange, the System will route the order to that exchange. This instruction conflicts with the proposed Price Adjust process for an AON order, which may enter the EDGX Options Book at a price that locks the price of another options exchange. A User may apply the Aggressive Re-Route instruction pursuant to Rule 21.9(a)(3)(A), pursuant to which a resting AON order may be re-routed if its price is subsequently crossed by another options exchange.

Cboe Options does not have a process that corresponds to the Exchange's Re-Route instructions. As a result, if an AON order were resting on the Cboe Options Book, it will remain there, even if it is resting at a price that subsequently becomes locked or crossed by another options exchange. AON orders resting on the EDGX Options Book that subsequently become locked by another options exchange will be handled in the same manner as those AON orders would be handled by Cboe Options—they will remain on the EDGX options Book and not route to an away market. However, because the Exchange will make the Aggressive Re-Route instruction available to AON orders (which Users may specify when submitting AON orders), the proposed rule change will provide an AON order submitted to the Exchange that includes an Aggressive Re-Route instruction and rests at a price that subsequently becomes crossed by another options exchange with additional routing (and thus execution) opportunities not currently available to AON orders on Cboe Options.

The proposed rule change provides that the Exchange will accept AON orders for queuing prior to the completion of the Opening Process, but AON orders will not participate in the Opening Process. Following completion of the Opening Process, the System processes any queued AON orders in accordance with Rule 21.8.[25] In other words, it may execute if possible or rest in the EDGX Options Book, subject to a User's instructions (for example, the User may cancel the AON order). As set forth in Rule 21.7(b), the System executes orders at the opening price, in accordance with standard priority (as discussed below, AON orders will have last priority at each price level). Given the size contingency of an AON order and the last priority of AON orders, it will not be known whether there will be sufficient size to execute AON orders at the opening price until after the System executes all other interest at the opening price. AON orders will be eligible for execution once a series is open for trading.

Currently on Cboe Options, AON orders may participate in the opening process in classes in which it has activated the Hybrid Agency Liaison (''HAL'') for openings.[26] HAL is the Cboe Options equivalent to the Exchange's Step Up Mechanism (''SUM''). EDGX does not activate SUM for openings, making classes trading on EDGX similar to classes trading on Cboe Options in which Cboe Options has not activated HAL for openings. Therefore, the proposed rule change is consistent with the Cboe Options rule.

Additionally, the opening process on Cboe Options is an auction and thus significantly different than the Exchange's Opening Process, which is a cross at a valid price as set forth in Rule 21.7. The Exchange believes it is best for investors to open a series for trading as soon as possible. As noted above, it will not be known whether there will be sufficient size to execute AON orders at the opening price until after the System executes all other interest at the opening price, since AON orders will have last priority. The Exchange believes it is appropriate to exclude AON orders from the Opening Process to ensure series can open as fast as possible. Currently, once the Exchange determines the Opening Price for a series (for example, the NBBO), it executes as much interest as possible at that price and opens a series. If AONs were eligible for execution during the Opening Process, after executing non-AON interest, the System would then have to check to determine whether there was sufficient size to execute against any AON orders. Rather than delay the opening of a series to determine whether an execution of AON orders can occur (and no execution may ultimately occur), the Exchange believes it is appropriate to open the series and let all non-executed orders (including AONs) be eligible for execution in an open trading state. Execution of any AON orders whose size contingency can be satisfied by any other interest on the Exchange would occur just after the opening of the series, which is close to the time at which it would have executed if the System waited to open the series and executed these orders during the Opening Process. Therefore, the Exchange believes not attempting to execute AON orders until after the Opening Process would have a de minimis impact, if any, on the time of execution of an AON order.

Proposed Rule 21.8(m) sets forth the priority of AON orders. AON orders will have last priority at each price level (including after nondisplayed Reserve Quantity). The System allocates AON orders at the same price based on the time the System receives them (*i.e.,* in time priority), except if the Exchange applies the Customer Overlay to a class, Priority Customer AON orders have priority over non-Priority Customer AON orders.[27] An AON order must always be last in priority to ensure there is sufficient size to satisfy the condition of that order to trade in its entirety after all other orders at the same price have executed. Additionally, the Exchange believes it is reasonable for orders not displayed in the book to not receive priority over orders that are displayed, as this encourages market participants to display their best bids and offers, which may lead to enhanced liquidity and tighter markets. This is consistent with the non-inclusion of AON orders in the BBO or NBBO, as discussed above.

The proposed rule change states that a transaction may occur at the same price as an AON order resting on the EDGX Options Book without the AON order participating in the transaction, and that a transaction may occur at a price lower (higher) than an AON order bid (offer) resting on the EDGX Options Book if the size of the transaction is less than the size of the resting AON order. As discussed above, an AON order will trade last at each price level. These proposed provisions ensure execution of an AON order if there is sufficient size to satisfy the AON order, while not preventing execution of orders that can execute against other interest but cannot satisfy the AON order size contingency.[28]

Users may designate AON orders to be routable pursuant to Rule 21.9. Pursuant to proposed rule 21.9(a)(1), the System only routes an AON order (as an FOK) designated as available for routing to options exchanges with sufficient size to satisfy the AON order. Pursuant to current Rule 21.9(a)(1), orders are routed as IOCs. Because a FOK order is equivalent to an AON order designated as IOC, routing an AON as a FOK is

[25] *See* proposed Rule 21.7(a).

[26] *See* Cboe Options Rule 6.2(c)(i)(B).

[27] This priority is the same as the priority of AON orders on Cboe Options. *See* Cboe Options Rule 6.45(a)(v)(D). This priority is also consistent with Cboe Options Rule 6.44, Interpretation and Policy .01, which the Exchange is not explicitly adopting because it is redundant with this proposed provision, because having last priority means that AON orders will only trade if there is no other interest at the same price. Cboe Options Rule 6.44 does not address customer priority.

[28] These provisions are substantively the same as Cboe Options Rule 6.44, Interpretation and Policy .02.

consistent with the Exchange's current routing rule. Only routing an AON order to an exchange with sufficient size to satisfy the AON order ensures the System will only route an AON order at which it may receive an execution.[29]

An AON order may be exposed pursuant to the Exchange's Step Up Mechanism (''SUM'') pursuant to Rule 21.18. An AON order will be exposed and executed in the same manner as a non-AON order during SUM, except as follows:

- Currently, any responses priced at the prevailing NBBO [30] or better, and any unrelated order (or quote) on the opposite side of the market from the exposed order that could trade against the exposed order at the prevailing NBBO or better, will immediately trade against the exposed order, and the exposure period will continue.[31] A SUM exposure period will currently terminate upon the receipt of a response (or unrelated order or quote) to trade the entire exposed order at the NBBO or better.[32] Because an AON order cannot partially execute pursuant to its terms, the proposed rule change provides that during the exposure of an AON order, the System will hold responses priced at or better than the prevailing NBBO (rather than trade against the exposed AON immediately) until there is sufficient aggregate size to satisfy the AON order, and that a SUM exposure period will terminate upon the receipt of multiple responses with sufficient aggregate size to satisfy the AON order.[33] The proposed rule change also states that if the exposed order is an AON order, the exposure period will terminate upon the receipt of multiple responses and unrelated orders in quotes with sufficient aggregate size to satisfy the exposed AON order.[34] This is consistent with size contingency of an AON order and will provide an AON order with opportunities to have its size contingency met during an exposure period, while ensuring the entire AON order will trade at a price equal to or better than the NBBO.
- Currently, as noted above, if the Exchange receives an unrelated order or quote that could trade against the exposed order at the prevailing NBBO price or better, that order executes against the exposed order, and the exposure period continues. The proposed rule change states if an AON order is exposed and the Exchange receives an unrelated order (or quote) that would be displayed at a price at or better than the NBBO with insufficient size to satisfy the exposed order, the SUM exposure period terminates and the exposed order is processed pursuant to Rule 21.18(c) (it either executes, routes, or enters the EDGX Options Book, subject to a User's instructions).[35] If an AON order is exposed and the Exchange receives an unrelated AON order with a price at or better than the NBBO with insufficient size to satisfy the exposed order the exposure period will continue.[36] This is consistent with current SUM functionality, pursuant to which the exposed price of an order will not lock the Exchange's opposite side BBO if the BBO is not at the NBBO. Because a SUM would not have begun if the Exchange displayed a contra-side order at the NBBO, the Exchange believes it is appropriate to terminate the exposure period if that situation arises during the exposure period. Unlike when non-AON orders are exposed, an unrelated order (if it is smaller than the exposed AON order) will not execute against the exposed order, and thus would enter the EDGX Options Book. For example, suppose the NBBO is 1.00 x 1.20 and the EDGX Options BBO is 1.00 x 1.25, and an AON order to buy 10 at 1.20 is exposed at 1.20 pursuant to SUM. During the exposure period, the Exchange receives an order to sell 5 at 1.20. The incoming order cannot satisfy the size of the exposed AON order, so it would enter the EDGX Options Book and would cause the EDGX Options BBO to become 1.00 x 1.20. Therefore, upon receipt of that order, the exposure period terminates and the exposed AON order will be process pursuant to Rule 21.18(c) (as further discussed below, it will be routed or will enter the EDGX Options Book, subject to a User's instructions). In this case, if there is insufficient size at the away markets to execute the AON order at 1.20 (and assuming the AON order is eligible for routing), the AON order will enter the EDGX Options Book and rest at a bid of 1.15 (pursuant to the Price Adjust process described above, an AON order will be ranked at one minimum price variation (in this case, 0.05) below the opposite side BBO).

Except as noted above, an exposed AON order will be processed in the same manner as any other order exposed through a SUM auction. If at the end of the exposure period there is sufficient size to satisfy the AON order, it will execute. If there is insufficient size, then the Exchange would route the AON order if there was sufficient size at an away market to satisfy the AON order (unless otherwise instructed by the User), as it would any remaining portion of any other exposed order (in the case of an AON order, the entire size would be remaining).[37] Like any AON order that routes to another options exchange, if there is sufficient size at the away market to satisfy the AON order once the AON reaches that market, the AON will execute. If there is no longer sufficient size when routed, the AON will return and rest on the EDGX Options Book. Similarly, if an AON order is not eligible to route, it will enter the EDGX Options Book (subject to the User's instructions).

The proposed reason to terminate the exposure period for an AON order early similarly will cause an exposure period to end, because if an order on the opposite side of the exposed order were displayed on the EDGX Options Book prior to the exposure period, the AON order would not have been exposed. For example, if the BBO and the NBBO was 1.00 x 1.20, and there was a non-AON order for 5 contracts resting at the 1.20 offer, an incoming AON order to buy 10 at 1.20 would not be exposed pursuant to SUM, because neither of the conditions in Rule 21.18(a) would be present). In this case, the AON order would enter the EDGX Options Book at a price of 1.15 (pursuant to the Price Adjust process as proposed above). Similar to the current reasons that would cause an exposure period to terminate early (see current Rule 21.18(d)), the proposed early termination provision will prevent an exposure period from continuing while conditions exist that would have prevented an exposure period from beginning if those conditions existed prior to the exposure period.

The proposed rule change amends Rule 21.19(e) to provide that AON orders will have last priority at price levels better than the stop price following the conclusion of an

[29] If the size at the away options exchange was not available when the AON order arrived at the away options exchange, it would return to the Exchange and continue to be processed, as is the case for any other order that routes to an away options exchange and is unable to execute. While not specified in Cboe Options rules, the Exchange understands this proposed change is the same as Cboe Options functionality.

[30] References to the ''prevailing NBBO'' mean the NBBO at the time of any execution.

[31] *See* Rule 21.18(c)(1) and (2).

[32] *See* Rule 21.18(d).

[33] *See* proposed Rule 21.18(c)(1) and (d).

[34] While not specified in Cboe Options rules, the Exchange understands this proposed change is the same as Cboe Options functionality.

[35] *See* proposed Rule 21.18(d)(3). While not explicitly stated in Rule 21.18(c), pursuant to Rule 21.9(a)(1), any order that does not execute in full after routing away may be posted (the unfilled balance) to the EDGX Options Book.

[36] This is because the incoming AON order would not be displayed at a price at or better than the NBBO.

[37] *See* Rule 21.18(c)(4) and (5).

Automated Improvement Mechanism (''AIM'') auction if there is sufficient size to satisfy the size of the AON order (with Priority Customer AON order trading ahead of non-Priority Customer AON orders). AON orders resting at the stop price will not trade against the Agency Order, even if the Initiating Member of an AIM auction selects last priority.[38] As discussed above, AON orders will have last priority at each price level. The Exchange notes there would be significant technical complexities associated with reprogramming priority within the System to provide AON orders with second to last priority in a specific (and likely uncommon situation), as would be required to permit AON orders to execute at the stop price, even if the Initiating Member selects last priority. The Exchange believes it would be rare for there to be a resting AON order at the stop price of an AIM Auction that could be satisfied by the remaining contracts of an Agency Order at that stop price, and thus the Exchange believes the proposed rule change will have a de minimis impact, if any, on the execution opportunities for resting AON orders.

The proposed rule change also provides that the System will exclude the size of any AON orders when determining the number of contracts the Initiating Order will execute against at each price level better than the stop price when the Initiating Member selects auto-match.[39] Due to the size contingency of an AON order, the System cannot determine whether there will be sufficient contracts remaining in the Agency Order to execute against any AON order at a price level until after execution of the applicable number of contracts against the Initiating Order and other contra-side interest. However, after those auto-match executions at that price level, the System will execute the Agency Order against any AON orders at that price level for which the size can be satisfied by the remaining contracts in the Agency Order.[40]

The Exchange proposes to make the AON instruction available for complex orders.[41] An AON complex order is a complex order that (like an AON simple order) is to be executed in its entirety or not at all.[42] An AON complex order may only execute following a complex order auction (''COA''),[43] and will not be eligible to rest in the complex order book (''COB'').[44] An incoming AON complex order will initiate a COA. If a Member marks an AON complex order to not initiate a COA (*i.e.,* as a do-no-COA order), or an AON complex order does not satisfy the COA eligibility criteria in Rule 21.20(d)(1), the System cancels the AON complex order.[45] The Exchange believes that, like AON simple orders, AON complex orders that would rest on the COB would have last priority, and would have even fewer execution opportunities because they would not be able to execute at the same price as resting interest until after both simple and complex order interest executed. Therefore, an AON complex order resting on the COB would have minimal execution opportunities given its size contingency. The Exchange believes there would be little value, in terms of executing opportunities, in permitting AON complex orders to rest in the COB.

At the conclusion of a COA of an AON complex order, the AON complex order may only execute against COA responses and unrelated complex orders on the COB in price-time priority if there is sufficient size to satisfy the AON complex order. If there is insufficient size to satisfy the AON complex order at the conclusion of the COA, the System cancels the order.[46] AON complex orders may not Leg into the Simple Book to execute against individual orders in the legs because of the manner in which complex orders on EDGX execute following a COA.[47] Pursuant to current EDGX Rules for execution following a COA, a complex order will be allocated first in price priority and then at the same price to Priority Customer orders resting on the Simple Book, COA responses and unrelated complex orders on the COB in time priority, and remaining individual orders in the Simple Book (*i.e.,* non-Priority Customer), which will be allocated pursuant to Rule 21.8.[48]

The Simple Book and the COB are separate, and orders on each do not interact unless a complex order Legs into the Simple Book. As a result, the System is not able to calculate the aggregate size of COA responses and complex orders on the COB and the size of simple orders in the legs that comprise the complex strategy at each potential execution price (as executions may occur at multiple prices) prior to execution of an order following a COA. Following a COA, the System first looks to determine whether there are Priority Customer orders resting in the Simple Book at the final auction price (and in the applicable ratio). If there are, the System executes the complex order against those simple orders. Following that execution, the System then looks back at the COA responses and complex orders resting in the COB to determine whether there is interest against which the order can execute. If there is, the System executes the remaining portion of the complex order against that complex contra-side interest. Finally, if there is any size left, the System looks back at the Simple Book to determine whether any orders in the legs are able to trade against any remaining contracts in the complex order. If there is, the System executes the remaining portion of the complex order again against orders in the Simple Book. Because of this process, prior to execution against any Priority Customer orders, the System would not know whether there is sufficient aggregate interest in both the Simple book and COB to satisfy the entire size of the AON. Additionally, it is possible for a complex order to execute at multiple price levels. This

[38] *See* Rule 21.19(e)(1) and (5). The proposed rule change amends Rule 21.19(e)(1), which sets forth the priority of resting orders at the stop price, to state that AON orders will be excluded when the Agency Order executes against contra-side interest (after Priority Customer Orders, the specified percentage of the Initiating Order, and Priority Orders). Therefore, AON orders at the stop price will not execute at the stop price in any situation. While not specified in Cboe Options rules, the Exchange understands this proposed change is the same as Cboe Options functionality.

[39] *See* proposed Rule 21.19(e)(3). While not specified in Cboe Options rules, the Exchange understands this proposed change is the same as Cboe Options functionality.

[40] *See* proposed Rule 21.19(e)(3). After executions at price levels better than the stop price, including against AON orders for which the size can be satisfied at those price levels, if there are remaining contracts from the Agency Order at the stop price, those contracts will execute against contra-side interest as set forth in subparagraph (e)(1). While not specified in Cboe Options rules, the Exchange understands this proposed change is the same as Cboe Options functionality.

[41] *See* Cboe Options Rule 6.53C(b); *see also* Phlx Rule 1098(b)(v); and ISE Rule 722(b)(3). The proposed rule change amends Rule 21.20(b) to change references to the term ''User'' to ''Member'' to be consistent with the remainder of Rule 21.20, which only uses the term ''Member.''

[42] *See* proposed Rule 21.20(b)(6).

[43] *See* Rule 21.20(d).

[44] While not specified in Cboe Options rules, the Exchange understands AON complex orders on Cboe Options may only initiate a COA and will be cancelled if not executed following a COA (and thus are not eligible to rest in the Cboe Options COB). This is set forth in Cboe Options Regulatory Circular RG17–042 (March 24, 2017), available at *https://www.cboe.com/publish/RegCir/RG17-042.pdf.* Other options exchanges require AON complex orders to be IOC, and thus similarly do not permit AON complex orders to rest in a complex order book. It is not clear from their rules whether such orders may enter a complex order auction on those exchanges. *See, e.g.,* ISE Rule 722(b)(3).

[45] *See* proposed Rule 21.20(b)(2) and (d)(1).

[46] *See* proposed Rule 21.20(d)(7). Currently, after a COA, a complex order will execute first against Priority Customer orders resting on the Simple Book, then against COA responses and unrelated orders on the COB, and finally against remaining individual orders in the Simple Book. *See* Rule 21.20(d)(7).

[47] *See* proposed Rule 21.20(c)(2)(F) and (d)(7).

[48] *See* Rule 21.20(d)(7).

process would have to occur at each price level. Therefore, if the Exchange were to permit Legging of AON complex orders into the Simple Book, it would be possible for a partial execution to occur, which is inconsistent with the AON instruction. The Exchange notes there would be significant technical complexities associated with reprogramming priority within the System to permit AON complex orders to Leg into the Simple Book and provide AON orders with priority consistent with these standard priority principles. Only permitting an AON complex order to execute against COA responses and complex orders in the COB ensures the size contingency of the AON complex order can be satisfied.[49]

To ensure protection of orders on the Simple Book given this restriction on Legging, an AON complex order may only execute following a COA if it improves the then-current (*i.e.,* existing at the conclusion of the COA) synthetic Exchange best bid or offer (''SBBO'').[50] If there is insufficient size among COA responses and unrelated complex orders to satisfy the AON complex order following a COA, the System cancels the order.[51]

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the ''Act'') and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[52] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[53] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[54] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change protects investors because it provides them with an additional order instruction that may be applied to both simple and complex orders. This provides investors with additional flexibility and more control over their executions of both simple and complex orders on the Exchange. The proposed rule change also benefits investors by providing transparency regarding how the System will handle and execute AON orders, which handling and execution are consistent with the size contingency of AON orders. As noted above and below, the proposed definition and several other portions of the proposed rules are based on rules and current functionality of Cboe Options.[55]

The Exchange believes not permitting Users to apply the Post Only instruction to AON orders will protect investors, because it will maximize execution opportunities for AON orders. An AON order's size contingency, and the fact that AON orders will have last priority while resting in the EDGX Options Book, will provide AON orders resting on the EDGX Options Book with few opportunities for AON orders to receive an execution. For this reason, the Exchange believes there will be minimal investor demand for Post Only AON orders. This ensures that an AON order may execute upon entry if there is sufficient size resting on the EDGX Options Book. Additionally, as noted above, other exchanges do not permit AON orders to rest in the book at all (as they are required to be IOC).[56] Unlike those exchanges, the Exchange will permit AON orders to rest in the EDGX Options Book, and will merely not permit AON orders to only rest in the book. Cboe Options does not offer a Post Only instruction, and therefore, an AON order submitted to EDGX Options will be handled in the same manner as it would be handled on Cboe Options, as such an order would execute upon entry (if possible), route (if eligible), or enter the EDGX Options Book (subject to any User instructions).

The Exchange believes the proposed rule change to offer use of the MCN Modifier (and not the other MTP Modifiers) for AON orders protects investors, because it provides all investors with the option to apply match-trade prevention functionality to AON orders. The Exchange believes there will be little demand for the use of any MTP Modifiers on AON orders given that primarily retail investors submit AONs, and retail investors are unlikely to have interest on both sides of the market. Given this expected minimal demand, the Exchange believes offering one MTP Modifier for AON orders is sufficient. Additionally, the Exchange believes that MCN is the most appropriate MTP modifier for AON orders because an offering of other MTP modifier for investors would present significant technical complexities given the size contingency of AON orders and that MCN is the simplest modifier to implement from a System perspective.[57] The proposed rules provide investors with sufficient transparency regarding how the System will handle AON orders with MTP Modifiers, and Users may achieve other results manually if so desired. For example, if a User were to prefer to have a resting order with an MTP Modifier cancel and let the newer AON order rest, it could manually cancel the resting order and then resubmit the AON order. The Exchange has determined to handle an AON order with any other MTP Modifier as an MCN rather than cancel the AON, and the Exchange believes the proposed rules will protect investors because they provide investors with sufficient transparency regarding how the System will handle AON orders with MTP Modifiers. Additionally, Users may achieve other results manually if so desired.

Cboe Options offers match trade prevention only for market-makers, and thus the Cboe Options rules regarding AON orders contains no restrictions on the use of match trade prevention instructions, as it would only be available to market-makers that submit AON orders. Because the Exchange has match-trade prevention functionality available for all Users and not just Market-Makers, the Exchange believes it is appropriate to provide this functionality to all Users that submit AON orders and want match trade prevention functionality. The Exchange

[49] Cboe Options does not restrict AON orders from legging into its simple book. The priority on Cboe Options differs from the priority on EDGX Options (on Cboe Options, all orders on the simple book have priority over the complex book). However, another options exchange restricts AON orders from legging into the simple book during the complex order opening process, from the complex order book, and following a complex order price improvement auction (similar to COA). *See, e.g.,* Phlx Rule 1098(d)(ii)(C)(2), (e)(vi)(A), (e)(viii)(C)(3), and (f)(iii)(A). Phlx also only permits non-broker-dealer customers to submit AON complex orders. *See* Phlx Rule 1098(b)(v).

[50] *See* proposed Rule 21.20(c)(2)(E) and (d)(6).

[51] *See* proposed Rule 21.20(d)(7).

[52] 15 U.S.C. 78f(b).

[53] 15 U.S.C. 78f(b)(5).

[54] *Id.*

[55] *See* Cboe Options Rules 6.53(i) and 6.44, Interpretations .02 and .03; *see also* ISE Rule 715(c); and NOM Chapter VI, section 1(e)(10).

[56] *See, e.g.,* ISE Rule 715(c); NOM Chapter VI, section 1(e)(10); and Phlx Rule 1066(c)(4).

[57] Additionally, the Decrement and Cancel MTP Modifier is inconsistent with an AON order, because it may result in partial execution of an order.

believes offering one MTP Modifier is sufficient given that non-market-makers on Cboe Options currently have no match-trade prevention functionality available for AON orders.

The Exchange believes the proposed Price Adjust process with respect to AON orders will protect investors, because it will rest an AON order on the EDGX Options Book at an executable price (*i.e.,* a price that locks or is one minimum price variation away from the new Protected Quotation or AON resting on the EDGX Options Book at or better than the Exchange's BBO) while preventing trade-throughs as the market changes and protecting non-AON orders resting on the opposite side of the EDGX Options Book. The proposed process will generally re-price the incoming (and thus later arriving order), which is consistent with the current Price Adjust process. However, the proposed rule change will reprice a resting AON order rather than an incoming non-AON order, because AON orders have last priority (as discussed below) and are not displayed, and thus should not cause the price of a non-AON order to reprice. Repricing an AON order one minimum price variation away from the price of a resting non-AON order is consistent with the repricing that applies to non-AON orders that lock or cross the opposite side NBBO.

The Exchange believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system, because it is consistent with linkage rules. AON orders will not be part of the EDGX BBO, and repricing an AON order to lock the Protected Quotation of an away market or a resting (and nondisplayed) AON order on the EDGX Options Book at a price at or better than the Exchange's BBO will, therefore, not result in a displayed locked market in accordance with linkage rules.[58] The Exchange believes the proposed rule change is a reasonable application of the current Price Adjust process to avoid displaying a locked or crossed market and to prevent trade-throughs while making AON orders resting on the EDGX Options Book available for execution at executable prices (*i.e.,* a price that locks (but not crosses) a Protected Quotation of another options exchange or another AON resting on the EDGX Options Book, but not a price that locks or crosses a Protected Quotation on the EDGX Options Book. The proposed process will generally re-price the incoming (and thus later arriving order), which is consistent with the current Price Adjust process. However, the proposed rule change will reprice a resting AON order rather than an incoming non-AON order, because AON orders have last priority (as discussed above) and are not displayed or protected, and thus should not cause the price of an incoming non-AON order to reprice.

Cboe Options does not have functionality that corresponds to the Price Adjust process. Therefore, an AON order that enters the Cboe Options book may rest at a price that locks or crosses the Cboe Options market or an away market (and thus, it is not novel or unique to permit an AON order to rest at a price that locks or crosses the Exchange's market or an away market, as the proposed rule change permits). As demonstrated above, even though the proposed rule change does not permit an AON order to rest at a price that crosses an away market or an AON order on the EDGX Options Book, or that locks or crosses a Protected Quotation on the EDGX Options Book, the Price Adjust process as proposed will ultimately create the same potential execution for an AON order resting on the EDGX Options Book that would otherwise occur for an AON order resting on the Cboe Options Book, and in some cases may result in price improvement for an AON.

Additionally, while the current Price Adjust process does not permit an incoming order to rest at a price that locks a Protected Quotation on the Exchange or an away options exchange, the display-price sliding process on BZX Options does permit an incoming order to be ranked and eligible for execution at a locking price.[59] Pursuant to the BZX display-price sliding process, an order that, at the time of entry, would lock or cross a Protected Quotation of another options exchange will be ranked at the locking price in the BZX Options Book and displayed by the System at one minimum price variation below [sic] the current opposite-side NBBO. While an AON order, as proposed, will not be displayed at any price on the Exchange (as an AON order is never displayed), it will be ranked at a price that locks a Protected Quotation of an away market (and a resting AON order on the Exchange).

Recently, NYSE Arca, Inc. (''Arca'') adopted order types called the Repricing Liquidity Adding Order (''RALO'') and the Repricing Post No Preference Order (''RPNP'').[60] While these are different order types than an AON, pursuant to the repricing process, if either of these orders would not be able to trade upon entry (for example, because the RALO would take liquidity or display at a price that locks or crosses any interest on the Exchange or the NBBO), it would be displayed at one minimum price variation below (above) such sell (buy) interest. However, it would have an undisplayed price at which it is eligible to trade. The displayed and nondisplayed prices would move as the market moves. Like these order types, an AON order will rest at an undisplayed price (which price will move as the market moves) at which it is eligible for execution (in accordance with linkage rules). However, an AON order will not have a displayed price, as it is never displayed (unlike an RALO or RPNP).

Therefore, it is not novel or unique to permit an order to be ranked at an undisplayed price on an exchange at a price that locks the best-priced quote of that exchange or an away exchange, at which price it is eligible for execution, and which price may be adjusted in response to changes in the market.

The proposed rule change to only route an AON order as a FOK to options exchanges with sufficient size to satisfy the AON order will remove impediments to and perfect the mechanism of a free and open market and a national market system, because it is consistent with linkage rules and current Cboe Options functionality.

The proposed rule change to not permit use of the Super Aggressive Re-Route instruction to AON orders is consistent with the proposed Price Adjust process, which provides that an AON order may rest at a price that locks the price of an away options exchange. This proposed change will remove impediments to and perfect the mechanism of a free and open market and a national market system, because it is consistent with linkage rules. The Super Aggressive Re-Route instruction provides that an order on the EDGX Options Book that subsequently locks or crosses the price of another options exchange, the System will route the order to that exchange to an AON order. This instruction conflicts with the proposed Price Adjust process for an AON order, which may enter the EDGX Options Book at a price that locks the price of another options exchange, which price is executable if subsequent contra-side interest is submitted to the Exchange.

[58] *See* Rule 27.3(a).

[59] *See* BZX Options Rule 21.1(h).

[60] *See* Securities Exchange Act Release No. 84737 (December 6, 2018), 83 FR 63919 (December 12, 2018) (SR–NYSEArca–2018–74) (order approving the proposed order types).

The proposed rule change will further remove impediments to and perfect the mechanism of a free and open market and a national market system, because it will handle resting AON orders that become subsequently locked by an away market in the same manner as Cboe Options handles resting AON orders that become subsequently locked by an away market. In both cases, AON orders will remain on the local respective book. However, the proposed rule change will benefit investors, because it provides a resting AON order that becomes subsequently crossed by an away market with an opportunity (if a User designated the order with the Aggressive Re-Route instruction) to route to the away market for execution. This execution opportunity is not currently available on Cboe Options, and thus a similar AON order would remain on the Cboe Options book.

The proposed rule change to exclude AON orders from participating in the Exchange's opening process will protect investors and promote just and equitable principles of trade, because it will provide for the opening of a series for trading as soon as possible and not delay the opening of a series to attempt to execute AON orders (which ultimately may not be able to execute). The Exchange believes not attempting to execute AON orders until after the Opening Process would have a de minimis impact, if any, on the time of execution of an AON order that is able to execute at the opening. The proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system, because excluding AON orders from participating during the Opening Process is equivalent to Cboe Options excluding AON orders from participating in its opening process in classes in which it has not activated HAL, because the Exchange has not activated SUM during the Opening Process.[61]

The Exchange believes the proposed rule change regarding the priority and allocation of AON orders promotes just and equitable principles of trade, as it is reasonable for orders not displayed in the book to not receive priority over orders that are displayed, as this encourages market participants to display their best bids and offers, which may lead to enhanced liquidity and tighter markets. The Exchange believes an AON order must always be last in priority at each price level to ensure there is sufficient size to satisfy the condition of that order to trade in its entirety after all other orders at the same price have executed. The proposed priority for AON orders will remove impediments to and perfect the mechanism of a free and open market and national market system, because it is the same as the priority of AON orders on Cboe Options.[62]

The Exchange believes the proposed rule change regarding the handling of AON orders exposed pursuant to SUM will protect investor, because it will provide AON orders with execution opportunities when the Exchange is not at the NBBO in a manner consistent with the current SUM process. The proposed rule change modifies the SUM process only to address an AON order's size contingency. The proposed rule change that the exposure period for an AON order will terminate when there is sufficient aggregate contra-side interest to satisfy the exposed AON order is consistent with the current SUM process, except it will not execute any incoming contra-side interest immediately against the exposed AON order, unless it has sufficient size (as occurs for an exposed non-AON order). This will prevent a partial execution in conflict with the AON size contingency. This proposed rule change is also the same as current Cboe Options HAL functionality. The proposed rule change regarding an early termination of the exposure period of an AON order is consistent with current reasons that will cause an exposure period to terminate, as it will prevent an exposure period from continuing while conditions exist that would have prevented an exposure period from beginning if those conditions existed prior to the exposure period. Except for these two proposed changes, an exposed AON order will be processed in the same manner as any other order exposed through SUM. The proposed rule change will remove impediments to and perfect the mechanism of free and open market and a national market system, because it ensures the entire AON order will trade at a price equal to or better than the NBBO in accordance with linkage rules.

The proposed allocation of AON orders following an AIM auction will protect investors, because it will provide Priority Customers and other displayed interest with priority over non-displayed orders and is consistent with the proposed general priority of AON orders described above. As noted above, the Exchange believes this encourages market participants to display their best bids and offers, which may lead to enhanced liquidity and tighter markets. While AON orders will not be eligible for execution at the stop price, the Exchange believes it would be rare for there to be a resting AON order at the stop price of an AIM Auction that could be satisfied by the remaining contracts of an Agency Order at that stop price. The Exchange notes there would be significant technical complexities associated with reprogramming priority within the System to provide AON orders with second to last priority in a specific (and likely uncommon situation), as would be required to permit AON orders to execute at the stop price, even if the Initiating Member selects last priority. The Exchange believes the proposed rule change will have a de minimis impact, if any, on the execution opportunities for resting AON orders. Similarly, due to the size contingency of an AON order, the System cannot determine whether there will be sufficient contracts remaining in the Agency Order to execute against any AON order at a price level until after execution of the applicable number of contracts against the Initiating Order and other contra-side interest. However, AON orders at each price level better than the stop price for which the size can be satisfied by the remaining contracts in the Agency Order will execute. The Exchange also believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system, because it is the same as the allocation of AON orders following an AIM auction on Cboe Options.

The proposed rule change to require AON complex orders to COA and not permit them to rest in the COB or Leg into the Simple Book will protect investors, because it will provide AON complex orders with opportunities for execution and continue to protect orders on the Simple Book. As the Exchange noted above, there would be significant technical complexities associated with reprogramming priority within the System to permit AON complex orders to Leg into the Simple Book and provide AON orders with priority consistent with the standard priority principles described above. The Exchange notes that other options exchange do not permit AON complex orders to rest in the complex order book[63] or to leg into

[61] *See* Cboe Options Rule 6.2(c)(1)(B). Additionally, Cboe Options' opening process is an auction and thus significantly different than the Exchange's Opening Process, which is a cross at a valid price as set forth in Rule 21.7.

[62] *See* Cboe Options Rules 6.44, Interpretation and Policy .01 and 6.45(a)(v)(D); *see also* Cboe Options Rule 6.44, Interpretation and Policy .02.

[63] *See, e.g.,* ISE Rule 722(b)(3) (which requires AON complex orders to be submitted as IOC orders). While not specified in Cboe Options rules,

the simple book.[64] In addition, as described above, the proposed rule change protects resting Leg market interest because AON complex orders may not execute unless they improve the SBBO at the conclusion of a COA.

As noted above, the proposed rule change will remove impediments to and perfect the mechanism of free and open market and a national market system, because other options exchanges offer similar functionality.[65] Additionally, as discussed above, the proposed rule change will benefit investors, because it provides additional detail on which the rules of other exchanges are silent, such as detail regarding routing and handling during auctions. The Exchange believes the proposed application of Exchange functionality to AON orders (some of which is not available on other exchanges) is consistent with current Exchange functionality. Additionally, any differences with respect to how that functionality will apply to AON orders have been proposed only due to the size contingency of an AON order and the fact that an AON order is not displayed. The Exchange believes that the proposed rule change will provide Users with transparency regarding how the System will handle their AON orders.

The proposed rule change will protect investors, because it will provide Users with additional flexibility to manage their orders on the Exchange, as well as increased functionality on the Exchange. This may encourage market participants to bring additional liquidity to the market, which benefits all investors. Additionally, this will provide Users with greater harmonization between the order handling instructions available among the Cboe Affiliated Exchanges. The proposed rule change is generally intended to align system functionality currently offered by the Exchange with Cboe Options functionality in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes, and maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges. The proposed rule change would also provide Users with access to functionality that is generally available on options exchanges other than the Cboe Affiliated Exchanges,[66] which will provide Users with additional flexibility and increased functionality on the Exchange's System.

When Cboe Options migrates to the same technology as that of the Exchange and other Cboe Affiliated Exchanges, Users of the Exchange and other Cboe Affiliated Exchanges will have access to similar functionality on all Cboe Affiliated Exchanges. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change will not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because use of the AON order instruction on simple and complex orders will be optional and available to all Users. All Users may determine whether to apply an AON order instruction to the simple or complex orders they submit to the Exchange. The System will handle all AON orders submitted to the Exchange in the same manner in accordance with the proposed rule change. The Exchange believes the proposed priority and allocation of AON orders is reasonable, as it is consistent with current allocation principles that provide for displayed interest to trade ahead of nondisplayed interest, and ensures an AON order will only execute if there is sufficient size to satisfy its size contingency.

Additionally, the proposed rule change will not impose any burden intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because other options exchanges offer similar functionality, as discussed above.[67] The Exchange believes this proposed rule change is necessary to permit fair competition among the options exchanges. Additionally, the Exchange believes the proposed application of Exchange functionality (such as MTP Modifiers, SUM, routing instructions, and AIM) to AON orders is consistent with current Exchange functionality and modified such functionality only to account for the size contingency of an AON order and the fact that an AON order is not displayed, and believes that the proposed rule change will provide Users with additional transparency regarding how the System will handle their AON orders. The Exchange believes that the proposed rule change will relieve any burden on, or otherwise promote, competition, because it will permit the Exchange to offer Users similar functionality that is current available to market participants on other options exchanges.

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

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

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

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 Act[68] and Rule 19b–4(f)(6)[69] thereunder.[70]

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.

the Exchange understands this proposed change is the same as Cboe Options functionality.

[64] *See, e.g.,* Phlx Rule 1098(e)(vi)(A).

[65] *See, e.g.,* Cboe Options Rule 6.53(i); ISE Rule 715(c); PHLX Rule 1066(c)(4); NOM Chapter VI, Section 1(e)(10); and Arca Rule 6.62–O(d)(4) (AON simple orders); *see also* Cboe Options Rule 6.53C(b); Phlx Rule 1098(b)(v); and ISE Rule 722(b)(3) (AON complex orders).

[66] *Id.*

[67] *See, e.g.,* Cboe Options Rule 6.53(i); ISE Rule 715(c); PHLX Rule 1066(c)(4); NOM Chapter VI, Section 1(e)(10); and Arca Rule 6.62–O(d)(4) (AON simple orders); *see also* Cboe Options Rule 6.53C(b), Phlx Rule 1098(b)(v), and ISE Rule 722(b)(3) (AON complex orders).

[68] 15 U.S.C. 78s(b)(3)(A).

[69] 17 CFR 240.19b–4(f)(6).

[70] 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

IV. Solicitation of Comments

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

Electronic Comments

- Use the Commission's internet comment form (*http://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov.* Please include File Number SR–CboeEDGX–2019–017 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to File Number SR–CboeEDGX–2019–017. 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–CboeEDGX–2019–017 and should be submitted on or before May 8, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[71]

Eduardo A. Aleman,

Deputy Secretary.

[FR Doc. 2019–07616 Filed 4–16–19; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–85624; File No. SR–C2–2019–008]

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Extend the Pilot for Certain Options Market Rules That Are Linked to the Equity Market Plan To Address Extraordinary Market Volatility

April 11, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on April 9, 2019, Cboe C2 Exchange, Inc. (''Exchange'' or ''C2'') 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 Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe C2 Exchange, Inc. (''C2'' or the ''Exchange'') is filing with the Securities and Exchange Commission (the ''Commission'') a proposed rule change to extend the pilot to the close of business on October 18, 2019, for certain options market rules that are linked to the equity market Plan to Address Extraordinary Market Volatility. The text of the proposed rule change is attached as Exhibit 5 [sic].

The text of the proposed rule change is also available on the Exchange's website (*http://markets.cboe.com/us/options/regulation/rule_filings/ctwo/*), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

[71] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

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

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

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

1. Purpose

The purpose of the proposed rule change is to extend the pilot to the close of business on October 18, 2019, for certain options market rules that are linked to the equity market Plan to Address Extraordinary Market Volatility (the ''Limit Up-Limit Down Plan'' or the ''Plan''). This change is being proposed in connection with a proposed amendment to the Limit Up-Limit Down Plan that would allow the Plan to continue to operate on a permanent basis (''Amendment 18'').

In an attempt to address extraordinary market volatility in NMS Stock, and, in particular, events like the severe volatility on May 6, 2010, U.S. national securities exchanges and the Financial Industry Regulatory Authority, Inc. (collectively, ''Participants'') drafted the Plan pursuant to Rule 608 of Regulation NMS and under the Act.[3] On May 31, 2012, the Commission approved the Plan, as amended, on a one-year pilot basis.[4] Though the Plan was primarily designed for equity markets, the Exchange believed it would, indirectly, potentially impact the options markets as well. Thus, the Exchange has previously amended and adopted Interpretation and Policy .01 to Rule 6.29, Interpretation and Policy .01 to Rule 6.32 and Rule 6.39 to ensure the option markets were not harmed as a result of the Plan's implementation and has implemented such rules on a pilot basis that has coincided with the pilot period for the Plan (the ''Options Pilots'').[5]

[3] *See* Securities Exchange Act Release No. 64547 (May 25, 2011), 76 FR 31647 (June 1, 2011) (File No. 4–631).

[4] *See* Securities and Exchange Act Release No. 67091 (May 31, 2012) 77 FR 33498 (June 6, 2012).

[5] *See* Securities Exchange Act Release Nos. 69345 (April 8, 2013), 78 FR 21985 (April 12, 2013) (SR–