

**SECURITIES AND EXCHANGE COMMISSION**

[Release No 34-86173; File No. SR-CBOE-2019-027]

**Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend and Move Certain Current Rules From the Exchange’s Currently Effective Rulebook to the Shell Structure for the Exchange’s Rulebook That Will Become Effective Upon the Migration of the Exchange’s Trading Platform to the Same System Used by the Cboe Affiliated Exchanges**

June 20, 2019.

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 June 7, 2019, 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 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<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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 Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to amend

and move certain current Rules from the Exchange’s currently effective Rulebook (“current Rulebook”) to the shell structure for the Exchange’s Rulebook that will become effective upon the migration of the Exchange’s trading platform to the same system used by the Cboe Affiliated Exchanges (as defined below) (“shell Rulebook”). 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://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 Statutory Basis for, the Proposed Rule Change*

**1. Purpose**

In 2016, the Exchange’s parent company, Cboe Global Markets, Inc. (formerly named CBOE Holdings, Inc.)

(“Cboe Global”), which is also the parent company of Cboe C2 Exchange, Inc. (“C2”), acquired Cboe EDGA Exchange, Inc. (“EDGA”), Cboe EDGX Exchange, Inc. (“EDGX” or “EDGX Options”), Cboe BZX Exchange, Inc. (“BZX” or “BZX Options”), and Cboe BYX Exchange, Inc. (“BYX” and, together with Cboe Options, C2, EDGX, 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 trading platform to the same system used by the Cboe Affiliated Exchanges, which the Exchange expects to complete on October 7, 2019. Cboe Options believes offering similar functionality to the extent practicable will reduce potential confusion for market participants.

In connection with this technology migration, the Exchange has a shell Rulebook that resides alongside its current Rulebook, which shell Rulebook will contain the Rules that will be in place upon completion of the Cboe Options technology migration.

**Chapter 1**

The proposed rule change amends and moves the definitions of terms used throughout the Rules contained in current Rule 1.1 in the current Rulebook to proposed Rule 1.1 in the shell Rulebook. While there are no substantive changes to the majority of defined terms in Rule 1.1 being moved to the shell structure, the proposed rule change adds or amends the following definitions:

Defined term	Provision	Current Cboe options rule	Corresponding Cboe affiliated exchange rule	Description of change
ABBO .....	best bid(s) or offer(s) disseminated by other Eligible Exchanges <sup>5</sup> and calculated by the Exchange based on market information the Exchange receives from OPRA.	N/A .....	C2 Rule 1.1 and EDGX Rule 21.20(a)(1).	Added to Rule 1.1.
All Sessions class .....	options class the Exchange lists for trading during RTH and GTH.	N/A .....	C2 Rule 1.1 and EDGX Rule 16.1.	Adds defined term for classes the Exchange lists for trading during GTH and RTH.
Book or Simple Book .....	electronic book of simple orders and quotes maintained by the System, which single book is used during both the RTH and GTH trading sessions <sup>6</sup> .	1.1 .....	BZX Rule 16.1(a)(9), C2 Rule 1.1, and EDGX Rule 16.1.	Currently, there is a separate book for each of RTH and GTH, but following migration, there will be a single book used for both trading sessions, as discussed below; rules of Cboe Affiliated Exchanges have no reference to separate trading sessions, as there are no GTH on those exchanges.

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

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

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

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

Defined term	Provision	Current Cboe options rule	Corresponding Cboe affiliated exchange rule	Description of change
Capacity .....	capacity in which a User submits an order, which the User specifies by applying the corresponding code to the order, and includes B (account of a broker or dealer, including a Foreign Broker-Dealer), C (Public Customer account), F (OCC clearing firm proprietary account), J (joint back office account), L (non-Trading Permit Holder affiliate account), M (Market-Maker account), N (market-maker or specialist on another options exchange), U (Professional account).	N/A .....	C2 Rule 1.1 .....	Cboe Options currently refers to capacity as origin code; current Cboe Options origin codes are in Regulatory Circular RG13-038, and are the same as the proposed Capacities, except the proposed rule changes W to U (see specifications <sup>7</sup> ); proposed rule change deletes Y (orders for the account of a specialist registered in the underlying stock at the primary exchange for trading the stock), which will not be available following migration <sup>8</sup> .
Cboe Trading .....	Cboe Trading, Inc., broker-dealer affiliated with C2 and will serve as inbound and outbound router for C2, as discussed below.	N/A .....	BZX Rule 2.11, C2 Rule 1.1, and EDGX Rule 2.11.	Added to Rule 1.1.
EFID .....	Executing Firm ID .....	N/A .....	C2 Rule 1.1 and EDGX Rule 21.1(k).	Added to Rule 1.1; similar to the term acronym, which is used in current Cboe Options Rules; EFID is the term used in the technical specifications that will apply post-migration, and thus is more appropriate for the shell Rulebook; a firm may have multiple EFIDs.
Global Trading Hours or GTH.	trading session consisting of the hours outside of Regular Trading Hours ("RTH") during which transactions in options may be effected on the Exchange and are set forth in proposed Rule 5.1.	1.1 and 6.1.01 (proposed Rule 5.1).	N/A .....	Added language to clarify that GTH refers to hours during which trading on the Exchange may occur outside of RTH.
Index-Linked Security or ETN.	share traded on a national securities exchange that is an NMS stock and represents ownership of a security that provides for payment at maturity as set forth in proposed Rule 4.3 (current Rule 5.3).	5.3.13 .....	N/A .....	Added to Rule 1.1.
Market Close .....	time the Exchange specifies for the end of a trading session on the Exchange on that trading day.	N/A (market close time set forth in current Rule 6.1 (proposed Rule 5.1)).	BZX Rule 16.1, C2 Rule 1.1, and EDGX Rule 16.1.	Added to Rule 1.1; same as Cboe Affiliated Exchanges' Rules, except proposed rule references the concept of a trading session, which does not exist on Cboe Affiliated Exchanges, as they do not have GTH.
Market-Maker .....	TPH registered with the Exchange pursuant to proposed Rule 3.52 (current Rule 8.1) for the purpose of making markets in option contracts traded on the Exchange and that has the rights and responsibilities set forth in proposed Chapter 5, Section D (current Chapter VIII) of the Rules.	8.1 .....	BZX Rule 16.1(a)(37), C2 Rule 1.1, and EDGX Rule 16.1.	Added to Rule 1.1.
Market Open .....	time the Exchange specifies for the start of a trading session on the Exchange on that trading day.	N/A (market open time set forth in current rule 6.1 (proposed Rule 5.1)).	BZX Rule 16.1(a)(35), C2 Rule 1.1, and EDGX Rule 16.1.	Added to Rule 1.1; same as Cboe Affiliated Exchanges' Rules, except proposed rule references the concept of a trading session, which does not exist on Cboe Affiliated Exchanges, as they do not have GTH.
Order Entry Firm/OEF ....	Trading Permit Holder registered with the Exchange pursuant to proposed Rule 3.51 representing as agent Customer Orders on the Exchange and non-Market-Maker Trading Permit Holder conducting proprietary trading.	N/A .....	BZX Rule 16.1(a)(36), C2 Rule 1.1, and EDGX Rule 16.1.	Added to Rule 1.1.
Protected Quotation .....	a Protected Bid or Protected Offer, as each of those terms is defined in proposed Rule 5.65 (current Rule 6.80).	6.80 .....	BZX Rule 16.1(a)(47), C2 Rule 1.1, and EDGX Rule 16.1.	Added to Rule 1.1.
Quote and Quotation .....	firm bid or offer a Market-Maker (a) submits electronically (including to update any of its previous quotes), which may be updated in block quantities, or (b) represents for open outcry on the trading floor.	1.1 .....	BZX Rule 16.1(a)(51), C2 Rule 1.1, and EDGX Rule 16.1.	Updated to reflect the distinction between electronic quotes and quotes in open outcry (consistent with current practice and functionality on the Exchange).
RTH Class .....	options class the Exchange lists for trading during RTH only.	N/A .....	C2 Rule 1.1, EDGX Rule 16.1.	
Size .....	number of contracts up to 999,999 associated with an order or quote.	N/A .....	BZX Rule 21.1(e), C2 Rule 1.1, and EDGX Rule 21.1(e).	Added to Rule 1.1 (consistent with current Cboe Options system).

Defined term	Provision	Current Cboe options rule	Corresponding Cboe affiliated exchange rule	Description of change
System .....	the Exchange's hybrid trading platform that integrates electronic and open outcry trading of option contracts on the Exchange, and includes any connectivity to the foregoing trading platform that is administered by or on behalf of the Exchange, such as a communications hub <sup>9</sup> .	1.1 .....	BZX Rule 16.1(a)(59), C2 Rule 1.1, and EDGX Rule 16.1.	Deleted reference from current definition to Hybrid, as that relates to the current technology from which the Cboe Options trading platform is being migrated.
System Securities .....	options that currently trade on the Exchange pursuant to proposed Chapter 4 (current Chapters 5 and 24) in the shell Rulebook <sup>10</sup> .	N/A .....	BZX Rule 21.1(b), C2 Rule 1.1, and EDGX Rule 21.1(b).	Added to Rule 1.1 (additional term for options listed for trading).
Trade Desk .....	Exchange operations staff authorized to make certain trading determinations on behalf of the Exchange.	N/A .....	N/A .....	Added to Rule 1.1; Trade Desk is new term for Help Desk at the Exchange (which term will be deleted from the Rules).
Trading Session .....	hours during which the Exchange is open for trading for Regular Trading Hours or Global Trading Hours (each of which may be referred to as a trading session), each as set forth in proposed Rule 5.1. Unless otherwise specified in the Rules or the context otherwise indicates, all Rules apply in the same manner during each trading session.	1.1 and 6.1A(a) and (h)	C2 Rule 1.1 and EDGX Rule 16.1.	Moved provisions from Rule 6.1A(a) and (h) regarding applicability of Rules during GTH to definition.
Underlying index .....	with respect to an index option, means the index that is the subject of an index option.	N/A .....	N/A .....	Added to Rule 1.1; consistent with index options (based on OCC By-Laws Article 1(U)).
Underlying security .....	with respect to an equity option, the security that the Clearing Corporation must sell (in the case of a call option contract) or purchase (in the case of a put option contract) upon the valid exercise of the option contract, and, with respect to an index option any of the securities or mutual funds that are the basis for the calculation of the underlying index.	1.1 and 24.1(e) .....	N/A .....	Added provision from Rule 24.1(e) to 1.1.
User .....	any TPH or Sponsored User who is authorized to obtain access to the System pursuant to proposed Rule 5.5 (current Rule 6.23A) <sup>11</sup> .	N/A .....	BZX Rule 16.1(a)(63), C2 Rule 1.1, and EDGX Rule 16.1.	Added to C2 Rule 1.1 (common term to apply to two types of market participants defined in C2 Rules, which are the only two market participants that may access the System under C2 Rules).

The proposed rule change deletes current Rule 1.1 (and any other current Rule referenced in the table above) from the current Rulebook, as further discussed below.

The proposed rule change deletes the term Voluntary Professional, as that Capacity designation will no longer be

<sup>5</sup> Eligible Exchange is defined in current Rule 6.80(7) and proposed Rule 5.65(g).

<sup>6</sup> The proposed rule change also deletes current Rule 6.1A(g), which describes the separate books currently used for the RTH and GTH sessions.

<sup>7</sup> BOE Specifications, available at [http://cdn.batstrading.com/resources/membership/BATS\\_US\\_Options\\_BOE2\\_Specification.pdf](http://cdn.batstrading.com/resources/membership/BATS_US_Options_BOE2_Specification.pdf), and FIX Specifications, available at [http://cdn.batstrading.com/resources/membership/BATS\\_US\\_Options\\_BZX\\_FIX\\_Specification.pdf](http://cdn.batstrading.com/resources/membership/BATS_US_Options_BZX_FIX_Specification.pdf).

<sup>8</sup> Capacity codes applicable to trading of FLEX options will be addressed in a separate rule filing.

<sup>9</sup> Rules related to orders submitted for routing to PAR for open outcry trading will be addressed in a separate rule filing.

<sup>10</sup> The Exchange will move all Rules from the current Rulebook regarding options the Exchange is authorized to list for trading into Chapter 4 of the shell Rulebook in a separate rule filing.

<sup>11</sup> The Exchange will add provisions regarding System access from the current Rulebook to Rule 5.5 of the shell Rulebook in a separate rule filing.

available on Cboe Options following the technology migration. It is currently unavailable on the Cboe Affiliated Exchanges. Within the definition of the term Professional, the proposed rule change deletes the list of rules pursuant to which a Professional would be treated as a broker-dealer, which in general relate to allocation priority, but adds that a Professional order will be handled the same as a broker-dealer order unless the Rules specify otherwise. The definition of a Priority Customer (which excludes Professionals) and this change to the definition of Professional accomplish the same result, as that definition within the applicable rules provide that Professionals will not be treated as customers, and instead as broker-dealers. The proposed rule change also deletes the term TPH Department, as that is not the current name of the Exchange department that handle s membership requirements. Additionally, the Exchange believes it is appropriate to refer to the Exchange

rather than a specific department in the Rules, as is the case in the Cboe Affiliated Exchanges' rules. The Rules that use that term will be updated in a separate rule filing. Definitions for continuous electronic quotes, Exchange spread market, and national spread market will be added to different rules in a separate filing to conform to the location of those defined terms in the rules of the Cboe Affiliated Exchanges. The Exchange also deletes the definitions of Quarterly Options Series and Short Term Options Series from Rule 1.1, as those terms are defined and explained in the appropriate listing rules. There are other types of series the Exchange may list that are not defined in Rule 1.1. The proposed rule change also makes nonsubstantive changes to certain defined terms, including to make the rule provisions plain English, update defined terms, add cross-references to defined terms in other Rules, add clarifying language, and update rule cross-references (to

reference the expected Rule number for the cross-referenced Rule).

Proposed Rule 1.5 (current Rule 1.2) states the Exchange announces to Trading Permit Holders all determinations it makes pursuant to the Rules via (a) specifications, Notices, or Regulatory Circulars with appropriate advanced notice, which will be posted on the Exchange’s website, or as otherwise provided in the Rules, (b) electronic message, or (c) other communication method as provided in the Rules. Most current Rules indicate determinations will be made by Regulatory Circular, which current Rule 1.2 indicates may also be made by Exchange Notice. The Exchange will

update references to Regulatory Circular throughout the Rules in separate rule filings. Proposed Rule 1.5(b) states to the extent the Rules allow the Exchange to make a determination, including on a class-by-class or series-by-series basis, the Exchange may make a determination for GTH that differs from the determination it makes for RTH. This is consistent with current Rule 6.1A(i), which the proposed rule change deletes. This single rule simplifies the Rules by including all provisions related to determinations the Exchange may make within a single Rule. The Exchange will make conforming changes throughout the Rules in separate rule filings. The proposed rule change deletes current

Rules 1.2 and 6.1A(i) from the current Rulebook, as further discussed below.

Proposed Cboe Options Rule 1.6 of the shell Rulebook states unless otherwise specified, all times in the Rules are Eastern Time. Current Cboe Options Rules are generally in Chicago time. The Exchange will update times to Eastern Time in other Rules as necessary in separate rule filings.

The proposed rule change moves current rules related to Exchange liability, including disclaimers and limitations, from the current Rulebook to Chapter 1, Section C of the shell Rulebook (to be named Exchange Liability and Disclaimers, as proposed) as follows:

Rule	Number in current Rulebook	Rule in shell Rulebook
Exchange Liability Disclaimers and Limitations .....	6.7, 20.5(a) (which states 6.7 applies to Range options, which are a type of Index option), 22.5(a) (which states 6.7 applies to Binary options, which are a type of Index option).	1.10
Limitation on the Liability of Index Licensors for Options on Units.	6.15 .....	1.11
Limitation on Liability of Reporting Authorities for Indexes Underlying Options.	20.5(b) (which states 24.14 applies to Range options, which are a type of Index option), 22.5(b) (which states 24.14 applies to Binary options, which are a type of Index option), and 24.14.	1.12
Limitation of Liability of Reporting Authority for Interest Rate Options.	23.14 .....	1.13
Limitation of Liability of Reporting Authority for Credit Options	29.10 .....	1.14
Legal Proceedings Against the Exchange .....	6.7A .....	1.15

These rules are virtually identical (other than updating cross-references and defined terms), and are merely moving locations. The proposed rule change deletes current Rules referenced

in the table above from the current Rulebook, as further discussed below. Chapter 2  
The proposed rule change moves current rules related to TPH Fees from

Chapter 2 of the current Rulebook to Chapter 2 of the shell Rulebook as follows:

Rule	Number in current Rulebook	Rule in shell Rulebook
TPH Fees and Charges .....	2.1	2.1
Regulatory Revenues .....	2.4	2.2
Integrated Billing System .....	3.23	2.3
Liability for Payment .....	2.2	2.4
Exchange’s Cost of Defending Legal Proceedings .....	2.3	2.5

These rules are virtually identical (other than updating cross-references and defined terms), and are merely moving locations. The proposed rule change deletes current Rules referenced in the table above from the current Rulebook, as further discussed below.

Chapter 5

The proposed rule change moves all rule provisions in the current Rulebook related to trading days and trading hours from the current Rulebook (specifically, Rules 6.1, 6.1A, 20.2,

21.10, 22.2, 23.6, 24.6,<sup>12</sup> 24A.2, 28.9, and 29.11) to proposed Rule 5.1(a) and (b) in the shell Rulebook.<sup>13</sup> The

<sup>12</sup> The Exchange proposes to delete all indexes listed in current Rule 24.6 other than ETF-Based Volatility Indexes and S&P Select Sector Indexes, as the Exchange does not currently list options on those other indexes and does not intend to in the future.

<sup>13</sup> Current Rule 24.6 includes conflicting language regarding the Regular Trading Hours for ETF-Based Volatility Index options, as paragraph (b) provides such options will trade from 8:30 a.m. until 3:00 p.m., while Interpretation and Policy .02 states they will trade from 8:30 a.m. until 3:15 p.m., except if the closing time for the index components is earlier. The proposed rule change deletes ETF-Based

proposed rule change adds Rule 5.1(a), which states the System will accept orders and quotes at times set forth in proposed Rule 5.7 (current Rule 6.2(a)). Proposed Rule 5.1(c) states the hours for GTH, the classes and series that may be listed during GTH, that trading during GTH is electronic only, as well as a

Volatility Index options from the list of options that will trade until 3:00 p.m., and includes the language from Interpretation and Policy .02, as that language is accurate. Note these options are not currently listed for trading, and if the Exchange does list them in the future and determines they should close at 3:00 p.m., the Exchange will submit a rule filing to make such a change.

provision regarding the dissemination of index values during GTH (which provisions are unchanged and just moved from Rule 6.1(c) and (k), except as described below regarding FLEX options). Currently, the Exchange does not allow FLEX options to trade during GTH. The Exchange has authorized FLEX options classes with the same underlying index as options deemed eligible for trading during GTH (currently SPX, XSP, and VIX options) to be eligible for trading during GTH, and proposed paragraph (c)(1) includes that authorization. The Exchange believes there may be demand from investors for FLEX options with the same underlying indexes as the options that currently trade during GTH, and listing FLEX option classes<sup>14</sup> with these underlying indexes will provide investors that participate in GTH with alternatives for hedging and other investment purposes. Proposed Rule 5.1 is substantially similar to C2 Rule 6.1 (except C2 has a shorter GTH trading session and different GTH-eligible products are different, and proposed Rule 5.1 lists hours for additional products that are not expected to be listed on C2). Proposed Rule 5.1 is also consistent with EDGX Rule 21.2(a). No other substantive changes were made to these Rules. This single rule simplifies the Rules by including all provisions related to trading days and hours within a single Rule. The proposed rule change deletes current Rules referenced above regarding trading days and hours from the current Rulebook, as further discussed below.

Global Trading Hours will continue to be a separate trading session from Regular Trading Hours, and will continue to be electronic only trading.<sup>15</sup> However, the Book used during Regular Trading Hours will be the same Book used during Global Trading Hours. This is different than the current trading sessions on Cboe Options, each of which use a separate Book.<sup>16</sup> There is

<sup>14</sup> Because SPX, XSP, and VIX options may only be listed Cboe and its affiliated exchanges, FLEX options on the same indexes may also only be listed on Cboe and its affiliated exchanges.

<sup>15</sup> See proposed Rule 5.1(c)(4) (current Rule 6.1A(b), which the proposed rule change deletes). The proposed rule change also deletes Rule 6.1A(j) regarding disclosures that must be made regarding GTH trading and moves it to proposed Rule 9.20. The proposed rule change makes no changes to this provision.

<sup>16</sup> See proposed Rule 1.1, which amends the definition of Book to mean the electronic book of simple orders and quotes maintained by the System on which orders and quotes may execute during the applicable trading session. The Book during GTH may be referred to as the "GTH Book," and the Book during RTH may be referred to as the "RTH Book." This is different than Cboe Options, which uses separate books for each trading session, which

generally reduced liquidity, higher volatility, and wider markets during Global Trading Hours, and investors may not want their orders or quotes to execute during Global Trading Hours given those trading conditions. To provide investors with flexibility to have their orders and quotes execute only during RTH, or both RTH and GTH, the proposed rule change adds an All Sessions order and an RTH Only order. An "All Sessions" order is an order a User designates as eligible to trade during both GTH and RTH. An unexecuted All Sessions order on the GTH Book at the end of a GTH trading session enters the RTH Queuing Book and becomes eligible for execution during the RTH opening rotation and trading session on that same trading day, subject to a User's instructions.<sup>17</sup> An "RTH Only" order is an order a User designates as eligible to trade only during RTH or not designated as All Sessions. An unexecuted RTH Only order with a Time-in-Force of good-til-cancelled ("GTC") or good-til-day ("GTD") on the RTH Book at the end of an RTH trading session enters the RTH Queuing Book and becomes eligible for execution during the RTH opening rotation and trading session on the following trading day (but not during the GTH trading session on the following trading day), subject to a User's instructions.<sup>18</sup>

Because trading sessions are currently completely separate on Cboe Options, there are not distinct order types corresponding to the proposed RTH Only and All Sessions order instructions. An order or quote submitted to GTH on Cboe Options may only execute during GTH, and an order or quote submitted to RTH on Cboe Options may only execute during RTH. The proposed RTH Only order is equivalent to any order submitted to RTH on Cboe Options. While the Exchange is not proposing an equivalent to an order submitted to GTH on Cboe Options, and instead is proposing an All

are not connected. See current Rule 6.1A(g) (which the proposed rule change deletes).

<sup>17</sup> See proposed Rule 5.6(c), proposed definition of All Sessions order. The Exchange notes the "RTH Queuing Book" means the book into which Users may submit orders and quotes (and onto which orders remaining on the Book from the previous trading session or trading day, as applicable, are entered) during the Queuing Period for participation in the applicable opening rotation. The Exchange will add a definition and additional descriptions regarding the Queuing Book to the Rules in a future rule filing. However, the Queuing Book is equivalent to the Book into which TPHs may submit quotes and orders during the order entry period prior to the opening process. See current Rule 6.2.

<sup>18</sup> See proposed Rule 5.6(c), proposed definition of RTH Only order.

Sessions order, Users may still submit an equivalent to a "GTH only" order by submitting an All Sessions order with a good-til-date Time-in-Force, with a time to cancel before the RTH market open. Therefore, Users can submit orders to participate in either trading session, or both, and thus the proposed rule change provides Users with the same order entry ability as well as additional flexibility and control regarding in which trading sessions their orders and quotes may be eligible to trade.

Generally, trading during the GTH trading session will occur in the same manner as it occurs during the RTH trading session. However, because the GTH market may have different characteristics than the RTH market (such as lower trading levels, reduced liquidity, and fewer participants), the Exchange may deem it appropriate to make different determinations for trading rules for each trading session. Proposed Rule 1.5(b) states to the extent the Rules allow the Exchange to make a determination, including on a class-by-class or series-by-series basis, the Exchange may make a determination for GTH that differs from the determination it makes for RTH.<sup>19</sup> The Exchange maintains flexibility with respect to certain rules so that it may apply different settings and parameters to address the specific characteristics of that class and its market. For example, current Rule 6.45(a) allows the Exchange to determine electronic allocation algorithms on a class-by-class basis;<sup>20</sup> and current Rule 6.53 (proposed Rule 5.6) allows the Exchange to make certain order types, Order Instructions, and Times-in-Force not available for all Exchange systems or classes (and unless stated in the Rules or the context indicates otherwise, as proposed).<sup>21</sup> Because trading characteristics during RTH may be different than those during GTH (such as lower trading levels,

<sup>19</sup> See current Rule 6.1A(i) (which the proposed rule change proposes to delete).

<sup>20</sup> Therefore, the allocation algorithm that applies to a class during RTH may differ from the allocation algorithm that apply to that class during GTH.

<sup>21</sup> Proposed Rule 5.6(a) explicitly state that the Exchange may make these determinations on a trading session basis. It also states that all order types the Exchange makes available in an All Sessions class for RTH electronic trading are available in that class for GTH electronic trading, except as otherwise specified in the Rules. See current Rule 6.1A(f) (which the proposed rule change proposes to delete). The Exchange notes Rule 6.1A(f) currently provides GTC orders are not available during GTH. However, because the Exchange will use the same Book for GTH and RTH, the Exchange will make available the GTC time-in-force for GTH, as an order in an All Sessions class with that time-in-force can remain in the Book following the conclusion of the GTH trading session and be available for trading during the RTH trading session.

reduced liquidity, and fewer participants), the Exchange believes it is appropriate to extend this flexibility to each trading session. The Exchange represents that it will continue to have appropriate personnel available during GTH to make any determinations that Rules provide the Exchange or Exchange personnel will make (such as trading halts, opening series, and obvious errors).

The proposed rule change also moves Rule 6.40 regarding the unit of trading for option series from the current Rulebook to Rule 5.2 of the shell Rulebook, and deletes current Rule 6.40 from the current Rulebook, as discussed below. The proposed rule change makes no substantive changes to this Rule. The proposed rule change moves all provisions regarding the meaning of bids and offers from the current Rulebook (including Rules 6.41 and 6.44 (including Interpretations and Policies .01 [sic], .02 [sic], .04 and .05)<sup>22</sup> as well as Rules 20.10(a), 21.13, 22.13(a), 23.9, 24.8, 28.11, and 29.14(a) and (c) related to the meaning of bids and offers for Range options, Government Security options, Binary options, Corporate Debt Security options, Interest Rate options, and Credit options, respectively) to proposed Rule 5.3 in the shell Rulebook.

The proposed rule change makes no substantive changes to those Rules. This single rule simplifies the Rules by including all provisions related to the meaning of bids and offers within a single Rule. The proposed rule change deletes current Rules referenced above regarding the meaning of bids and offers from the current Rulebook, as further discussed below. The proposed rule change deletes current Rules referenced in the table above from the current Rulebook, as further discussed below. The proposed rule change also moves all provisions regarding the minimum increments for bids and offers (including Rule 6.42 as well as provisions in Rules 20.10(b), 21.13, 22.13(b), 23.9, 28.11, and 29.14(b) related to minimum increments for Range options, Government Security options, Binary options, Interest Rate options, Corporate Debt Security options, and Credit options, respectively) to proposed Rule 5.4 in the shell Rulebook. This single rule simplifies the Rules by including all provisions related to minimum increments of options trading on the Exchange within a single Rule. No substantive changes were made to these Rules. The proposed rule change deletes current Rules referenced above

regarding minimum increments from the current Rulebook, as further discussed below.

The proposed rule change moves the order types currently available on the Exchange from Rule 6.53 in the current Rulebook to proposed Rule 5.6 in the shell Rulebook. The proposed rule change makes certain changes to conform some of the definitions to those used in the Cboe Affiliated Exchanges' Rules, and also adds certain Order Instructions and Times-in-Force, as described below. The introduction to proposed Rule 5.6 states unless otherwise specified in the Rules or the context indicates otherwise, the Exchange determines which of the following order types, Order Instructions, and Times-in-Force are available on a class, system, or trading session basis.<sup>23</sup> The introduction also states other Rules will list which order types, Order Instructions, and Times-in-Force the Exchange may make available for electronic and PAR routing (for open outcry trading), during RTH, during GTH, and for complex orders.<sup>24</sup> This is consistent with the introductory language in current Rule 6.53(a), as well as current Rule 6.1A(i), which permits the Exchange to make separate determinations for GTH and RTH.

Defined term	Provision	Current Cboe options rule	Corresponding Cboe affiliated exchange rule	Description of change
Order Type .....	orders may be market or limit orders .....	6.53 .....	C2 Rule 6.10(b) .....	Moved to proposed Rule 5.6(b).
Limit Order .....	order to buy or sell a stated number of option contracts at a specified price or better; a limit order to buy (sell) is marketable when, at the time it enters the System, the order price is equal to or higher (lower) than the then-current offer (bid).	6.53 .....	BZX Rule 21.1(d)(2), C2 Rule 6.10(b), and EDGX Rule 21.1(d)(2).	Moved to proposed Rule 5.6(b); clarified that the order price compared to then-current bid or offer determines whether the limit order is marketable.
Market Order .....	order to buy or sell a stated number of option contracts at the best price available at the time of execution; Users may not designate a market order as All Sessions.	6.1A(f) and 6.53 .....	BZX Rule 21.1(d)(5), C2 Rule 6.10(b), and EDGX Rule 21.1(d)(5).	Moved to proposed Rule 5.6(b).
Order Instruction .....	processing instruction a User may apply to an order (multiple instructions may apply to a single order) when entering it into the System for electronic or open outcry processing, subject to any restrictions set forth in the Rules.	6.53 .....	BZX Rule 21.1(d), C2 Rule 6.10(c), and EDGX Rule 21.1(d).	Added to Rule 5.6(c) (rules currently permit various instructions).

<sup>22</sup> The Exchange will move provisions in Rules 6.41.01 and 24.8.01 related to orders with cash prices to the shell Rulebook in separate rule filings.

<sup>23</sup> As noted above, the introduction also states all order types the Exchange makes available in an All

Sessions class for RTH electronic trading will be available in that class for GTH electronic trading, except as otherwise specified in the Rules.

<sup>24</sup> The Exchange will add Rules regarding which order types, Order Instructions, and Times-in-Force

will be available specifically for electronic trading and PAR routing (and open outcry trading), for GTH, and for complex orders in separate rule filings.

Defined term	Provision	Current Cboe options rule	Corresponding Cboe affiliated exchange rule	Description of change
All-or-None .....	order a User designates to be executed in whole or not at all; an AON order may be a market or limit order; Users may not designate an AON order as All Sessions; the Exchange does not disseminate bids or offers of AON orders to OPRA; a User may not designate an AON order as Post Only; an AON limit order is always subject to the Price Adjust process as set forth in proposed Rule 5.32; a User may apply MCN (as defined below), but no other MTP Modifier (if a User applies any other MTP Modifier to an AON order, the System handles it as an MCN), to an AON order; 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 <sup>25</sup> .	6.1A(f), 6.53, and 6.44.03.	EDGX Rule 21.1(d)(4)	Moved to Rule 5.6(c).
Attributable .....	order a User designates for display (price and size) that includes the User's EFID or other unique identifier.	6.53 .....	BZX Rule 21.1(c)(1), C2 Rule 6.10(c), and EDGX Rule 21.1(c)(1).	Moved to Rule 5.6(c).
Book Only .....	order the System ranks and executes pursuant to current Rule 6.45, subjects to the to be proposed Price Adjust process, or cancels, as applicable (in accordance with User instructions), without routing away to another exchange.	6.53 .....	BZX Rule 21.1(d)(7), C2 Rule 6.10(c), and EDGX Rule 21.1(d)(7).	Moved to Rule 5.6(c); currently referred to as Cboe Options Only in Rule 6.53.
Cancel Back .....	order a User designates to not be subject to the to be proposed Price Adjust process that the System cancels or rejects (immediately at the time the System receives the order or upon return to the System after being routed away) if displaying the order on the Book would create a violation current Rule 6.82, <sup>26</sup> or if the order cannot otherwise be executed or displayed in the Book at its limit price; the System executes a Book Only—Cancel Back order against resting orders, and cancels or rejects a Post Only—Cancel Back order, that locks or crosses the opposite side of the BBO.	N/A .....	C2 Rule 6.10(c) and EDGX Rule 11.6(b).	Added to Rule 5.6(c) (consistent with current Rule 6.82) and substantively similar Cboe Affiliated Exchanges Rules (further discussed below).
Combination Order ....	an order involving a number of call option contracts and the same number of put option contracts in the same underlying security; in the case of an adjusted option contract, a combination order need not consist of the same number of put and call contracts if such contracts both represent the same number of shares of the underlying.	6.53 .....	N/A .....	Moved to Rule 5.6(c); clarified that the legs need not consist of the same number of contracts if the contracts represent the same number of shares of the underlying (currently says "shares at option").
Electronic Only .....	order a User designates for electronic execution (in whole or in part) on the Exchange only, and does not route to PAR for execution in open outcry; the System cancels an Electronic Only order that would otherwise route to PAR pursuant to the Rules.	6.53 .....	N/A .....	Moved to Rule 5.6(c).

Defined term	Provision	Current Cboe options rule	Corresponding Cboe affiliated exchange rule	Description of change
Intermarket Sweep Order/ISO.	order that has the meaning provided in current Section E of Chapter 6, which may be executed at one or multiple price levels in the System without regard to Protected Quotations at other options exchanges; the Exchange relies on the marking of an order by a User as an ISO order when handling such order, and thus, it is the entering Trading Permit Holder's responsibility, not the Exchange's responsibility, to comply with the requirements relating to ISOs.	6.53 .....	BZX Rule 21.1(d)(10), C2 Rule 6.10(c), and EDGX Rule 21.1(d)(9).	Moved to Rule 5.6(c).
Match Trade Prevention/MTP Modifier.	order that does not execute against a resting opposite side order also marked with an MTP modifier and originating from the same EFID, Trading Permit Holder identifier, trading group identifier, or Sponsored User identifier ("Unique Identifier"), with five types of modifiers available.	6.53 .....	BZX Rule 21.1(g), C2 Rule 6.10(c), and EDGX Rule 21.1(g).	Moved to Rule 5.6(c) and conformed to Cboe Affiliated Exchanges' rules (further discussed below).
Minimum Quantity .....	order that requires a specified minimum quantity of contracts be executed or is cancelled; Minimum Quantity orders will only execute against multiple, aggregated orders if such executions would occur simultaneously, and only a Book Only order with TIF designation of IOC may have a Minimum Quantity instruction (the System disregards a Minimum Quantity instruction on any other order) <sup>27</sup> .	6.53 and 6.44.05 .....	BZX Rule 21.1(d)(3), C2 Rule 6.10(c), and EDGX Rule 21.1(d)(3).	Moved to Rule 5.6(c) and renamed as minimum quantity from minimum volume; may be eligible for electronic trading, in addition to open outcry trading (currently minimum volume orders are only eligible for open outcry trading).
Non-Attributable .....	order a User designates for display (price and size) on an anonymous basis or not designated as an Attributable Order.	N/A .....	BZX Rule 21.1(c)(2), C2 Rule 6.10(c), and EDGX Rule 21.1(c)(2).	Added to Rule 5.6(c); orders currently not marked Attributable on Cboe Options are non-attributable; proposed rule change merely permits Users to affirmatively designate orders as non-attributable, and specify the Exchange will by default treat orders as Non-Attributable unless the User designates it as Attributable.
Not Held .....	order marked "not held", "take time" or which bears any qualifying notation giving discretion as to the price or time at which such order is to be executed. An order entrusted to a Floor Broker will be considered a not held order, unless otherwise specified by a Floor Broker's client or the order was received by the Exchange electronically and subsequently routed to a Floor Broker or PAR Official pursuant to the User's instructions. Not held orders and/or "held" orders must be marked in a manner and form prescribed by the Exchange.	6.53 .....	N/A .....	Moved to Rule 5.6(c).

Defined term	Provision	Current Cboe options rule	Corresponding Cboe affiliated exchange rule	Description of change
Post Only .....	order the System ranks and executes pursuant to current Rule 6.45, <sup>28</sup> subjects to the to be proposed Price Adjust process, or cancels or rejects (including if it is not subject to the Price Adjust process and locks or crosses a Protected Quotation of another exchange), as applicable (in accordance with a User's instructions), except the order may not remove liquidity from the Book or route away to another Exchange.	N/A .....	BZX Rule 21.1(d)(8), C2 Rule 6.10(c), and EDGX Rule 21.1(d)(8).	Added to Rule 5.6(c) (further discussed below).
Price Adjust .....	order a User designates to be subject to the to be proposed Price Adjust process, or an order a User does not designate as Cancel Back <sup>29</sup> .	N/A .....	BZX Rule 21.1(j), C2 Rule 6.10(c), and EDGX Rule 21.1(i).	Added to Rule 5.6(c) (further discussed below).
QCC Order .....	initiating order to buy (sell) at least 1,000 standard option contracts or 10,000 mini-option contracts that is identified as being part of a qualified contingent trade coupled with a contra-side order or orders totaling an equal number of contracts. QCC orders with one option leg may only be entered in the standard increments applicable to simple orders in the options class under Rule 5.4. QCC orders with more than one option leg may be entered in the increments specified for complex orders under Rule 5.4; QCC orders may execute without exposure subject to certain requirements.	6.53 .....	EDGX Rule 21.1(d) ....	Moved to Rule 5.6(c).
Ratio Order .....	a spread, straddle, or combination order in which the stated number of option contracts to buy (sell) is not equal to the stated number of option contracts to sell (buy), provided that the number of contracts differ by a permissible ratio; for purposes of the Rules, a permissible ratio is any ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00); for example, a one-to-two (.5) ratio, a two-to-three (.667) ratio, or a two-to-one (2.00) ratio is permissible, whereas a one-to-four (.25) ratio or a four-to-one (4.0) ratio is not.	6.53 .....	N/A .....	Moved to Rule 5.6(c).
Reserve Order .....	limit order with both a portion of the quantity displayed ("Display Quantity") and a reserve portion of the quantity ("Reserve Quantity") not displayed; both display quantity and reserve quantity are available for potential execution against incoming orders, with Max Floor and replenishment instructions available <sup>30</sup> .	6.53 .....	BZX Rule 21.1(d)(1), C2 Rule 6.10(c), and EDGX Rule 21.1(d)(1).	Moved to Rule 5.6(c) and conformed to Cboe Affiliated Exchanges rules (further discussed below).
Spread .....	order to buy a stated number of option contracts and to sell the same number of option contracts, or contracts representing the same number of shares as the underlying, of the same class of options.	6.53 .....	N/A .....	Moved to Rule 5.6(c); clarified that the contracts may represent the same number of shares of the underlying (currently says "shares at option").
Stop (Stop-Loss) Order.	order to buy (sell) that becomes a market order when the consolidated last sale price (excluding prices from complex order trades if outside the NBBO) or NBB (NBO) for a particular option contract is equal to or above (below) the stop price specified by the User; Users may not designate a Stop Order as All Sessions.	6.1A(f) and 6.10(c)(3)	BZX Rule 21.1(d)(11), C2 Rule 6.10(c), and EDGX Rule 21.1(d)(11).	Moved to Rule 5.6(c); modified to compare stop prices to national prices rather than Exchange prices (BZX, EDGX, and C2 similarly use the NBBO), which reflect prices from the entire market.

Defined term	Provision	Current Cboe options rule	Corresponding Cboe affiliated exchange rule	Description of change
Stop-Limit Order .....	order to buy (sell) that becomes a limit order when the consolidated last sale price (excluding prices from complex order trades if outside the NBBO) or NBB (NBO) for a particular option contract is equal to or above (below) the stop price specified by the User; Users may not designate a Stop-Limit Order as All Sessions.	6.1A(f) and 6.53 .....	BZX Rule 21.1(d)(12), C2 Rule 6.10(c), and EDGX Rule 21.1(d)(12).	Moved to Rule 5.6(c); modified to compare stop prices to national prices rather than Exchange prices (BZX, C2, and EDGX similarly use the NBBO), which reflect prices from the entire market.
Straddle .....	order to buy a number of call option contracts and the same number of put option contracts on the same underlying security which contracts have the same exercise price and expiration date; or an order to sell a number of call option contracts and the same number of put option contracts on the same underlying security which contracts have the same exercise price and expiration date (e.g., an order to buy two XYZ July 50 calls and to buy two July 50 XYZ puts is a straddle order) In the case of adjusted option contracts, a straddle order need not consist of the same number of put and call contracts if such contracts both represent the same number of shares of the underlying.	6.53 .....	N/A .....	Moved to Rule 5.6(c); clarified that the contracts may represent the same number of shares of the underlying (currently says "shares at option").
Time-in-Force .....	period of time the System will hold an order for potential execution; or quote for potential execution; unless otherwise specified in the Rules or the context indicates otherwise, the Exchange determines which of the following Times-in-Force are available on a class, system, or trading session basis; current Rule 6.53C (which the Exchange intends to update and move to Rule 5.33 in the shell Rulebook) will set forth the Times-in-Force the Exchange may make available for complex orders.	6.53(d) .....	BZX Rule 21.1(f), C2 Rule 6.10(d), and EDGX Rule 21.1(f).	Moved to Rule 5.6(d).
Day .....	time-in-force that means an order to buy or sell that, if not executed, expires at the RTH market close.	6.53(d) .....	BZX Rule 21.1(f)(3), C2 Rule 6.10(d), and EDGX Rule 21.1(f)(3).	Moved to Rule 5.6(d).
Fill-or-Kill/FOK .....	time-in-force that means an order that is to be executed in its entirety as soon as the System receives it and, if not so executed, cancelled; the System considers an FOK order to be an AON order.	6.53(d) and 6.44.04 ...	BZX Rule 21.1(f)(5), C2 Rule 6.10(d), and EDGX Rule 21.1(f)(5).	Moved to Rule 5.6(d).
Good-til-Cancelled/ GTC.	time-in-force that means, if after entry into the System, the order is not fully executed, the order (or unexecuted portion) remains available for potential display or execution (with the same timestamp) unless cancelled by the entering User, or until the option expires, whichever comes first.	6.53(d) .....	BZX Rule 21.1(f)(4), C2 Rule 6.10(d), and EDGX Rule 21.1(f)(4).	Moved to Rule 5.6(d).
Good-til-Date/GTD .....	time-in-force that means, if after entry into the System, the order is not fully executed, the order (or unexecuted portion) remains available for potential display or execution (with the same timestamp) until a date and time specified by the entering User unless cancelled by the entering User.	N/A .....	BZX Rule 21.1(f)(1), C2 Rule 6.10(d), and EDGX Rule 21.1(f)(1).	Added to Rule 5.6(d); similar to GTC orders, except it provides Users with additional flexibility to have an order automatically cancel at a specific time on a specific date, rather than manually cancel a GTC order at that time (similar to Cboe Affiliated Exchanges' rules).

Defined term	Provision	Current Cboe options rule	Corresponding Cboe affiliated exchange rule	Description of change
Immediate-or-Cancel/IOC.	time-in-force for a limit order that is to be executed in whole or in part as soon as the System receives it; the System cancels and does not post to the Book any portion of an IOC order (or unexecuted portion) not executed immediately on the Exchange or another options exchange.	6.53(d) .....	BZX Rule 21.1(f)(2), C2 Rule 6.10(d), and EDGX Rule 21.1(f)(2).	Moved to Rule 5.6(d).
Limit-on-Close/LOC ...	a limit order that may not execute on the Exchange until three minutes prior to RTH market close; at that time, the System enters LOC orders into the Book in time sequence (based on the times at which the System initially received them), where they may be processed in accordance with current Rule 6.45 (to be moved to Rule 5.32 in the shell Rulebook); the System cancels an LOC order (or unexecuted portion) that does not execute by the RTH market close; Users may not designate an LOC order as All Sessions.	6.1A(f) and 6.53(d) ....	.....	Moved to Rule 5.6(d) and separated from MOC definition; updated (as discussed below).
Market on Close/MOC	a market order that may not execute on the Exchange until three minutes prior to RTH market close; at that time, the System enters MOC orders into the Book in time sequence (based on the times at which the System initially received them), where they may be processed in accordance with current Rule 6.45 (to be moved to Rule 5.32 in the shell Rulebook); the System cancels an MOC order (or unexecuted portion) that does not execute by the RTH market close; Users may not designate an MOC order as All Sessions.	6.1A(f) and 6.53(d) ....	.....	Moved to Rule 5.6(d) and separated from LOC definition; updated (as discussed below).
At the Open/OPG .....	time-in-force means an order that may only participate in the Opening Process on the Exchange; the System cancels an OPG order (or unexecuted portion) that does not execute during the Opening Process.	6.53(d) .....	BZX Rule 21.1(f)(6), C2 Rule 6.10(d), and EDGX Rule 21.1(f)(6).	Moved to Rule 5.6(d).

<sup>25</sup> In addition to determining the availability of AONs on a class basis, the Exchange may restrict the entry of AONs on a series basis when it deems necessary to maintain a fair and orderly market. This is consistent with current Rules 6.44.03 and 6.53, which the proposed rule change deletes from the current Rulebook. The Exchange will describe the proposed price adjust process in a future rule filing, but it will be equivalent to the price adjust process described in EDGX Rule 21.1(i).

<sup>26</sup> The Exchange intends to move Rule 6.82 from the current Rulebook to Rule 5.67 in the shell Rulebook in a separate rule filing. The substance of the rule will not change.

<sup>27</sup> The proposed rule change deletes Rule 6.44, Interpretation and Policy .05. As noted above, the Exchange will make Minimum Quantity orders available for electronic trading (currently, the Exchange only makes these orders available for open outcry trading). Additionally, because Minimum Quantity orders will be IOC (and thus not rest in the Book), there is no need to address the priority of Minimum Quantity orders.

<sup>28</sup> The Exchange intends to move Rule 6.45 from the current Rulebook to Rule 5.32 in the shell Rulebook in a separate rule filing. The rule will remain substantively the same.

<sup>29</sup> See BZX Rule 21.1(i), C2 Rule 6.12(b), and EDGX Rule 21.1(i) for a description of the Price Adjust process, which the Exchange will propose to add to the shell Rulebook in a separate filing.

The proposed rule change also makes nonsubstantive changes to the definitions of certain order types, Order Instructions, and Times-in-Force, including to make the rule provisions plain English, update defined terms, and add clarifying language. The Exchange will also add appropriate cross-references in the definitions of order types, Order Instructions, and Times-in-Force as the applicable cross-referenced Rules are moved from the current Rulebook to the shell Rulebook. The proposed rule change deletes current Rules in the above table from the current Rulebook, as further discussed below.

As noted above, the proposed rule change adds the following Order Instructions to proposed Rule 5.6(c), which are currently available on the Cboe Affiliated Exchanges, as indicated above.

<sup>30</sup> The Exchange will move provisions related to the priority of Reserve Orders in a separate filing.

- **AON:** The Exchange currently permits AON orders.<sup>31</sup> The proposed rule change does not permit a User to designate an AON order as Post Only.<sup>32</sup> An AON order's size contingency, and the fact that AON orders have last priority while resting in the Book,<sup>33</sup> will provide AON orders resting on the Book with few opportunities for AON orders to receive an execution. Additionally, Post Only orders are intended to add displayed liquidity to the Book; because AON orders are not displayed, the purpose of a Post Only instruction conflicts with AON functionality. For these reasons, the Exchange believes there will be minimal investor demand for Post Only AON orders.<sup>34</sup> The

<sup>31</sup> See Rule 6.53.

<sup>32</sup> As discussed below, a Post Only order may not, among other things, remove liquidity from the Book.

<sup>33</sup> See Rule 6.45.

<sup>34</sup> Cboe Options does not currently 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

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 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.<sup>35</sup> Proposed Rule 5.6(c) 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 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 on both sides of the market. Therefore, orders of different retail investors would have the opportunity to execute against each other, unlike a broker who may have orders resting on both sides of the market and may want to avoid those orders executing against each other. Therefore, 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.<sup>36</sup> 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

and never rest on the book (and thus Post Only, if available on those exchanges, would not be permitted).

<sup>35</sup> If a User applies any other MTP Modifier to an AON order, the System will handle it as an MCN).

<sup>36</sup> Additionally, the Decrement and Cancel MTP Modifier is inconsistent with an AON order, because it may result in partial execution of an order.

let the newer AON order rest, it could manually cancel the resting order and then resubmit the AON order.

The Exchange currently only offers match trade prevention only for market-makers, and thus the current 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 will have match-trade prevention functionality available for all Users (as proposed) 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.

- *Cancel Back*: A Book Only or Post Only order a User designates to not be subject to the Price Adjust Process (which the Exchange will add to the shell Rulebook in a separate filing), which the System cancels or rejects if it locks or crosses the opposite side of the ABBO. The System executes a Book Only—Cancel Back order against resting orders, and cancels or rejects a Post Only—Cancel Back order, that locks or crosses the opposite side of the BBO. The proposed functionality is partially included in the definition of Post Only in the BZX and EDGX rules,<sup>37</sup> and substantially similar to C2 Rule 6.10(c). The proposed rule change is also consistent with linkage rules. Book Only orders and Post Only orders do not route by definition, and the Cancel Back instruction provides an option for Users to determine how these non-routable orders will be handled within the System, consistent with their definitions.<sup>38</sup>

- *Match Trade Prevention (MTP) Modifiers*: Current Rule 6.53(c) defines a Market-Maker Trade Prevention Order as an IOC order market with the Market-Maker Trade Prevention designation. A Market-Maker Trade Prevention Order that would trade against a resting quote or order for the same Market-Maker will be cancelled, as will the resting quote or order (unless the Market-Maker Trade Prevention Order is received while an order for the same Market-Maker is subject to an auction, in which case only the Market-Maker Trade Prevention Order will be cancelled). The Exchange proposes to adopt MTP

<sup>37</sup> See BZX Rule 21.6(d)(8); and EDGX Rule 21.6(d)(8).

<sup>38</sup> C2 Rule 6.10(c) contains a substantively similar Cancel Back instruction. EDGX Rule 11.6(b) (which relates to the EDGX Equities market) contains a similar Cancel Back instruction.

modifiers substantively the same as those available on the Cboe Affiliated Exchanges.<sup>39</sup> The proposed MTP modifiers expand this functionality to all Users, rather than just Market-Makers, and provide Users with multiple options regarding how the System handles orders with the same Unique Identifiers. Pursuant to the proposed rule change, an order designated with any MTP modifier is not executed against a resting opposite side order also designated with an MTP modifier and originating from the same Unique Identifier. Except for the MDC modifier described below, the MTP modifier on the incoming order controls the interaction between two orders marked with MTP modifiers:

- *MTP Cancel Newest (“MCN”)*: An incoming order marked with the “MCN” modifier does not execute against a resting order marked with any MTP modifier originating from the same Unique Identifier. The System cancels or rejects the incoming order, and the resting order remains in the Book.

- *MTP Cancel Oldest (“MCO”)*: An incoming order marked with the “MCO” modifier does not execute against a resting order marked with any MTP modifier originating from the same Unique Identifier. The System cancels or rejects the resting order, and processes the incoming order in accordance with current Rule 6.45 (which the Exchange will move to the shell Rulebook in a separate filing).

- *MTP Decrement and Cancel (“MDC”)*: An incoming order marked with the “MDC” modifier does not execute against a resting order marked with any MTP modifier originating from the same Unique Identifier. If both orders are equivalent in size, the System cancels or rejects both orders. If the orders are not equivalent in size, the System cancels or rejects the smaller of the two orders and decrements the size of the larger order by the size of the smaller order, which remaining balance remains on or processes in accordance with the equivalent of current Rule 6.45 (which the Exchange will move to the shell Rulebook in a separate filing), as applicable. Notwithstanding the foregoing, unless a User instructs the Exchange not to do so, the System cancels or rejects both orders if the resting order is marked with any MTP modifier other than MDC and the incoming order is smaller in size than the resting order.

- *MTP Cancel Both (“MCB”)*: An incoming order marked with the “MCB” modifier does not execute against a

<sup>39</sup> See BZX Rule 21.1(g), C2 Rule 6.10(c), and EDGX Rule 21.1(g).

resting order marked with any MTP modifier originating from the same Unique Identifier. The System cancels or rejects both orders.

- *MTP Cancel Smallest* (“MCS”): An incoming order marked with the “MCS” modifier does not execute against a resting order marked with any MTP modifier originating from the same Unique Identifier. If both orders are equivalent in size, the System cancels or rejects both orders. If the orders are not equivalent in size, the System cancels or rejects the smaller of the two orders, and the larger order remains on the Book or processes in accordance with the equivalent of current Rule 6.45 (which the Exchange will move to the shell Rulebook in a separate filing), as applicable.

The proposed MTP functionality is designed to prevent market participants from unintentionally causing a proprietary self-trade. The Exchange believes these modifiers will allow firms to better manage order flow and prevent undesirable executions with themselves. Trading Permit Holders may have multiple connections into the Exchange consistent with their business needs and function. As a result, orders routed by the same firm via different connections may, in certain circumstances, trade against each other. The proposed modifiers provide Trading Permit Holders with functionality (in addition to what is available on Cboe Options today) with the opportunity to prevent these potentially undesirable trades. The Exchange notes that offering the MTP modifiers may streamline certain regulatory functions by reducing false positive results that may occur on Exchange generated wash trading surveillance reports when orders are executed under the same Unique Identifier. For these reasons, the Exchange believes the MTP modifiers offer users enhanced order processing functionality that may prevent potentially undesirable executions without negatively impacting broker-dealer best execution obligations.

- *Post Only Order*: An order the System ranks and executes pursuant to current Rule 6.45 (which the Exchange will move to the shell Rulebook in a separate filing), subjects to the Price Adjust process, or cancels (including if it is not subject to the Price Adjust process and it would lock or cross a Protected Quotation on another exchange), as applicable (in accordance with User instructions), except the order may not remove liquidity from the Book or route away to another Exchange. This proposed instruction is nearly identical to the Cboe Options Only order instruction (the Book Only order

instruction as proposed), except it will also not remove liquidity from the Book. This proposed instruction provides Users with flexibility to submit an order to add liquidity to the Book without interacting with then-currently resting interest and incurring applicable taker fees.

- *Reserve Order*: A limit order with both a portion of the quantity displayed (“Display Quantity”) and a reserve portion of the quantity (“Reserve Quantity”) not displayed. Both the Display Quantity and Reserve Quantity of the Reserve Order are available for potential execution against incoming orders. When entering a Reserve Order, a User must instruct the Exchange as to the quantity of the order to be initially displayed by the System (“Max Floor”). If the Display Quantity of a Reserve Order is fully executed, the System will, in accordance with the User’s instruction, replenish the Display Quantity from the Reserve Quantity using one of the below replenishment instructions. If the remainder of an order is less than the replenishment amount, the System will display the entire remainder of the order. The System creates a new timestamp for both the Display Quantity and Reserve Quantity of the order each time it is replenished from reserve.

- *Random Replenishment*: An instruction that a User may attach to an order with Reserve Quantity where the System randomly replenishes the Display Quantity for the order with a number of contracts not outside a replenishment range, which equals the Max Floor plus and minus a replenishment value established by the User when entering a Reserve Order with a Random Replenishment instruction.

- *Fixed Replenishment*: For any order for that a User does not select Random Replenishment, the System will replenish the Display Quantity of an order with the number of contracts equal to the Max Floor.

Current Rule 6.53(c) describes current reserve order functionality available on the Exchange. The proposed functionality is generally the same as the current functionality but enhances the use of reserve orders by providing flexibility for Users to determine whether the reserve replenishment amount is fixed or random. This proposed functionality is substantively the same as that available on the Cboe Affiliated Exchanges.<sup>40</sup>

The proposed rule change also modifies and adds detail to the

<sup>40</sup> See BZX Rule 21.1(d)(1), C2 Rule 6.10(c), and EDGX Rule 21.1(d)(1).

definitions of MOC and LOC orders. Currently, an MOC order is a market or limit order to be executed as close as possible to the close of the market near to or at the closing price for the particular option series. The proposed rule change specifies that an MOC or LOC may not execute on the Exchange until three minutes prior to RTH market close.<sup>41</sup> The System enters LOC and MOC orders into the Book in time sequence (based on the times at which the Exchange initially received them), where they may be processed in accordance with current Rule 6.45 (which the Exchange intends to move to Rule 5.32 in the shell Rulebook).<sup>42</sup> The Exchange notes that it does not have a closing auction in which market participants may participate in an auction rotation that determines the closing price for a series, like that of the equities space, but that the proposed MOC and LOC orders merely become executable three minutes prior to the close of RTH. The Exchange queues LOC and MOC orders in the System until three minutes before the RTH market close. At that time, the System handles a LOC or MOC order as a limit order or market order, as applicable, and processes them in accordance with Rule 6.45. The Exchange believes that three minutes prior to the RTH market close is a reasonable time prior to the market close to trigger MOC and LOC orders, as it provides those orders with sufficient time to interact with contra-side interest and potentially execute at a time close to the RTH market close. The proposed LOC and MOC order definitions also provide that the System cancels an LOC order or an MOC order (or an unexecuted portion of an LOC or MOC order) that does not execute by the RTH market close. This is consistent with current functionality and the purpose of these orders, which is to execute near the RTH market close on the day they were submitted to the Exchange. As the execution of MOC and LOC orders is linked to the RTH market close, such orders will be valid only during RTH; however, the System will accept such orders during any trading session.<sup>43</sup> A User may not designate an MOC or LOC order as “All Sessions”; any MOC or LOC order designated as All Sessions will be rejected.

The proposed rule change deletes the definition of a market-if-touched order and a facilitation order, as those order

<sup>41</sup> The Exchange currently triggers MOC and LOC orders three minutes prior to the RTH market close.

<sup>42</sup> Rule 6.45 describes how the System processes orders and quotes in the Book.

<sup>43</sup> The Exchange notes that an RTH Only MOC or LOC order submitted during GTH will remain on the book until the close of RTH.

types are not currently available on the Exchange and will not be available following the technology migration. The Exchange will move the definitions of an AIM Sweep order and Sweep and AIM order to the shell Rulebook in separate rule filings.

#### Deletion of Current Rules

As noted above, to the extent the proposed rule change moves current Rules from the current Rulebook to the shell Rulebook, the proposed rule change also deletes those current Rules from the current Rulebook (as noted above, some rules will be moved to the shell Rulebook in future rule filings). However, these Rules will remain in effect and on the current Rulebook until completion of the technology migration, at which time the Rules in the shell Rulebook will take effect.

#### 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>44</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>45</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>46</sup> 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 changes are generally intended to add or align certain system functionality currently offered by the Exchange and the Cboe Affiliated Exchanges 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 does not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on Cboe Affiliated Exchanges. The Exchange notes that the proposed rule text is generally based on rules of Cboe Affiliated Exchanges and is different only to the extent necessary to conform to the Exchange's current rules, retain intended differences based on the Exchange's market model, or make other nonsubstantive changes to simplify, clarify, eliminate duplicative language, or make the rule provisions plain English.

To the extent a proposed rule change is based on an existing Cboe Affiliated Exchange rule, the language of Exchange Rules and Cboe Affiliated Exchange rules may differ to extent necessary to conform with existing Exchange rule text or to account for details or descriptions included in the Exchange's Rules but not in the applicable Cboe Affiliated Exchange rule, such as references to trading sessions, which apply to the Exchange but not the Cboe Affiliated Exchange, as they do not have Global Trading Hours. Where possible, the Exchange has substantively mirrored Cboe Affiliated Exchange rules, because consistent rules will simplify the regulatory requirements and increase the understanding of the Exchange's operations for Trading Permit Holders that are also participants on Cboe Affiliated Exchanges. The proposed rule change would provide greater harmonization between the rules of the Cboe Affiliated Exchanges, resulting in greater uniformity and less burdensome and more efficient regulatory compliance. 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. The Exchange also believes that the proposed amendments will contribute to the protection of investors and the public interest by making the Exchange's Rules easier to understand.

The proposed rule change clearly identifies the ways in which trading during Regular Trading Hours will differ from trading during Global Trading Hours (such as identifying order types and instructions that will not be available during Global Trading Hours). This ensures that investors will continue to be aware of any differences among trading sessions. The flexibility the Exchange maintains to make determinations for each trading session

will allow the Exchange to apply settings and parameters to address the different market conditions that may be present during each trading session.

The proposed All Sessions order and RTH Only order will protect investors by permitting investors who do not wish to trade during Global Trading Hours from having orders or quotes execute during those orders. Consistent with the goal of investor protection, the Exchange will not allow market orders during Global Trading Hours due to the expected increased volatility and decreased liquidity during these hours. The other proposed Order Instructions and Times-in-Force not currently available on the Exchange add functionality currently offered by Cboe Affiliated Exchanges in order to provide consistent order handling options across the Cboe Affiliated Exchanges. The proposed rule changes would also provide Users with access to optional functionality that may result in the efficient execution of such orders and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users. As explained above, the proposed functionality is substantially similar to functionality on Cboe Affiliated Exchanges, and is optional for Users. The proposed rule change would provide greater harmonization between the order handling instructions available amongst the Cboe Affiliated Exchanges, resulting in greater uniformity and less burdensome and more efficient regulatory compliance. With respect to the proposed MTP modifier functionality, the Exchange believes the various proposed modifier options would allow firms to better manage order flow and prevent undesirable executions against themselves, and the proposed change described herein enhances the choices available to such firms in how they do so. The proposed rule change also is designed to support the principles of Section 11A(a)(1) of the Act<sup>47</sup> in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The proposed rule change would also provide Users with access to functionality that may result in the efficient execution of such orders and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users.

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

<sup>44</sup> 15 U.S.C. 78f(b).

<sup>45</sup> 15 U.S.C. 78f(b)(5).

<sup>46</sup> *Id.*

<sup>47</sup> 15 U.S.C. 78k-1(a)(1).

that AON orders will have last priority while resting in the Book, will provide AON orders resting on the Book with few opportunities for AON orders to receive an execution. Additionally, Post Only orders are intended to add displayed liquidity to the Book; because AON orders are not displayed, the purpose of a Post Only instruction conflicts with AON functionality. For these reasons, 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 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).<sup>48</sup> Unlike those exchanges, the Exchange will permit AON orders to rest in the Book, and will merely not permit AON orders to only rest in the book. Cboe Options does not currently offer a Post Only instruction, and therefore, an AON order submitted to Cboe Options pursuant to the proposed rule change will be handled in the same manner as it is handled today, as such an order would execute upon entry (if possible), route (if eligible), or enter the 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. Therefore, orders of different retail investors would have the opportunity to execute against each other, unlike a broker who may have orders resting on both sides of the market and may want to avoid those orders executing against each other. Therefore, the Exchange believes offering one MTP Modifier for AON orders is sufficient. 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.<sup>49</sup> 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.

The proposed changes to the definitions of MOC and LOC orders will benefit investors, as they provide additional transparency in the Rules regarding how the System handles these orders. The proposed changes are consistent with current functionality.

The proposed rule change makes no substantive changes to the other current Rules being moved from the current Rulebook to the shell Rulebook. The proposed rule change makes various nonsubstantive changes throughout the Rules, which the Exchange believes will protect investors and benefit market participants, as these changes simplify or clarify rules, update defined terms, use plain English, and conform language to corresponding Cboe Affiliated Exchange rules as appropriate.

As described above, the basis for the majority of the substantive proposed rule changes in this filing are the approved rules of Cboe Affiliated Exchanges, which have already been found to be consistent with the Act. For instance, the Exchange does not believe that any of the proposed Order Instructions or Times-in-Force raise any new or novel issues that have not previously been considered by the Commission.

Thus, the Exchange further believes that the functionality that it proposes to offer is consistent with Section 6(b)(5) of the Act, because the System upon the technology migration is designed to continue to be efficient and its operation transparent, thereby facilitating transactions in securities, removing impediments to and perfecting the

mechanism of a free and open market and a national market system.

When Cboe Options migrates to the same technology as that of the Cboe Affiliated Exchanges, Users of the Exchange and other Cboe Affiliated Exchanges will have access to similar functionality on all Cboe Affiliated Exchanges and similar language can be incorporated into the rules of 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 Exchange reiterates that the proposed rule change is being proposed in the context of the technology integration of the Cboe Affiliated Exchanges. Thus, the Exchange believes this proposed rule change is necessary to permit fair competition among national securities exchanges. In addition, the Exchange believes the proposed rule change will benefit Exchange participants in that it will provide a consistent technology offering for Users by the Cboe Affiliated Exchanges. Following the technology migration, the proposed Rules being added to the shell Rulebook will apply to all Users and orders submitted by Users in the same manner. As discussed above, the basis for most of the substantive proposed rule changes in this filing are the approved rules of Cboe Affiliated Exchanges, which have already been found to be consistent with the Act.

#### *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

<sup>48</sup> See, e.g., ISE Rule 715(c); NOM Chapter VI, section 1(e)(10); and Phlx Rule 1066(c)(4).

<sup>49</sup> Additionally, the Decrement and Cancel MTP Modifier is inconsistent with an AON order, because it may result in partial execution of an order.

shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>50</sup> and Rule 19b-4(f)(6)<sup>51</sup> thereunder.<sup>52</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

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

##### *Electronic Comments*

- Use the Commission's internet comment form (<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-CBOE-2019-027 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-CBOE-2019-027. 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-CBOE-2019-027 and should be submitted on or before July 17, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>53</sup>

**Vanessa A. Countryman,**

*Acting Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No 34-86168; File No. SR-CboeEDGA-2019-012]

### Self-Regulatory Organizations; Cboe EDGA Exchange, Inc.; Notice of Filing of a Proposed Rule Change To Introduce a Liquidity Provider Protection on EDGA

June 20, 2019.

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 June 7, 2019, Cboe EDGA Exchange, Inc. (the "Exchange" or "EDGA") 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

Cboe EDGA Exchange, Inc. ("EDGA" or the "Exchange") is filing with the

Securities and Exchange Commission (the "Commission") a proposed rule change to introduce a Liquidity Provider Protection on EDGA. The text of the proposed rule change is attached [sic] as Exhibit 5.

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

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

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

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

###### 1. Purpose

The purpose of the proposed rule change is to introduce a delay mechanism on EDGA that is designed to protect liquidity providers and thereby enable those liquidity providers to make better markets in equity securities traded on the Exchange. The Liquidity Provider Protection ("LP<sup>2</sup>") delay mechanism would function similarly to delay mechanisms adopted by the Investors Exchange LLC ("IEX") and NYSE American LLC ("NYSE American") in that it is an intentional access delay applied to a subset of order messages in order to allow resting orders to be updated before opportunistic traders can trade with them at stale prices.<sup>3</sup> The LP<sup>2</sup> delay mechanism, however, is unique in that it is designed primarily to enhance market quality by promoting price forming displayed liquidity in addition to the non-displayed liquidity encouraged by both IEX and NYSE American. Liquidity provision is critical to the proper functioning of the equities markets, and finding ways to enhance

<sup>3</sup> See Securities Exchange Act Release Nos. 78101 (June 17, 2016), 81 FR 41141 (June 23, 2016) (File No. 10-222) ("IEX Exchange Approval"); 80700 (May 16, 2017), 82 FR 23381 (May 22, 2017) (SR-NYSEMKT-2017-05) ("MKT Approval Order").

<sup>50</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>51</sup> 17 CFR 240.19b-4(f)(6).

<sup>52</sup> 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.

<sup>53</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.