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–NYSE–2019–51 and should be submitted on or before October 16, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[14]

Jill M. Peterson,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–87015; File No. SR–CBOE–2019–060]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule To Amend Its Rules Related to the Electronic Processing of Complex Orders and To Move Them to the Shell Rulebook That Will Become Effective Upon the Migration of the Exchange's Trading Platform to the Same System Used by the Cboe Affiliated Exchanges

September 19, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on September 6, 2019, Cboe Exchange, Inc. (''Exchange'' or ''Cboe Options'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe Exchange, Inc. (the ''Exchange'' or ''Cboe Options'') proposes to amend its Rule related to the electronic processing of complex orders and move it from the 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. The proposed rule change first moves and amends it rules regarding the electronic processing of complex orders from the current Rulebook to the shell Rulebook. Specifically, proposed Rule 5.33 modifies the Exchange's current complex order functionality (as set forth in current Rule 6.53C) to substantially conform to the complex order functionality that is used by C2 and EDGX Options. Electronic trading of complex orders will be subject to all other Rules applicable to trading of orders, unless otherwise provided in proposed Rule 5.33. This is true today, and the proposed rule change merely states this in the Rules.

The proposed rule change amends and moves the following definitions related to the electronic processing of complex orders from the current Rulebook to proposed Rule 5.33(a) in the shell Rulebook. The proposed rule change also adds certain definitions.[3] In addition to the substantive changes described below, the proposed rule change makes additional nonsubstantive changes to these Rules, including to make the rule text plain English, simplify the rule provisions, update cross-references and paragraph numbering and lettering, reorganize certain provisions, and eliminate redundant provisions.

[14] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

[3] The proposed rule change adds a definition of ''Legging'' to proposed Rule 5.33(a), which is just a cross-reference to proposed paragraph (g), which is described further below.

Rule provision	Current rule (current rulebook)	Proposed rule (shell rulebook)	Proposed substantive changes
Definition of complex order	Rule 6.53C(a)(1)	Rule 5.33(a) (which refers to Rule 1.1, which has already been moved to the shell Rulebook).	The proposed rule change moves the provision that for purposes of applying ratios to complex orders comprised of legs for both mini-options and standard options, ten mini-option contracts represent one standard option contract from the definition of complex order for electronic purposes to the general definition of complex order, as the same application applies to all complex orders, whether traded electronically or in open outcry.
Definition of stock-option order	Rule 6.53C(a)(2)	Rule 5.33(b)(5)	The proposed rule change states that stock-option orders trade in the same manner as all other complex orders, except as specified in Rule 5.33. This is true today, and the proposed rule change merely makes this explicit in the Rules.
Definition of Complex Order Auction (''COA'')	Rule 6.53C(d)(i)(1)	Rule 5.33(a)	Proposed Rule 5.33 no longer refers to a COA as a request for responses (''RFR''). This is merely a change in terminology.
Definition of Complex Order Book (''COB'') (the Exchange's electronic book of complex orders maintained by the System, which single book is used during both the Regular Trading Hours (''RTH'') and global trading hours (''GTH'') trading sessions).	N/A	Rule 5.33(a)	The current Rulebook does not contain a definition of COB. However, the proposed definition is consistent with current COB functionality, except that currently there is a separate COB for each trading session. Following the migration, there will no longer be a need for a separate COB.[4]
Definition of complex strategy: The term ''complex strategy'' means a particular combination of components and their ratios to one another. New complex strategies can be created as a result of the receipt of a complex instrument creation request or complex order for a complex strategy that is not currently in the System. The Exchange may limit the number of new complex strategies that may be in the System at a particular time.	N/A	Rule 5.33(a)	The Exchange is thus proposing two methods to create a new complex strategy, one of which is a message that a Trading Permit Holder can send to create the strategy and the other is a message a Trading Permit Holder can send that will generate the strategy and that is also an order in that same strategy. These methods will be equally available to all Trading Permit Holders, but the Exchange anticipates that Trading Permit Holders and other liquidity providers who anticipate providing larger amounts of trading activity in complex strategies are the most likely to send in a complex instrument creation request (i.e., to prepare for their trading in the complex strategy throughout the day), whereas other participants are more likely to simply send a complex order that simultaneously creates a new strategy.[5]
Definition of Regular trading: The term ''regular trading'' means trading of complex orders that occurs during a trading session other than (a) at the opening of the COB or re-opening of the COB for trading following a halt (described in proposed paragraph or (b) during the COA process (described in proposed paragraph (d)).	N/A	Rule 5.33(a)	This is an additional term used in other portions of proposed Rule 5.33.[6]
Definition of Synthetic Best Bid or Offer (''SBBO'')	Rule 1.1	Rule 5.33(a)	SBBO is currently referred to in the current Rulebook as ''Exchange Spread Market.''
Definition of Synthetic National Best Bid or Offer (''SNBBO'').	Rule 1.1	Rule 5.33(a)	SNBBO is currently referred to in the current Rulebook as ''National Spread Market.''

The definitions in the table above are substantively the same as the corresponding definitions in C2 Rule 6.13(a) and EDGX Options Rule 21.20(a), and merely add terminology to the Rule rather than impact the trading of complex orders on the Exchange.[7]

Proposed Rule 5.33(b) states that complex orders are available in all classes listed for trading on the Exchange. Current Rule 6.53C(c)(i) provides the Exchange with flexibility to determine which classes are eligible for complex orders. The Exchange currently makes complex order functionality available in all classes, and no longer needs this flexibility, so is eliminating it from the Rules. Complex orders may be market or limit orders (this is consistent with current functionality, and current Rule 6.53C in various places references handling of both complex orders with prices (*i.e.,* limit orders) and complex market orders).[8]

Proposed Rule 5.33(b)(1) states the Exchange determines which Times-in-Force of Day, good-til-cancelled (''GTC''), good-til-date (''GTD''), immediate-or-cancel (''IOC''), or at the open (''OPG'') [9] are available for complex orders (including for eligibility to enter the COB and initiate a COA). Current Rule 6.53C(b) permits complex orders to be entered as FOK,[10] IOC, and GTC, and current Rule 6.53C(c)(iii) permits complex orders to be designated

[4] *See* definition of Book and Simple Book in Rule 1.1 of the shell Rulebook (which has a similar definition).

[5] This proposed definition is the same as the corresponding definition in C2 Rule 6.13(a) and EDGX Options Rule 21.20(a).

[6] *Id.*

[7] The Exchange notes C2 Rule 6.13(a) and EDGX Options Rule 21.20(a) include additional defined terms that are not in proposed Rule 5.33(a), because the Exchange defines those terms in other Rules (*e.g.,* the Exchange defines BBO (the best bid or offer disseminated by the Exchange) in Rule 1.1 in the shell Rulebook, while EDGX Options defines that term in Rule 21.20(a)).

[8] *See also* C2 Rule 6.13(b) (which does not restrict the classes in which complex orders are available) and EDGX Options Rule 21.20(b).

[9] *See* Rule 5.6(d) of the shell Rulebook for definitions of these Times-in-Force; *see also* C2 Rule 6.13(b) and EDGX Options Rule 21.20(b).

[10] An order designated as FOK must execute in its entirety as soon as the System receives it and, if not so executed, is cancelled (and thus not rest in the Book for potential execution). *See* Rule 5.6(d) in the shell Rulebook. As discussed below, the Exchange will permit complex orders to be designated as AON, but they may only execute following a COA (if not executed, they will route to PAR for manual handling or be cancelled, subject to the User's instructions). Because AON complex orders will not be permitted to rest in the Book, the Exchange believes offering a FOK designation for complex orders is unnecessary. Additionally, a User could designate an AON complex order as IOC, which would have the same effect as an FOK (and it would be handled like all AONs, as further described below).

as day (the Exchange does not currently offer a GTD Time-in-Force, but will following the technology migration). The Exchange proposes to retain this flexibility to modify Times-in-Force (and Capacities, as noted below) available on the Exchange in order to address any changes in market conditions and remain competitive.[11]

Proposed Rule 5.33(b)(2) states the Exchange will determine which Capacities (*i.e.,* non-broker-dealer customers, broker-dealers that are not market-makers on an options exchange, or market-makers on an options exchange) are eligible for COA or for entry into the COB. This is consistent with the Exchange's current authority under Rule 6.53C(c)(i) (with respect to eligibility for COB entry) and (d)(i)(2) (with respect to eligibility for COA). Complex orders with Capacities not eligible for COA or entry into to the COB will route to PAR for manual handling or are cancelled, subject to a User's instructions.[12] The proposed rule change moves the provision that permits the Exchange to determine that a complex order with Capacity M or N to enter the COB in certain circumstances in a class in which the Exchange determined complex orders with those Capacities are not eligible for entry into the COB from current Rule 6.53C(c)(i) to proposed Rule 5.33(b)(2)(A).

Proposed Rule 5.33(b)(3) states that Users may designate complex orders as Attributable or Non-Attributable. This relates only to information that User wants, or does not want, included when a complex order is displayed, and has no impact on how complex orders are processed or execute. As they do for simple orders, certain Users want the ability to track their orders, such as which of the resting orders in the COB or which COA'd order is theirs. The Attributable designation means this information will appear in market data feeds and auction messages, permitting these Users to track their own orders. This is consistent with current Rule 6.53 and current functionality. Current Rule 6.53 permits the Exchange to determine which order types (including Attributable and Non-Attributable) in that rule are available on a system-by-system basis (which includes COB and COA). Pursuant to that rule, the Exchange current permits complex orders to be designated as Attributable or Non-Attributable.[13]

Proposed Rule 5.33(b)(4) states that Users may not submit complex orders through bulk ports.[14] In connection with the technology migration, the Exchange is replacing its current quoting functionality with bulk message[15] functionality, which bulk messages may be submitted through bulk ports. The Exchange does not currently offer complex quoting functionality (and Market-Makers are not required to quote on the COB), so this proposed rule change is consistent with current functionality.[16]

Proposed Rule 5.33(b)(5) lists additional order instructions that will be available for complex orders:

- *All Sessions:* The proposed definition of an ''All Sessions'' complex order corresponds to the definition of an ''All Sessions'' simple order in Rule 5.6(c) in the shell Rulebook. The Exchange makes complex orders available for trading during GTH, and a User may apply this instruction to an order in an All Sessions class if the User wants the complex order to be available for execution during the GTH trading session.[17] A User may not designate an All Sessions order as Direct to PAR, because PAR is not available during the Global Trading Hours trading session (which is an electronic-only trading session).[18]
- *AON:* An AON (all-or-none) complex order is a complex order that is to be executed in its entirety or not at all. The Exchange currently makes AON complex orders available.[19] An AON complex order may only execute following a COA, and is not eligible to rest in the COB. The Exchange currently does not permit AON complex order to rest in the COB, so the proposed rule change is consistent with current functionality.[20]
- *Book Only:* The proposed definition of a ''Book Only'' complex order corresponds to the definition of a ''Book Only'' simple order in Rule 5.6(c) in the shell Rulebook. Because complex orders are not routable, all complex orders submitted to the Exchange today for electronic processing are the equivalent of Book Only.[21] A User may not designate a Book Only complex order as Direct to PAR, as the purpose of a Book Only complex order is to rest in the COB if it does not execute upon entry.
- *COA-Eligible and Do-Not-COA Orders:* The Exchange proposes to allow all types of orders to initiate a COA but proposes to have certain types of orders default to initiating a COA upon arrival with the ability to opt-out of initiating a COA and other types of orders default to not initiating a COA upon arrival with the ability to opt-in to initiating a COA.[22] Current Rule 6.53C(d)(ii)(B) permits TPHs to request that an order not initiate a COA, so the proposed rule change is consistent with current functionality.
  - A ''COA-eligible'' complex order is a buy (sell) complex order with User instructions to (or which default to) initiate a COA that is priced (i) equal to or lower (higher) than the SBO (SBB) provided that if any of the bids or offers on the Simple Book that comprise the SBO (SBB) is represented by a Priority Customer order, the complex order must be priced at least one minimum increment lower (higher) than the SBO (SBB) and (ii) lower (higher) than the price of sell (buy) complex orders resting at the top of the COB. Current Rule 6.53C(d)(ii)(A) indicates a COA will initiate if the COA-eligible order is marketable against the SBBO, so the proposed marketability requirement in the definition of a COA-eligible is consistent with current COA rules as well as the proposed rule provisions regarding the priority of complex orders with respect to orders in the Simple Book.[23]
  - A ''do-not-COA'' complex order is a complex order with User instructions not to (or which default not to) initiate a COA or that does not satisfy the COA-eligibility requirements in the preceding bulleted paragraph. The Exchange believes that this will continue to give

[11] *See also* C2 Rule 6.13(b)(1) and EDGX Options Rule 21.20(b)(1).

[12] *See* current Rule 6.53C(c)(i) and (d)(vi). Proposed Rule 5.33 identifies the various circumstances in which a PAR-eligible complex order may route to PAR. *See also* C2 Rule 6.13(b) and EDGX Options Rule 21.20(b).

[13] *See also* C2 Rule 6.13(b) and EDGX Options Rule 21.20(b).

[14] *See* Rule 5.5(c)(3) in the shell Rulebook for a definition of bulk ports.

[15] *See* Rule 1.1 in the shell Rulebook for a definition of bulk messages.

[16] *See also* C2 Rule 6.13(b) and EDGX Options Rule 21.20(b).

[17] *Id.*

[18] *Id.*

[19] *See* current Rule 6.53C(b).

[20] *See* Cboe Options Regulatory Circular RG17–042 (March 24, 2017), available at *https://www.cboe.com/publish/RegCir/RG17-042.pdf. See also* EDGX Options Rule 21.20(b). Other options exchanges require AON complex orders to be IOC, and thus similarly do not permit AON complex orders to rest in a complex order book. It is not clear from their rules whether such orders may enter a complex order auction on those exchanges. *See, e.g.,* Nasdaq ISE, LLC (''ISE'') Options 3, Section 14(b)(2).

[21] *See also* C2 Rule 6.13(b) and EDGX Options Rule 21.20(b).

[22] Current Rule 6.53C(d)(i)(2) permits the Exchange to determine which order types may initiate a COA, so the proposed rule change is consistent with this Rule. Current Rule 6.53C(d)(i)(2) also permits the Exchange to impose size eligibility requirements on COA-eligible orders. The Exchange does not currently impose any size requirement for an order to be eligible to COA, and the Exchange no longer believes it needs this flexibility, so the proposed rule change deletes it from the Rules.

[23] *See* proposed Rule 5.33(f)(2).

market participants extra flexibility to control the handling and execution of their complex orders by the System by giving them the additional ability to determine whether they wish to have their complex order initiate a COA.

○ Upon receipt of an IOC complex order, the System does not initiate a COA unless a User marked the order to initiate a COA, in which case the System cancels any unexecuted portion at the end of the COA. Upon receipt of a complex order with any Time-in-Force other than IOC (except OPG [24]), the System initiates a COA unless a User marked the order to not initiate a COA. The Exchange further believes this is consistent with the terms of an IOC order, which is intended to execute immediately upon entry or be cancelled, whereas COA is a process that includes a short delay in order to broadcast and provide participants time to respond).

○ A Post Only complex order with any Time-in-Force does not initiate a COA, and if a User marks a Post Only complex order to initiate a COA, the System cancels the order. This is consistent with the purposes of a Post Only complex order, which is to add liquidity to the COB, and an auction order is treated as a ''taker.''

○ An incoming AON complex order initiates a COA, and if a User marks an AON complex order to not initiate a COA, or an AON complex order does not satisfy the COA eligibility criteria described above, the System cancels the AON order. The Exchange believes that, like AON simple orders, AON complex orders that would rest on the COB would have last priority, and would have even fewer execution opportunities because they would not be able to execute at the same price as resting interest until after both simple and complex order interest executed. Therefore, an AON complex order resting on the COB would have minimal execution opportunities given its size contingency. The Exchange believes there would be little value, in terms of executing opportunities, in permitting AON complex orders to rest in the COB. As discussed above, the Exchange does not currently permit AON complex orders to rest in the COB.[25]

• *Complex Only Orders:* A ''Complex Only'' order is a Day or IOC complex order a Market-Maker may designate to execute only against complex orders in the COB and may not Leg into the Simple Book. Unless designated as Complex Only, and for all other Times-in-Force and Capacities, a complex order may execute against complex orders in the COB and may Leg into the Simple Book. The Exchange believes the proposed functionality is analogous to other types of functionality the Exchange currently provides Trading Permit Holders, including Market-Makers, such as the ability to direct the Exchange to not to route their orders away from the Exchange (Book Only). Similar to such analogous features, the Exchange believes that Market-Makers may utilize Complex Only Order functionality as part of their strategies to maintain additional control over their executions, in connection with their attempt to provide and not remove liquidity, or in connection with applicable fees for executions.[26]

• *MTP Modifiers:* Users may apply the following MTP Modifiers to complex orders: MTP Cancel Newest, MTP Cancel Oldest, and MTP Cancel Both. If a complex order would execute against a complex order in the COB with an MTP Modifier and the same Unique Identifier, the System handles the complex orders with these MTP Modifiers as described in Rule 5.6(c) of the shell Rulebook. If a complex order with an MTP Modifier would Leg into the Simple Book and execute against any leg on the Simple Book with an MTP Modifier and the same Unique Identifier, the System cancels the complex order. This will allow a User to avoid trading complex orders against its own complex orders or orders of affiliates, providing Users with an additional way to maintain control over their complex order executions.[27]

• *Post Only:* The proposed definition of a ''Post Only'' complex order corresponds to the definition of a ''Post Only'' simple order in Rule 5.6(c) in the shell Rulebook. The proposed rule change provides Users with the ability to exercise more control over the circumstances in which their complex orders are executed and be encouraged to add liquidity in the complex order market. Any additional liquidity will subsequently benefit all participants who trade complex orders on the Exchange.[28] A User may not designate a Post Only complex order as Direct to PAR, as the purpose of a Post Only complex order is to rest in the COB to provide liquidity.

• *RTH Only:* The proposed definition of an ''RTH Only'' complex order corresponds to the definition of an ''RTH Only'' simple order in Rule 5.6(c) in the shell Rulebook. This provides a User with the ability to ensure a complex order will only execute during the RTH trading session if the User does not want a complex order to be available for execution during the GTH trading session.[29]

• *QCC with Stock Order:* The proposed rule change adds this definition to proposed Rule 5.33(b).[30] A User may not designate a QCC with Stock Order as Direct to PAR, because the purpose of a QCC with Stock Order is to execute immediately upon entry without exposure.

Proposed Rule 5.33(b) is substantively the same as the corresponding provisions in C2 Rule 6.13(b) and EDGX Options Rule 21.20(b), except those rules do not include references to PAR, as those exchanges only offer electronic trading.[31]

Proposed Rule 5.33(c) describes the process used to open the COB at the beginning of each trading session and after a trading halt. The proposed COB opening process is substantively the same as the COB Opening Process used on C2 and EDGX Options.[32] The System will accept complex orders for inclusion in the COB Opening Process at the times set forth in Rules 5.7 and 5.31(b) of the shell Rulebook, except the Queuing Period for complex orders ends when the complex strategy opens. Complex orders entered during the Queuing Period are not eligible for execution until the initiation of the COB Opening Process. This is similar to current functionality, which permits orders to be entered at 2:00 a.m. Eastern Time.

Beginning at (1) 2:00 a.m. Eastern Time for All Sessions classes for the GTH trading session and (2) 8:30 a.m. for RTH Only classes and 9:15 a.m. for All Sessions classes for the RTH trading

[24] An OPG order is cancelled if it does not execute during the opening process. *See* Rule 5.6(d) of the shell Rulebook.

[25] *See also* EDGX Options Rule 21.20(b).

[26] *See also* C2 Rule 6.13(b) and EDGX Options Rule 21.20(b).

[27] *Id.*

[28] *Id.*

[29] *Id.*

[30] *See also* EDGX Options Rule 21.20(b). The current definition of QCC with Stock Orders is in Rule 6.53 of the current Rulebook. The Exchange previously deleted Rule 6.53 from the current Rulebook (to be effective on October 7, 2019) in a separate filing, with the intention of including the definition of QCC with Stock Orders in the proposed rule, so that all types of complex orders (which QCC with Stock is) are included within the same rule in the shell Rulebook. *See* Securities Exchange Act Release No. 86173 (June 20, 2019), 84 FR 30267 (June 26, 2019) (SR–CBOE–2019–027).

[31] The Exchange notes that C2 Rule 6.13(b) also makes Complex Reserve Orders available. The Exchange currently offers complex reserves orders, but does not intend to make those available following the technology migration due to lack of demand on the Exchange. The Exchange currently has authority pursuant to Rule 6.53 and 6.53C to determine which order types are available for complex order trading, and therefore no longer making complex reserve orders available is consistent with that authority.

[32] *See* C2 Rule 6.13(c) and EDGX options Rule 21.20(c).

session, and updated every five seconds thereafter until the initiation of the COB Opening Process, the Exchange disseminates indicative prices and order imbalance information based on complex orders queued in the System for the COB Opening Process. This is new functionality that will provide Users with information regarding the expected COB opening, which the Exchange believes may contribute additional transparency and price discovery to the COB Opening Process.[33]

The System initiates the COB Opening Process for a complex strategy after a number of seconds (which number the Exchange determines) after all legs of the strategy in the Simple Book are open for trading. This is consistent with the current COB Opening Process, as set forth in current Interpretation and Policy .11(a). All complex orders the System receives prior to opening a complex strategy pursuant to the COB Opening Process, including any delay applied by the Exchange, are eligible to be matched in the COB Opening Process and not during the Opening Process described in Rule 5.31 in the shell Rulebook.[34] The Exchange similarly applies a delay period during the regular Opening Process, as set forth in current Rule 6.2 (which the Exchange has proposed to amend and move to Rule 5.31 in the shell Rulebook).[35]

If there are matching complex orders in a complex strategy, the System determines the COB opening price, which is the price at which the most complex orders can trade. If there are multiple prices that would result in the same number of complex orders executed, the System chooses the price that would result in the smallest remaining imbalance as the COB opening price. If there are multiple prices that would result in the same number of complex orders executed and the same ''smallest'' imbalance, the System chooses the price closest to the midpoint of the (i) SNBBO or (ii) if there is no SNBBO available, the highest and lowest potential opening prices as the COB opening price. If the midpoint price would result in an invalid increment, the System rounds the COB opening price up to the nearest permissible increment. If the COB opening price equals the SBBO, the System adjust the COB opening price to a price that is better than the corresponding bid or offer in the Simple Book by at least one minimum increment. If the COB opening price would require printing at the same price as a Priority Customer on any leg in the Simple Book, the System adjusts the COB opening price to a price that is better than the corresponding bid or offer in the marketplace by at least one minimum increment.[36]

After the System determines a COB opening price, the Exchange executes matching complex orders in price priority (*i.e.,* orders better than the COB opening price are executed first and thereafter orders at the COB opening price are executed), and then pursuant to the allocation algorithm applicable to the class pursuant as set forth in proposed subparagraph (d)(5)(A)(ii) below. Therefore, all complex interest in a class will execute in accordance with the same allocation algorithm, which provides simplicity and consistency regarding the execution of complex orders to Users. The System enters any remaining complex orders (or unexecuted portions) into the COB, subject to a User's instructions.[37]

If there are no matching complex orders in a complex strategy, the System opens the complex strategy without a trade. If after an Exchange-established period of time that may not exceed 30 seconds, the System cannot match orders because (i) the System cannot determine a COB opening price (*i.e.,* all queued orders are market orders) or (ii) the COB opening price is outside the SNBBO, the System opens the complex strategy without a trade. In both cases, the System enters any orders in the complex strategy in the COB (in time priority), subject to a User's instructions, except it Legs any complex orders it can into the Simple Book. The proposed rule change provides additional detail regarding how the COB will open if there are no matching trades. Additionally, the Exchange believes the proposed configurable time period is important because the opening price protections are relatively restrictive (*i.e.,* based on the SNBBO), and the configurable time period provides the Exchange with the ability to periodically review the process and modify it as necessary to ensure there is sufficient opportunity to have Opening Process executions without also waiting too long to transition to regular trading.[38]

Currently on the Exchange, the System opens the COB in a similar manner, however it first attempts to match complex orders against orders in the Simple Book, then matches complex orders against each other. As proposed, complex orders will not leg into the book upon the COB open (unless there are no matching complex orders and a complex strategy opens without a trade); however, the COB opening price must improve the SBBO by at least one minimum increment if there is a Priority Customer order on any leg, thus providing protection to Priority Customers in the leg markets. The proposed matching process for complex orders on the COB is similar to the process in current Interpretation and Policy .11(a)(ii). Additionally, the Exchange currently restricts valid opening trade prices to be within the SBBO rather than the SNBBO as the proposed opening process does. The Exchange believes using the SNBBO is an enhancement to the COB opening process, as it reflects the then-current prices throughout the entire market, rather than just on the Exchange, and thus the Exchange believes it is a better measure to use for purposes of determining the reasonability of the prices of orders.

Proposed Rule 5.33(c) is substantively the same as the corresponding provisions in C2 Rule 6.13(c) and EDGX Options Rule 21.20(c), except the times at which opening auction messages begin to disseminate pursuant to the proposed rule are different than the times in the C2 and EDGX Options Rules, as the Exchange's GTH trading session begins at 3:00 a.m. Eastern Time, while the GTH trading session on those Cboe Affiliated Exchanges begins at 8:30 a.m. Eastern Time. Additionally, because C2 does not have a Priority Customer overlay, C2 Rule 6.13(c) does not include references to Priority Customers as proposed Rule 5.33(c) does. The proposed rule change also provides that the allocation algorithm applied to complex orders during the COB opening process may vary by class (which is consistent with current Rule 6.53C, Interpretation and Policy .011(a)), as C2 does, while EDGX Options will always apply price-time. Additionally, the proposed rule change references an applicable minimum increment, while the C2 Rule and EDGX Options Rule each reference $0.01. Pursuant to Rule 5.4(b) in the shell Rulebook, the Exchange may determine the minimum increment for complex orders eligible for electronic processing, which must be at least $0.01. As set forth in C2 Rule 6.13(f) and EDGX Options Rule 21.20(f),

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[33] *See also* C2 Rule 6.13(c)(1) and EDGX Options Rule 21.20(c)(1).

[34] *See* current Rule 6.53C, Interpretation and Policy .11(a).

[35] *See also* C2 Rule 6.13(c)(2) and EDGX Options Rule 21.20(c)(2).

[36] *See also* C2 Rule 6.13(c)(2)(A) and EDGX Options Rule 21.20(c)(2)(A).

[37] *See also* C2 Rule 6.13(c)(2)(B) and EDGX Options Rule 21.20(c)(2)(B).

[38] *See also* C2 Rule 6.13(c)(2)(C) and EDGX Options Rule 21.20(c)(2)(C).

the minimum increment for complex orders in all classes is $0.01.

Proposed Rule 5.33(d) describes the COA process for COA-eligible orders. Orders in all classes will be eligible to participate in COA.[39] Upon receipt of a COA-eligible order, the System initiates the COA process by sending a COA auction message to all subscribers to the Exchange's data feeds that deliver COA auction messages.[40] A COA auction message identifies the COA auction ID, instrument ID (*i.e.,* complex strategy), quantity, and side of the market of the COA-eligible order.[41] The Exchange may also determine to include in COA auction messages the price, which will be the limit order price or the SBBO (if initiated by a market complex order), or the drill-through price if the order is subject to the drill-through protection in Rule 5.34(b) of the shell Rulebook.[42]

Currently, only one COA in a complex strategy may occur at the same time (while this is not codified in current rules, it is consistent with current functionality). Pursuant to proposed Rule 5.33(d)(2), the System may initiate a COA in a complex strategy even though another COA in that complex strategy is ongoing. This concurrent COA functionality is substantively the same as corresponding functionality in C2 Rule 6.13(d)(2) and EDGX Options Rule 21.20(d)(2). The Exchange believes it will increase price improvement and execution opportunities for complex orders following the technology migration. The Exchange notes at the outset that based on how Exchange Systems operate (and computer processes generally), it is impossible for COAs to occur ''simultaneously'', meaning that they would commence and conclude at exactly the same time. Thus, although it is possible as proposed for one or more COAs to overlap, each COA will be started in a sequence and with a time that will determine its processing. Thus, even if there are two COAs that commence and conclude at nearly the same time, each COA will have a distinct conclusion at which time the COA will be allocated.

If there are multiple COAs ongoing for a specific complex strategy, each COA concludes sequentially based on the time each COA commenced, unless terminated early as described below. At the time each COA concludes, the System allocates the COA-eligible order pursuant to proposed paragraph (d)(3) below and takes into account all COA Responses for that COA, orders in the Simple Book, and unrelated complex orders on the COB at the time the COA concludes. If there are multiple COAs ongoing for a specific complex strategy that are each terminated early as described below, the System processes the COAs sequentially based on the order in which they commenced. If a COA Response is not fully executed at the end of the identified COA to which the COA Response was submitted, the System cancels or rejects it at the conclusion of the specified COA.

In turn, when the first COA concludes, orders on the Simple Book and unrelated complex orders that then exist will be considered for participation in the COA. If unrelated orders are fully executed in such COA, then there will be no unrelated orders for consideration when the subsequent COA is processed (unless new unrelated order interest has arrived). If instead there is remaining unrelated order interest after the first COA has been allocated, then such unrelated order interest will be considered for allocation when the subsequent COA is processed. As another example, each COA Response is required to specifically identify the COA for which it is targeted and if not fully executed will be cancelled at the conclusion of the COA. Thus, COA Responses will only be considered in the specified COA.

Proposed Rule 5.33(d)(3) defines the Response Time Interval as the period of time during which Users may submit responses to the COA auction message (''COA Responses''). The Exchange determines the duration of the Response Time Interval, which may not exceed 500 milliseconds. This is similar to current Rule 6.53C(d)(iii)(2), except the proposed rule change reduces the maximum time period from three seconds to 500 milliseconds. The Exchange believes that 500 milliseconds is a reasonable amount of time within which participants can respond to a COA auction message. The current timer on the Exchange is 100 milliseconds, and therefore the Exchange believes a maximum response time of 500 milliseconds is sufficient to respond to auctions.[43]

However, the Response Time Interval terminates prior to the end of that time duration:

(1) When the System receives a non-COA-eligible order on the same side as the COA-eligible order that initiated the COA but with a price better than the COA price, in which case the System terminates the COA and processes the COA-eligible order as described below and posts the new order to the COB;

(2) when the System receives an order in a leg of the complex order that would improve the SBBO on the same side as the COA-eligible order that initiated the COA to a price equal to or better than the COA price, in which case the System terminates the COA and processes the COA-eligible order as described below, posts the new order to the COB, and updates the SBBO; or

(3) if the System receives a Priority Customer order that would join or improve the SBBO on the same side as the COA in progress to a price equal to or better than the COA price, in which case the System terminates the COA and processes the COA-eligible order as described below, posts the new order to the Simple Book, and updates the SBBO.

Current Rule 6.53C(d)(viii)(3) describes how the System currently handles incoming COA-eligible orders on the same side of the original COA order at a better price. The proposed rule change deletes that provision, as it is being replaced by the functionality above (which order terminates a COA in that circumstance rather than joins the COA, but still provides execution opportunities for the new incoming order by placing it on the COB). The proposed rule change deletes the remainder of current Rule 6.53C(d)(viii), which describes current circumstances that cause a COA to end early, as those will no long apply following the technology migration. The proposed rule change deletes current Rule 6.53C(d)(viii)(1) and (2) regarding incoming COA-eligible orders received during the Response Time Interval, as those orders may initiate a separate COA under the proposed rule change

[39] Current Rule 6.53C(d)(i)(2) provides that the Exchange may make COA available on a class-by-class basis. The Exchange makes COA available in any class in which it makes complex order functionality available, so the Exchange no longer believes it needs separate flexibility for COA. *See also* C2 Rule 6.13(d)(1) and EDGX Options Rule 21.20(d)(1).

[40] *See* current Rule 6.53C(d)(ii)(A). The Exchange notes this current provision imposes additional eligibility requirements based on the number of legs in the complex order. As discussed below, the proposed rule change replaces those protective measures with certain Legging restrictions.

[41] Current Rule 6.53C(d)(ii) states the current COA notification messages (referred to as RFR messages in the current Rulebook) include the component series (*i.e.,* complex strategy), size, side of the market, and contingencies. The proposed rule change adds that the notification messages will include the Auction ID, and potentially the Capacity and price (including detail regarding what the auction price will be), but will not include any contingencies. This is the same information that may be included in the COA notification messages under C2 Rule 6.13(d)(1) and EDGX Options Rule 21.20(d)(1) (the EDGX Options rule refers to origin code rather than Capacity), except the Exchange will not include Capacity on COA notification messages (which it currently does not include pursuant to current Rule 6.53C(d)(ii)(A).

[42] Rule 5.34(b) in the shell Rulebook will be substantially similar to Rule 6.13(b)(v)(B) in the current Rulebook.

[43] *See also* C2 Rule 6.13(d)(3) and EDGX Options Rule 21.20(d)(3).

that permits concurrent COAs. The proposed rule change deletes current 6.53C(d)(viii)(4) and (5) relating to incoming do-not-COA orders and changes in the leg markets that would terminate an ongoing COA, as under the proposed rules, those new orders would not terminate a COA but would be eligible to execute against the COA-eligible order at the end of the COA) (see proposed subparagraph (d)(5), which states execution will occur against orders in the Simple Book and COB at the time the COA concludes). Ultimately, these incoming orders are eligible for execution against a COA-eligible order under current and proposed rules. The proposed rule change merely changes the potential execution time to the end of the full response interval time from an abbreviated response interval time.[44]

Proposed Rule 5.33(d)(4) describes COA Responses that may be submitted during the Response Time Interval for a specific COA. The Exchange determines on a class-by-class basis whether all Users or Market-Makers with an appointment in the class and TPHs acting as agent for orders resting at the top of the COB in the relevant complex strategy may submit COA Responses.[45] The System accepts a COA Response(s) with a permissible Capacity in the applicable minimum increment during the Response Time Interval.[46] A COA Response must specify the price, size, side of the market (*i.e.,* a response to a buy COA as a sell or a response to a sell COA as a buy) and COA auction ID for the COA to which the User is submitting the COA Response. While this is not included in current Rule 6.53C, it is consistent with System entry requirements for COA Responses. The System aggregates the size of COA Responses and complex orders on the COB submitted at the same price for an EFID, and caps the size of the aggregated COA Responses and complex orders at the size of the COA-eligible order. This provision is similar to current Rule 6.53(d)(v), which caps order and response sizes for allocation purposes to prevent Trading Permit Holders from taking advantage of a pro-rata allocation by submitting responses larger than the COA-eligible order to obtain a larger allocation from that order.

During the Response Time Interval, COA Responses are not firm, and Users can modify or withdraw them at any time prior to the end of the Response Time Interval, although the System applies a new timestamp to any modified COA Response (unless the modification was to decrease its size), which will result in loss of priority. The Exchange does not display COA Responses. At the end of the Response Time Interval, COA Responses are firm (*i.e.,* guaranteed at their price and size). A COA Response may only execute against the COA-eligible order for the COA to which a User submitted the COA Response. The System cancels or rejects any unexecuted COA Responses (or unexecuted portions) at the conclusion of the COA. This is substantively the same as current Rule 6.53C(d)(vii).

Proposed Rule 5.33(d)(4) is substantively the same as C2 Rule 6.13(d)(4) and EDGX Options Rule 5.33(d)(4), except, as noted above, the proposed rule change provides flexibility regarding Capacities that may submit COA Responses, which C2 and EDGX Options do not, and the proposed rule change accounts for classes potentially having different minimum increments.

Proposed Rule 5.33(d)(5) describes how COA-eligible orders are processed at the end of the Response Time Interval. At the end of the Response Time Interval, the System executes a COA-eligible order (in whole or in part) against contra-side interest in price priority. If there is contra-side interest at the same price, the System allocates the contra side interest as follows:

(1) Priority Customer orders resting on the Simple Book for the individual leg components of the complex order through Legging (subject to proposed paragraph (g), as described below) in time priority;

(2) COA Responses and unrelated orders on the COB pursuant to the allocation algorithm applicable to the class, or another allocation algorithm from Rule 5.32 in the shell Rulebook determined by the Exchange on a class-by-class basis; and

(3) remaining orders in the Simple Book for the individual leg components of the complex order through Legging (subject to proposed paragraph (g), as described below), which the System allocates in accordance with the base allocation algorithm applicable to the class pursuant to Rule 5.32(b).

This allocation is similar to the current allocation priority on the Exchange following a COA, as set forth in current Rule 6.53C(d)(iv) and (v), except the proposed rule change prioritizes Priority Customer orders on the Simple Book first (rather than all interest on the Simple Book), and non-Priority Customer orders on the Simple Book may execute after any complex order interest at the same price. Additionally, the Exchange may determine on a class-by-class basis whether to apply the Priority Customer overlay to complex interest. This will provide consistency for executions of complex interest in all settings, as executions of complex orders in the COB occur pursuant to the allocation algorithm applicable the class, or another algorithm as determined by the Exchange on a class-by-class basis.[47] The proposed priority is consistent with general customer priority principles, as it protects Priority Customer orders on the Simple Book. It is also the same as the priority order in EDGX Options Rule 21.20(d)(5), although the Exchange notes that EDGX Options applies different allocation algorithms to complex interest and simple interest.

Notwithstanding the foregoing, at the conclusion of a COA of an AON complex order, the AON complex order may only execute against COA Responses and unrelated orders on the COB pursuant to the allocation algorithm applicable to the class pursuant to proposed paragraph (d)(5)(A)(ii) if there is sufficient size to satisfy the AON complex order (and may not execute against orders in the Simple Book). If there is insufficient size to satisfy the AON complex order, the System routes the order to PAR for manual handling or cancels the order, subject to a User's instructions.[48]

As provided above, following a COA, a complex order will be allocated first in price priority and then at each price level against Priority Customer orders in the Simple Book, COA responses and complex orders in the COB, and then remaining individual orders in the Simple Book. The Simple Book and the COB are separate, and orders on each do not interact unless a complex order Legs into the Simple Book. As a result, the System is not able to calculate the aggregate size of COA responses and complex orders on the COB and the size of simple orders in the legs that comprise the complex strategy at each potential execution price (as executions may occur at multiple prices) prior to execution of an order following a COA. Following a COA, the System first looks to determine whether there are Priority Customer orders resting in the Simple

[44] *See also* C2 Rule 6.13(d)(3) (which does not include a provision that corresponds to proposed subparagraph (d)(3)(C) because it relates to prioritizing Priority Customer orders, which have no allocation priority on C2); and EDGX Rule 21.20(d)(3).

[45] *See* current Rule 6.53C(d)(iii).

[46] *See* current Rule 6.53C(d)(iii)(1).

[47] *See* current Rule 6.53C(c)(i)(2); *see also* proposed Rule 5.34(e).

[48] *See* EDGX Options Rule 21.20(d)(5)(A), which handles AON complex orders in the same manner (except EDGX Options does not have the option to route an unexecuted AON complex order to PAR, as EDGX Options is an electronic only exchange).

Book at the final auction price (and in the applicable ratio). If there are, the System executes the complex order against those simple orders. Following that execution, the System then looks back at the COA responses and complex orders resting in the COB to determine whether there is interest against which the order can execute. If there is, the System executes the remaining portion of the complex order against that complex contra-side interest. Finally, if there is any size left, the System looks back at the Simple Book to determine whether any orders in the legs are able to trade against any remaining contracts in the complex order. If there is, the System executes the remaining portion of the complex order again against orders in the Simple Book.

Because of this process, prior to execution against any Priority Customer orders, the System would not know whether there is sufficient aggregate interest in both the Simple book and COB to satisfy the entire size of the AON. Additionally, it is possible for a complex order to execute at multiple price levels. This process would have to occur at each price level. Therefore, if the Exchange were to permit Legging of AON complex orders into the Simple Book, it would be possible for a partial execution to occur, which is inconsistent with the AON instruction. The Exchange notes there would be significant technical complexities associated with reprogramming priority within the System to permit AON complex orders to Leg into the Simple Book and provide AON orders with priority consistent with these standard priority principles. Only permitting an AON complex order to execute against COA responses and complex orders in the COB ensures the size contingency of the AON complex order can be satisfied.[49] To ensure protection of orders on the Simple Book given this restriction on Legging, an AON complex order may only execute following a COA if it improves the then-current (*i.e.,* existing at the conclusion of the COA) SBBO.[50]

Proposed Rule 5.33(d)(5)(B) states the System enters any COA-eligible order (or unexecuted portion) that does not execute at the end of the COA that is eligible to rest into the COB, and applies a timestamp based on the time it enters the COB.[51] The System routes to PAR for manual handling or cancels any COA-eligible order (or unexecuted portion) that does not execute at the end of the COA if not eligible for entry into the COB, subject to the User's instructions. Once in the COB, the order may execute pursuant to proposed paragraph (e) following evaluation pursuant to proposed paragraph (i), both as described below, and remain on the COB until they execute or are cancelled or rejected.

Proposed Rule 5.33(d)(5) is substantively the same as EDGX Options Rule 21.20(d)(5), except the proposed rule change permits the Exchange to apply allocations algorithms on a class-by-class basis to the execution of complex orders following a COA, which is consistent with current Exchange authority. Additionally, the proposed rule change provides that complex orders may route to PAR for manual handling in certain circumstances, while those orders would be cancelled on EDGX Options, as it is an electronic only exchange.

Proposed Rule 5.33(e) describes how the System will handle Do-Not-COA orders (*i.e.,* orders that do not initiate a COA upon entry to the System) and orders resting in the COB. Upon receipt of a do-not-COA order, or if the System determines an order resting on the COB is eligible for execution following evaluation as described below, the System executes it (in whole or in part) against contra-side interest in price priority. If there is contra side interest at the same price, the System allocates the contra-side interest as follows:

(1) Priority Customer orders resting on the Simple Book for the individual leg components of the complex order through Legging (as described below) in time priority;

(2) unrelated complex orders resting on the COB, which the System allocates pursuant to the allocation algorithm set forth in proposed subparagraph (d)(5)(A)(ii) (as described above); and

(3) remaining orders in the Simple Book for the individual leg components of the complex order through Legging (as described below), which the System allocations in accordance with the base allocation algorithm applicable to the class pursuant to Rule 5.32(b) in the shell Rulebook.

The System enters any do-not-COA order (or unexecuted portion) that cannot execute against the individual leg markets or complex orders and is eligible to rest into the COB, and applies a timestamp based on the time it enters the COB. The System routes to PAR for manual handling or cancels any do-not-COA order (or unexecuted portion) that would execute at a price outside of the SBBO or equal to the SBBO when there is a Priority Customer order at the SBBO and is not eligible for entry into the COB, subject to the User's instructions. Complex orders resting on the COB may execute pursuant to proposed paragraph (e) following evaluation pursuant to proposed paragraph (i), both as described below, and remain on the COB until they execute or are cancelled or rejected.

The proposed rule change is similar to current Rule 6.53C(c)(i), except as discussed above, the Exchange will prioritize Priority Customer orders on the Simple Book, and then execute any non-Priority Customer orders on the Simple Book after complex interest has executed. The proposed priority is consistent with general customer priority principles, as it protects Priority Customer orders on the Simple Book.[52]

Proposed Rule 5.33(f)(1)(A) states the minimum increment for bids and offers on a complex order, and the increments at which components of a complex order may be executed, is set forth in Rule 5.4(b) in the shell Rulebook.[53] This is consistent with current Rule 6.53C(c)(i). Proposed Rule 5.33(f)(1)(B) states that Users may express bids and offers for a stock-option order (including a QCC with Stock Order, as discussed below) in any decimal price the Exchange determines. The option leg(s) of a stock-option order may be executed in the minimum increment applicable to the class pursuant to proposed subparagraph (A), as discussed above, and the stock leg of a stock-option order may be executed in any decimal price permitted in the equity market.[54] Smaller minimum increments are appropriate for stock-option orders as the stock component can trade at finer decimal increments permitted by the equity market. Furthermore, the

[49] The Exchange does not currently restrict AON orders from legging into its simple book, because the current priority is different than it will be as proposed. However, other options exchanges restrict AON orders from legging into the simple book during the complex order opening process, from the complex order book, and following a complex order price improvement auction (similar to COA). *See, e.g.,* EDGX Options Rule 21.20(d)(5) and (f)(2)(A)(ii); and Nasdaq Phlx LLC (''Phlx'') Rule 1098(d)(ii)(C)(2), (e)(vi)(A), (e)(viii)(C)(3), and (f)(iii)(A). Phlx also only permits non-broker-dealer customers to submit AON complex orders. *See* Phlx Rule 1098(b)(v).

[50] *See* proposed Rule 5.34(f)(2)(A)(ii).

[51] *See* current Rule 6.53C(d)(vi).

[52] *See also* EDGX Options Rule 21.20(e).

[53] Rule 5.4(b) in the shell Rulebook that the minimum increment for bids and offers on complex orders with any ratio equal to or greater than one-three and less than or equal to three-to-one is $0.01 or greater, which may be determined by the Exchange on a class-by-class basis, and the legs may be executed in $0.01 increments. Pursuant to the definition of complex orders in Rule 1.1 of the shell Rulebook, only complex orders with these ratios are eligible for electronic trading.

[54] This is consistent with the flexibility in current Rule 6.53C(c)(ii). Other options exchanges have the same minimum increment requirements for stock-option orders. *See* EDGX Options Rule 21.20(f)(1)(B); and Nasdaq ISE, LLC (''ISE'') Options 3, Section 14(c)(1).

Exchange notes that even with the flexibility provided in the proposed rule, the individual options and stock legs must trade at increments allowed by the Commission in the options and equities markets.

Proposed Rule 5.33(f)(2)(A) provides that the System does not execute a complex order pursuant to Rule 5.33 at a net price (1) that would cause any component of the complex strategy to be executed at a price of zero, (2) worse than the SBBO or equal to the SBBO when there is a Priority Customer order at the SBBO, except AON complex orders may only execute at prices better than the SBBO (as discussed above), (3) that would cause any component of the complex strategy to be executed at a price worse than the individual component price on the Simple Book, (4) worse than the price that would be available if the complex order Legged into the Simple Book, or (5) that would cause any component of the complex strategy to be executed at a price ahead of a Priority Customer order on the Simple Book without improving the BBO on at least one component by at least one applicable minimum increment.

The option component of a stock-option order executes in accordance with same priority principles as any other option order. Pursuant to proposed Rule 5.33(f)(2)(B), for a stock-option order with one option leg, the option leg may not trade at a price worse than the individual component price on the Simple Book or at the same price as a Priority Customer Order on the Simple Book. For a stock-option order with more than one option leg, the option legs must trade at prices consistent with priority applicable to a complex order with all option legs as set forth above.[55]

A stock-option order may only execute if the stock leg is executable at the price(s) necessary to achieve the desired net price.[56] To facilitate the execution of the stock leg and option leg(s) of an executable stock-option order at valid increments pursuant to proposed subparagraph (f)(1)(B), as described above, the legs may trade outside of their expected notional trade value by a specified amount (which the Exchange determines). In a small subset of cases, generally as a result of unusual leg ratios, in calculating the total notional value a stock leg may result in a price outside of the NBBO, thus cannot execute pursuant to proposed Rule 5.33(f)(2)(B).[57] In order to allow for the strategy to execute, the proposed rule change would offer functionality that allows the legs of the stock option order to trade outside of their expected notional value by a specified amount determined by the Exchange.[58] Therefore, the System could ensure that options legs and stock leg were priced in line with the other provisions of proposed Rule 5.33(f)(2), as described above. Although this would result in a negligible difference (*i.e.* residual amount) between the expected notional value of the trade and the actual trade value, Users generally prefer not to forgo an execution for their stock-option strategies when the residual amount is miniscule compared to the total value of the trade. The value allowance would work, for example, as follows:

- Assume the Exchange has determined a trade value allowance of $0.50 from the expected trade value.
- Assume also that:

(Equity) NBBO: 10.00 × 11.00
(Option) NBBO: 1.00 × 1.05, BBO: 1.00 × 1.05
SNBBO: 7.70 × 8.32 (*i.e.,* bid = (47 × 10.00/100) + (3 × 1.00) = 7.70, and offer = (47 × 11.00/100) + (3 × 1.05) = 8.32)

- A User enters a stock-option order to Buy 47 shares of XYZ stock and Buy 3 June 10 XYZ calls with a net price of 8.30 and a quantity of 3.
- The order matches with corresponding contra order on the COB.
- The expected trade value based on the order's limit price, quantity and a contract multiplier of 100 is $2,490.00 (*i.e.,* 8.30 × 3 × 100).
- The calculated options match price is 1.00 based on market prices and the stock match price is 11.2766 (rounded four decimals), therefore, outside of the NBBO.
- The trade value allowance then calculates the stock match price that results in a total notional trade value of $2489.9934:

Options leg notional = $1.05 × 100 × 3 × 3 = $945
Stock leg notional = $10.9574 × 47 × 3 = $1,544.9934
Notional trade value = $2,489.9934, which is within the $0.50 trade value allowance.

The Exchange notes that a valid trade price within the NBBO for the stock leg with the smallest residual between the difference in actual trade value and expected notional trade value is $10.9574. Therefore, in this example, the corresponding options leg match price would be $1.05 because it is the options match price that could be paired with a valid stock trade price that would also allow for the smallest residual between the difference in actual trade value and expected notional trade value. If, for example, the next allowable options increment[59] within the BBO ($1.04) was used, the stock leg notional trade value matched to meet the notional value closest to the expected trade value would be $11.0213, and therefore still outside of the NBBO.[60] The Exchange also notes that $1.05 is consistent with the BBO in this example.

Under the proposed rule, the System will not apply the trade value allowance to orders with a ''C'' capacity code (for the account of a Priority Customer). This limitation is intended to function as an additional protection for customers who may not have the same levels of trading sophistication or technological and informational advantages as that of Professionals or broker-dealers. Therefore, customers may not have measures in place to assume any level of risk that may be associated with trading outside of the expected trade value (which risk the Exchange believes is de minimis given that the Exchange will impose a reasonable cap, as described below, on the amount by which the actual trade value may differ from the expected trade level). As a result, the Exchange believes that not applying the trade value allowance to customer orders will further protect customers from assuming this potential risk for which they may not have calculated.

Overall, this proposed functionality is a helpful feature which will allow Users to receive an expeditious execution, and trade the stock and options components of a stock-option strategy in a moving

[55] *See* current Rule 6.53C, Interpretation and Policy .06(b); *see also* EDGX Options Rule 21.20(f).

[56] *See* current Rule 6.53C, Interpretation and Policy .06(a).

[57] Pursuant to proposed Rule 5.33(f)(2)(B), the System will only execute the stock leg of a stock-option order up to a buffer amount outside of the stock leg NBBO and that the execution price of the buy (sell) stock leg of a QCC with Stock Order may be any price (including outside the NBBO for the stock leg). While the QCT exemption permits a stock leg to execute outside of the NBBO, the Exchange still offers price protections to prevent execution too far away from the NBBO, which it understands is consistent with market participants' desire. The Exchange intends to set this buffer to zero, so the Exchange will not permit execution of the stock leg of a stock-option order outside of the NBBO (other than a QCC with stock order, which will execute immediately without exposure and thus is unlikely to trade too far outside of the NBBO). Current rules of other exchanges (such as Cboe Options) prevent execution of the stock component from being too far away from the NBBO, as do the rules of stock exchanges.

[58] The Exchange announces determinations to market participants pursuant to Rule 1.5 in the shell Rulebook.

[59] *See* proposed Rule 5.33(f)(1)(B), which states that the option leg(s) of a stock-option order may be executed in $0.01 increments.

[60] The notional trade value would be: ($1.04 × 100 × 3 × 3) + ($11.0213 × 47 × 3) = $2,490.0033.

market without introducing legging risk. Without this functionality members would be forced to resubmit their orders and potentially receive a much worse price or miss an execution. The Exchange will announce to all market participants the determined trade value allowance amount pursuant to Rule 1.5. The Exchange would determine an allowance amount that would reasonably account for the average differences in notional trade values as well as the cost benefit to market participants between the differences in actual trade value versus expected notional trade value and the imposition of resubmitting their orders and potentially receiving a much worse price or missing an execution.[61] The Exchange notes that, if, however, a User determines that the trade value allowance is more attractive or favorable on another venue, Users are free to execute on other such venues. The proposed Exchange determination of a value allowance outside of the expected notional value is currently in place on other exchanges.[62]

If a stock-option order can execute, the System executes the buy (sell) stock leg of a stock-option order pursuant to proposed Rule 5.33(f)(2)(B) up to a buffer amount above (below) the NBO (NBB), which amount the Exchange determines.[63] The Exchange believes that Users may be willing to trade a stock-option order with the stock leg at a price outside of the NBBO (which is permissible pursuant to the QCT exemption) of the stock leg in order to achieve the desired net price. However, the buffer may prevent execution with a stock price ''too far'' away from the market price, which may be inconsistent with then-current market conditions.[64] This may ultimately prevent execution at potentially erroneous prices. This is similar to the Exchange's current fat finger protection (which will not permit a complex order to be more than a specified amount outside of the SNBBO, which will include the NBBO of the stock leg,[65] except it also applies a buffer to the individual stock leg as opposed to the net price.

Proposed Rule 5.33(f)(3) states the System executes complex orders without consideration of any prices for the complex strategy that might be available on other exchanges trading the same complex strategy;[66] provided, however, that such complex order price may be subject to the drill-through price protection in current Rule 6.53C, Interpretation and Policy .08 Proposed Rule 5.33(f) is the same as EDGX Rule 21.20(f), except the proposed rule change, as noted above, incorporates the fact that the Exchange has (and will continue to have) flexibility to determine the minimum increment for complex orders on a class-by-class basis.

Proposed Rule 5.33(g) adopts restrictions on the ability of complex orders to Leg into the Simple Book. Specifically, a complex order may Leg into the Simple Book pursuant to proposed subparagraphs (d)(5)(A) and (e), subject to the restrictions in proposed paragraph (g), if it can execute in full or in a permissible ratio[67] and if it has no more than a maximum number of legs (which the Exchange determines on a class-by-class basis and may be two, three or four)[68] (''Legging''), subject to the following restrictions:

(1) All two leg COA-eligible Customer complex orders may Leg into the Simple Book without restriction.

(2) Complex orders for any other Capacity with two option legs that are both buy or both sell and that are both calls or both puts may not Leg into the Simple Book. These orders may execute against other complex orders on the COB.

(3) All complex orders with three or four option legs that are all buy or all sell (regardless of whether the option legs are calls or puts) may not Leg into the Simple Book. These orders may execute against other complex orders on the COB.

(4) Post Only complex orders and AON complex orders may not Leg into the Simple Book.

(5) Stock-option orders may not Leg into the Simple Book and may only execute against other stock-option orders.[69]

(6) If the Exchange determines to list SPX or VIX on a group basis pursuant to Rule 4.14, a complex order consisting of legs in different groups of series in the class may not Leg into the Simple Book. A complex order consisting of legs in the same group may Leg, subject to the other restrictions in proposed paragraph (g).[70]

Proposed paragraph (g) is the same as EDGX Options Rule 21.20(g) (except that Rule does not reference the ability to list classes on a group basis, as EDGX Options does not have a Rule that permits that type of listing). These restrictions serve the same purpose as the protection included in current 6.53C(d)(ii), which is to ensure that Market-Makers providing liquidity do not trade above their established risk tolerance levels. Currently, liquidity providers (typically Market Makers, though such functionality is not currently limited to registered Market Makers) in the Simple Book are protected by way of the Quote Risk Monitor (''QRM'') by limiting the number of contracts they execute as described above. QRM allows Market-Makers and other liquidity providers to provide liquidity across potentially hundreds of options series without executing the full cumulative size of all such quotes before being given adequate opportunity to adjust the price and/or size of their quotes.

All of a participant's quotes in each option class are considered firm until such time as QRM's threshold has been equaled or exceeded and the participant's quotes are removed by QRM in all series of that option class. Thus the Legging of complex orders presents higher risk to Market-Makers and other liquidity providers as compared to simple orders being entered in multiple series of an options class in the simple market, as it can result in such participants exceeding their established risk thresholds by a greater number of contracts. Although Market-Makers and other liquidity providers can limit their risk through the use of QRM, the participant's quotes are not removed until after a trade is executed. As a result, because of the way complex orders leg into the regular market as a single transaction, Market-Makers and other liquidity providers may end up trading more than the cumulative risk thresholds they have established, and are therefore exposed to greater risk. The Exchange believes that Market Makers and other liquidity providers may be compelled to change their quoting and trading behavior to

[61] The Exchange expects this value to be initially set at $0.50 as represented in the example above.

[62] *See* ISE Options 3, Section 14, Supplementary Material .03; and Nasdaq MRX, LLC (''MRX'') Options 3, Section 14, Supplementary Material .03.

[63] *See* proposed Rule 5.33(f)(2)(B).

[64] As noted above, the Exchange expects the buffer amount to be initially set at zero. The Exchange may change the buffer amount in the future by announcing it pursuant to Rule 1.5 of the shell Rulebook.

[65] *See* current Rule 6.12(a)(4) in the current Rulebook. Additionally, stock exchanges provide similar protections for execution prices of stock orders. *See, e.g.,* NASDAQ Stock Market Rule 4757(c) (which prevents stock limit orders from being accepted at prices outside of pre-set standard limits, which is based on the NBBO).

[66] *See* current Rule 6.53C(c)(i).

[67] *See* current Rule 6.53C(c)(i)(1) and (d)(v)(1).

[68] *See* current Rule 6.53C(a)(1).

[69] *See* current Rule 6.53C, Interpretation and Policy .06. Current Rule 6.53C, Interpretation and Policy .06(d) provides the Exchange with authority to determine on a class-by-class basis to permit unexecuted option legs of stock-option market orders to leg following a COA. The Exchange does not permit this legging in any class and does not intend to following the technology migration, and therefore the proposed rule change deletes that provision.

[70] *See* current Rule 6.53C, Interpretation and Policy .02.

account for this additional risk by widening their quotes and reducing the size associated with their quotes, which would diminish the Exchange's quality of markets and the quality of the markets in general.

Proposed Rule 5.33(h) contains additional provisions regarding the handling of complex orders: [71]

- A complex market order or a limit order with a price that locks or crosses the then-current opposite side SBBO and does not execute because the SBBO is the best price but not available for execution (because it does not satisfy the complex order ratio or the complex order cannot Leg into the Simple Book) enters the COB with a book and display price that (a) is one minimum increment away from the then-current opposite side SBBO if it includes a Priority Customer order on any leg or (b) locks the then-current opposite side SBBO if it does not include a Priority Customer order on any leg. If the SBBO changes, the System continuously reprices the complex order's book and display price based on the new SBBO (up to the limit price, if it is a limit order), subject to the drill-through price protection in current Rule 6.13(b)(v) (to be moved to Rule 5.34(b) of the shell Rulebook), until: (A) The complex order has been executed in its entirety; or (B) the complex order (or unexecuted portion) of the complex order is cancelled or rejected. This provision is the same as EDGX Options Rule 21.20(h)(1), except that, as noted above, the Exchange may apply a different minimum increment for complex orders in a class other than $0.01 (on EDGX Options, each class will have a minimum increment of $0.01 for complex orders). The purpose of using the calculated SBBO is to enable the System to determine a valid trading price range for complex strategies and to protect orders resting on the Simple Book by ensuring that they are executed when entitled. Additionally, this process ensures the System will not execute any component of a complex order at a price that would trade through an order on the Simple Book. The Exchange believes that this is reasonable because it prevents the components of a complex order from trading at a price that is inferior to a price at which the individual components may be traded on the Exchange or ahead of the leg markets.
- The System cancels or rejects an incoming Post Only complex order if it locks or crosses a resting complex order in the COB or the then-current opposite side SBBO. The System cancels a resting Post Only complex limit order after evaluation pursuant to proposed paragraph (i), as discussed below, if the System determines the resting Post Only complex limit order locks or crosses the updated SBBO. For example, assume there are no orders for a specific strategy resting on the COB, the SNBBO is $3.00 by $3.15, and the SBBO is $2.95 by $3.15. Assume next that Complex Order 1 enters the COB to sell 10 contracts of that strategy at $3.14 and such order is posted to the COB. If Complex Order 2 then enters the COB to buy 10 contracts of that strategy at $3.14, but Complex Order 2 also contains the Post Only instruction, Complex Order 2 is rejected since it locks the resting contra order. Similarly, assume there are no orders for a specific strategy resting on the COB, the SNBBO is $3.00 by $3.15, and the SBBO is $2.95 by $3.20. If a two-leg Complex Order with the Post Only instruction enters the COB to buy 10 contracts of that strategy at $3.20, that Complex Order is rejected since it cannot leg in to the Simple Book and it locks the contra side SBBO. This proposed functionality is consistent with the purpose of the Post Only instruction and ensures a Post Only complex order will not remove liquidity from the Book. This is also consistent with the functionality and purpose of the Post Only order instruction on simple orders, and the same as C2 Rule 6.13(h)(3) and EDGX Options Rule 21.20(h)(2).
- If there is a zero NBO for any leg, the System replaces the zero with a price equal to one minimum increment above NBB to calculate the SNBBO, and complex orders with any buy legs do not Leg into the Simple Book. If there is a zero NBB, the System replaces the zero with a price equal to one minimum increment, and complex orders with any sell legs do not Leg into the Simple Book. If there is a zero NBB and zero NBO, the System replaces the zero NBB with a price equal to one minimum increment and replaces the zero NBO with a price equal to two minimum increments, and complex orders do not Leg into the Simple Book. The SBBO and SNBBO may not be calculated if the NBB or NBO is zero (as noted above, if the best bid or offer on the Exchange is not available, the System uses the NBB or NBO when calculating the SBBO). As discussed above, permissible execution prices are based on the SBBO. If the SBBO is not available, the System cannot determine permissible posting or execution pricing for a complex order (which are based on the SBBO), which could reduce execution opportunities for complex orders. If the System were to use the zero bid or offer when calculating the SBBO, it may also result in executions at erroneous prices (since there is no market indication for the price at which the leg should execute). For example, if a complex order has a buy leg in a series with no offer, there is no order in the leg markets against which this leg component could execute. This is the same as C2 Rule 6.13(h)(3) and EDGX Options Rule 21.20(h)(3) (except the proposed rule change incorporates the fact that the Exchange may apply a different minimum increment to a class for complex orders). This is also consistent with the proposed rule change that states complex order executions are not permitted if the price of a leg would be zero. Additionally, this is similar to the proposed rule change described above to improve the posting price of a complex order by one minimum increment if it would otherwise lock the SBBO. The proposed rule change is a reasonable process to ensure complex orders receive execution opportunities, even if there is no interest in the leg markets.[72]

Proposed Rule 5.33(i) states the System evaluates an incoming complex order upon receipt after the open of trading to determine whether it is a COA-eligible order or a do-not-COA order and thus whether it should be processed pursuant to proposed paragraph (d) or (e), respectively, routed to PAR for manual handling, or cancelled. The System also re-evaluates a complex order resting on the COB (including an order (or unexecuted portion) that did not execute pursuant to proposed paragraph (d) or (e) upon initial receipt) (1) at time the COB opens, (2) following a halt, and (3) during the trading day when the leg market price or quantity changes to determine whether the complex order can execute (pursuant to proposed paragraph (e)), should be repriced (pursuant to proposed paragraph (h)), should remain resting on the COB, or should be cancelled. Proposed paragraph (i) is the same as C2 Rule 6.13(i) and EDGX Options Rule 21.20(i). This evaluation process ensures that the System is monitoring and assessing the COB for incoming complex orders, and changes in market conditions or events

[71] *See also* C2 Rule 6.13(h) and EDGX Options Rule 21.20(h).

[72] Current Rule 6.13(b)(vi) states if a market order is received when the national best bid in a series is zero, if the Exchange best offer is less than or equal to $0.50, the Cboe Options system enters the market order into the book as a limit order with a price equal to the minimum trading increment for the series. Similar to the proposed rule change, this is an example of an exchange modifying an order price to provide execution opportunities for the order when there is a lack of contra-side interest when the order is received by the exchange.

that cause complex orders to reprice or execute, and conditions or events that result in the cancellation of complex orders on the COB. This ensures the integrity of the Exchange's System in handling complex orders and results in a fair and orderly market for complex orders on the Exchange.

Proposed Rule 5.33(j) states the System routes to PAR for manual handling or cancels or rejects a complex market order it receives when the underlying security is subject to a limit up-limit down state, as defined in the Limit Up-Limit Down Plan. If during a COA of a market order, the underlying security enters a Limit State or Straddle State, the System terminates the COA without trading and cancels or rejects all COA Responses. The Exchange only executes the stock leg of a stock-option order at a price permissible under the Limit Up-Limit Down Plan. If the stock-option order cannot execute, if a limit order, the System calculates the SBBO or SNBBO with a price for the stock leg that would be permissible under that Plan and posts it to the COB at that price (if eligible to rest), or if a market order, routes the stock-option order to PAR for manual handling, subject to a User's instructions. This is consistent with handling of simple market orders during a limit up-limit down state, and is substantively the same as C2 Rule 6.13(j) (except C2 does not offer stock-option orders) and EDGX Options Rule 21.20(j), except the C2 and EDGX Options do not provide for markets orders to route to PAR for manual handling, as those are electronic only exchanges.[73]

Proposed Rule 5.33(k) describes the impact of trading halts on the trading of complex orders. If a trading halt exists for the underlying security or a component of a complex strategy, trading in the complex strategy will be suspended, and the System queues a User's complex orders unless the User instructed the Exchange to cancel its complex orders upon a trading halt. The COB remains available for Users to enter and manage complex orders. Incoming complex orders that could otherwise execute or initiate a COA in the absence of a halt are placed on the COB or cancelled, subject to a User's instructions.[74] Incoming complex orders with a time in force of IOC will be cancelled or rejected.

If, during a COA, any component(s) and/or the underlying security of a COA-eligible order is halted, the COA ends early without trading and all COA Responses are cancelled or rejected. The System enters remaining complex orders on the COB or cancelled, subject to a User's instructions. When trading in the halted component(s) and/or underlying security of the complex order resumes, the System will re-open the COB pursuant to proposed paragraph (c) (as described above). The System queues any complex orders designated for a re-opening following a halt until the halt has ended, at which time they are eligible for execution in the COB opening process. This proposed rule change regarding the handling of complex orders during a trading halt is substantively the same as C2 Rule 6.13(k) and EDGX Options Rule 21.20(k).

Proposed Rule 5.33(l) contains provisions regarding the handling execution of stock-option orders.[75] The proposed rule change moves provisions from current Rule Interpretation and Policy .06 to proposed Rule 5.33(l) as follows [76]:

Rule provision	Current rule (current rulebook)	Proposed rule (shell rulebook)	Proposed substantive changes
A User may only submit a stock-option order (including a QCC Stock Order) if it complies with the Qualified Contingent Trade Exemption ("QCT Exemption") from Rule 611(a) of Regulation NMS. A User submitting a stock-option order represents that it complies with the QCT Exemption. To submit a stock-option order to the Exchange for execution, a User must enter into a brokerage agreement with one or more broker-dealers that are not affiliated with the Exchange, which broker-dealers the Exchange has identified as having connectivity to electronically communicate the stock components of stock-option orders to stock trading venues.	Rule 6.53C, Interpretation and Policy .06(a) and (g)(1)(C).	Rule 5.33, Interpretation and Policy .03.	The proposed rule change applies the same provision to all stock-option orders, including QCC with Stock Orders, as all stock-option orders must comply with the QCT Exemption. The proposed rule change deletes the requirement in current Rule 6.53C, Interpretation and Policy .06(a) that a TPH identify a designated give up on a stock-option order.[77] TPHs must identify a give-up on all orders submitted to the Exchange, which would include all stock-option orders, so the Exchange believes it is redundant to state this in the stock-option order rules.[78]
When a User submits to the System a stock-option order, it must designate a specific broker-dealer with which it has entered into a brokerage agreement pursuant to proposed Interpretation and Policy .03 (the "designated broker-dealer") to which the Exchange will electronically communicate the stock component of the stock-option order on behalf of the User.	Rule 6.53C, Interpretation and Policy .06(a) and (g)(1)(C).	Rule 5.33(l)(1)	The proposed rule change applies the same provision to all stock-option orders, including QCC with Stock Orders.
A stock-option order may execute against other stock-option orders (or COA responses, if applicable), but may not execute against orders in the Simple Book. A stock-option order may only execute if the price complies with proposed subparagraph (f)(2)(B) (as described above).	Rule 6.53C, Interpretation and Policy .06, introductory paragraph and (a).	Rule 5.33(l)(2)	None.

[73] *See* current Rule 6.53C(d)(ix) and Interpretation and Policy .06(f).

[74] This provision incorporates the fact that the Exchange has a trading floor. Therefore, if a User designates an order (by adding the Default or Direct to PAR Order Instruction, as described above) that is not eligible to rest on the COB as eligible to route to the PAR workstation for manual handling, if a User submits such a complex order during a halt, it would route to PAR, rather than be cancelled in accordance with the User's instructions. If the User had instead designated this order as Electronic Only, the order would be cancelled if submitted during a halt in accordance with the User's instructions.

[75] *See also* EDGX Options Rule 21.20(l) (which is the same as the proposed rule change). The Exchange notes C2 does not offer stock-option order functionality.

[76] Certain provisions from current Rule 6.53C, Interpretation and Policy .06 are included in other parts of proposed Rule 5.33, such as permissible minimum increments and execution prices, as described above.

Rule provision	Current rule (current rulebook)	Proposed rule (shell rulebook)	Proposed substantive changes
If a stock-option order can execute upon entry or following a COA, or if it can execute following evaluation while resting in the COB pursuant to paragraph (i), the System executes the option component (which may consist of one or more option legs) of a stock-option order against the option component of other stock-option orders resting in the COB or COA responses pursuant to the allocation algorithm applicable to the class pursuant to proposed subparagraph (d)(5)(A)(ii) above, as applicable, but does not immediately send the User a trade execution report, and then automatically communicates the stock component to the designated broker-dealer for execution at a stock trading venue.	Rule 6.53C, Interpretation and Policy .06(b) and (g)(2) [79].	Rule 5.33(l)(2)(A)	The proposed rule change prevents potential execution of the stock component of a qualified contingent transaction ("QCT") where the stock component by waiting to communicate the stock component for execution until after the option component executes. This proposed execution process is the same process the Exchange currently uses to execute QCC with Stock Orders, which are a type of stock-option order (and thus the Exchange merely expands this process to all stock-option orders, as all stock-option orders must satisfy the same QCT Exemption). [80]
If the System receives an execution report for the stock component from the designated broker-dealer, the Exchange sends the User the trade execution report for the stock-option order, including execution information for the stock and option components. If the System receives a report from the designated broker-dealer that the stock component cannot execute, the Exchange nullifies the option component trade and notifies the User of the reason for the nullification.	Rule 6.53C, Interpretation and Policy .06(g)(3).	Rule 5.33(l)(2)(B)	This proposed execution process is the same process the Exchange currently uses to execute QCC with Stock Orders, which are a type of stock-option order (and thus the Exchange merely expands this process to all stock-option orders, as all stock-option orders must satisfy the same QCT Exemption). Currently, whenever a stock trading venue nullifies the stock leg of a QCT or whenever the stock leg cannot execute, the Exchange will nullify the option leg upon request of one of the parties to the transaction or on an Exchange Official's own motion in accordance with the Rules.[81] To qualify as a QCT, the execution of one component is contingent upon the execution of all other components at or near the same time.[82] Given this requirement, if the stock component does not execute at or near the same time as the option component, it is reasonable to expect a User that submitted a stock-option order to request such nullification.[83] If the stock component does not execute, rather than require the User that submitted the stock-option order to contact the Exchange to request the nullification of the option component execution pursuant to current Rule 6.25, Interpretation and Policy .04(c), the proposed rule eliminates this requirement for the submitting User to make such a request. Instead, the proposed rule change provides that the Exchange will automatically nullify the option transaction if the stock component does not execute. The Exchange believes such nullification without a request from the User is consistent with the definition of a QCT order. The proposed rule change merely automates an otherwise manual process for Users. [84]
If a stock-option order cannot execute, it rests in the COB (if eligible to rest) or routes to PAR for manual handling, subject to a User's instructions.	Rule 6.53C, Interpretation and Policy .06(b).	Rule 5.33(l)(2)	None.
Handling of QCC with Stock Orders	Rule 6.53C, Interpretation and Policy .06(g).	Rule 5.33(l)(3)	The Exchange notes that pursuant to current Rule 6.53 regarding QCC orders, a QCC order may have more than one option leg (*i.e.,* be comprised of a complex order). Because a QCC with Stock Order is defined as a QCC order submitted with a stock component, current Rule 6.53 (which includes the definition of a QCC with Stock Order) permits a QCC with Stock Order to be a Complex QCC with Stock Order. The proposed rule change merely explicitly states such an order is permitted.
Regulation SHO marking requirement	Rule 6.53C, Interpretation and Policy .06(e).	Rule 5.33(l)(4)(A)	None.
The Exchange will only execute the stock leg of a stock-option order at a price permissible under Regulation SHO. If a stock-option order cannot execute, for a limit order, the System calculates the SBBO or SNBBO with a price for the stock leg that would be permissible under Regulation SHO, and posts the stock-option order on the COB at that price (if eligible to rest), or if a market order, the System routes it to PAR for manual handling, subject to a User's instructions.	N/A	Rule 5.33(l)(4)(B)	While not explicitly stated in the current Rules, the Exchange will not execute the stock leg of a stock-option order at a price not permissible under Regulation SHO (current Rule 6.53C, Interpretation and Policy .06(a) states a stock-option order will not execute unless the stock leg is executable at a price necessary to achieve the desired net price). [85]

The Exchange believes the proposed provisions described above regarding complex order handling and executions provide a framework that is substantially the same as the framework in place on the Exchange today, as described above. The Exchange believes it will continue to enable the efficient trading of complex orders in a manner that is substantially similar to functionality available on Cboe Affiliated Exchanges. As described above, complex order executions are designed to work in concert with a priority of allocation that continues to respect the priority of allocations on the Simple Book while protecting orders Priority Customer orders in the Simple Book.

Proposed Interpretation and Policy .01 states Market-Makers are not required to quote on the COB. Complex strategies are not subject to any quoting requirements applicable to Market-Makers in the simple market for individual options series or classes. The Exchange does not take into account Market-Makers' volume executed in complex strategies when deterring whether Market-Makers meet their quoting obligations in the simple market for individual options. This codifies current Exchange practice and is the same as C2 Rule 6.13, Interpretation and Policy .01 and EDGX Rule 21.20, Interpretation and Policy .01.

The proposed rule change deletes current Rule 6.53C, Interpretation and Policy .01 regarding how the Exchange will announce determinations it may make pursuant to Rule 6.53C. Rule 1.5 in the shell Rulebook describes how the Exchange will announce determinations it may make pursuant to the Rules, and thus current Interpretation and Policy .01 is no longer necessary.

The proposed rule change deletes current Rule 6.53C, Interpretation and Policy .03 regarding the N-second timer for complex order transactions. The Exchange no longer has N-second timer functionality for simple or complex order transactions, making this provision obsolete.

The proposed rule change deletes current Rule 6.53C, Interpretations and Policies .04 and .06(b)(2), which describes how orders (including stock-option orders) resting on the COB may initiate a COA under certain conditions. This ''re-COA'' functionality will not be available on the Exchange following the technology migration. This is consistent with the Exchange's current authority to determine whether to apply re-COA functionality to a class. However, as described above, the System continuously evaluates orders resting on the COB for execution opportunities against incoming complex orders or orders in the leg markets.[86]

The proposed rule change moves the provision in current Rule 6.53C, Interpretation and Policy .05 that states a pattern or practice of submitting orders that cause a COA to conclude early will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 8.1 in the shell Rulebook (which will be equivalent to Rule 4.1 in the current Rulebook) to proposed Rule 5.33, Interpretation and Policy .02. The proposed rule change deletes the provision in Rule 6.53C, Interpretation and Policy .05 that redistributing the RFR message provided by the Exchange to persons not eligible to respond to such messages is prohibited, except in classes in which the Exchange allows all TPHs to respond to such messages. The Exchange believes redistribution of auction messages adds transparency to the market. The Exchange notes that Trading Permit Holders will continue to be prohibited from engaging in acts or practices inconsistent with just and equitable principles of trade.

The proposed rule change moves Rule 6.53B from the current Rulebook to Rule 5.41 in the shell Rulebook.[87] The proposed rule is virtually identical to the current rule, except the proposed rule change makes certain nonsubstantive changes, including to make the rule text more plain English, update cross-references, conform terminology to that used throughout the shell Rulebook, and add paragraph lettering and numbering. The Exchange notes it deletes the provision in current Rule 6.53B(a) that states S&P 500 variance trades may only trade electronically. The proposed rule change moves this Rule to Rule 5.41 in the shell Rulebook, which is in Chapter 5, Section C of the shell Rulebook, which section relates only to electronic trading. Because the proposed rule is in a section only about electronic trading, the Exchange believes including a provision that states these trades may only trade electronically would be redundant, and therefore does not include that provision.

[77] *See* Rule 6.21 in the current Rulebook (which rule the Exchange intends to move without any substantive changes to Rule 5.10 of the shell Rulebook in a separate rule filing).

[78] *See also* ISE Options 3, Sections 12(e) and 14.

[79] *See also* ISE Options 3, Section 14, Supplementary Material .02 (which states a ''trade'' of a stock-option order or stock-complex order will be automatically cancelled if market conditions prevent the execution of the stock or option leg(s) at the prices necessary to achieve the agreed upon net price); and Miami International Securities Exchange, LLC (''MIAX'') Rule 518, Interpretation and Policy .01(b) (pursuant to which the stock components will attempt execution prior to the option components, but ultimately require both the stock and option components to execute).

[80] *See* current Rule 6.53C, Interpretation and Policy .06(g).

[81] *See* current Rule 6.25, Interpretation and Policy .04(c).

[82] *See* Securities Exchange Act Release No. 54389 (August 31, 2006), 71 FR 52829, 52831 (September 7, 2006) (Order Granting an Exemption for Qualified Contingent Trades from Rule 611(a) of Regulation NMS Under the Securities Exchange Act of 1934) (''QCT Exemption Order''), which requires the execution of one component of the QCT to be contingent upon the execution of all other components at or near the same time to qualify for the exemption. In its Exemption Request, the Securities Industry Association stated that for contingent trades, the execution of one order is contingent upon the execution of the other order. SIA further stated that, by breaking up one or more components of a contingent trade and requiring that such components be separately executed, one or more parties may trade ''out of hedge.'' *See* Letter to Nancy M. Morris, Secretary, Commission, from Andrew Madoff, SIA Trading Committee, SIA, dated June 21, 2006 (''SIA Exemption Request''), at 3.

[83] *See* QCT Exemption Order at 52831. In the SIA Exemption Request, the SIA indicated parties to a contingent transaction are focused on the spread or ratio between the transaction prices for each of the component instruments, rather than on the absolute price of any single component instrument. The SIA also noted the economics of a contingent trade are based on the relationship between the prices of the security and related derivative or security. *See* SIA Exemption Request at 2.

[84] The Exchange believes this automatic nullification will reduce any compliance risk for the User associated with execution of a stock-option order and lack of execution of a stock order at or near the same time. In the SIA Exemption Request, the SIA stated that parties to a contingent trade will not execute one side of the trade without the other component or components being executed in full (or in ratio) and at the specified spread or ratio. *See* SIA Exemption Request at 2. While a broker-dealer could re-submit the stock component to a stock trading venue or execution after it initially fails to execute, there is a compliance risk that the time at which the stock component executes is not close enough to the time at which the option component executed. The Exchange conducts surveillance to ensure a User executes the stock component of a QCT, which will also apply to QCC with Stock Orders, if the option component executed. As a result, if the stock component does not execute when initially submitted to a stock trading venue by the designated broker-dealer, a User may be subject to compliance risk if it does not execute the stock component within a reasonable time period of the execution of the option component. The proposed rule change reduces this compliance risk for Users.

[85] Specifically, Rule 201 of Regulation SHO provides that when the short sale price test is triggered for an NMS stock, a trading center (such as the Exchange) must comply with Rule 201. Other options exchanges have similar marking requirements. *See also* MIAX Rule 518, Interpretation and Policy .01(b) (which requires execution price in accordance with Regulation SHO).

[86] Neither C2 nor EDGX Options permits complex orders to re-COA.

[87] The Exchange notes it does not currently allow S&P 500 variance trades; however, it may determine to make them available for trading in the future, in which case it would announce such determination pursuant to Rule 1.5 in the shell Rulebook.

The proposed rule change amends Rule 5.83 in the shell Rulebook to describe the complex orders types that the Exchange may make available for PAR routing for manual handling (and open outcry trading):

• *Order types:* limit and market orders.[88]

• *Order instructions:* AON, Attributable, Complex Only, MTP Modifier, Multi-Class Spread, Non-Attributable, Not Held, RTH Only, SPX Combo, and stock-option order.[89]

• *Times-in-Force:* Day and GTC.

Making these order types available for PAR routing is consistent with current Exchange authority under Rules 6.12A and 6.53 (which Rules identify which orders are eligible for PAR, and permit the Exchange to make order types available on a system-by-system basis, respectively). Currently, Rule 6.12A indicates attributable orders and market-maker trade prevention orders (similar to orders with an MTP Modifier) may not route to PAR. While attribution is only relevant with respect to electronic orders (as it involves a User's unique identifier to be displayed if resting on the Book), the Exchange believes a User may still want an order to be routed for manual handling if it cannot execute, as the Attributable designation has no impact on execution. A User may still designate an Attributable order as Electronic Only if the User does not want an Attributable order routed to PAR for manual handling (and thus be handled as it is today). Similarly, while the purpose of designating an MTP Modifier is to prevent certain electronic executions (and cannot be enforced in open outcry), the Exchange believes a User may still want an order with an MTP Modifier to be routed to PAR for manual handling if it cannot be processed electronically. The risk a User is intending to avoid with an MTP Modifier is generally not present on the trading floor. Again, a User may designate an order with an MTP Modifier as Electronic Only if the User does not want that order to be routed to PAR for manual handling (and thus be handled as it is today). The proposed rule changes provides Users with additional flexibility and control over the handling and executions of their orders, while also providing opportunities for orders to be handled in the same manner as they are today. Additionally, the Exchange believes listing these in the Rules will provide investors with additional transparency regarding which order types are eligible to route to PAR for manual handling.[90]

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.[91] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[92] 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)[93] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, as described above, the general framework for the electronic processing of complex orders on the Exchange will remain the same following the technology migration. The Exchange believes that the general provisions regarding the trading of complex orders will continue to provide a clear framework for trading of complex orders, which will be in a manner consistent with that of C2 and EDGX Options, as described above. This consistency should promote a fair and orderly national options market system.

The proposed execution and priority rules will allow complex orders to interact with interest in the Simple Book and, conversely, interest on the Simple Book to interact with complex orders in an efficient and orderly manner. The proposed priority of execution of complex orders is consistent with general principles of customer priority and protects the leg markets, as it will ensure that executions of complex orders improve the SBBO if there is a Priority Customer representing any leg on the Simple Book. As discussed above, the proposed priority order is the same as that on EDGX Options.

The Exchange proposes that complex orders may be submitted as limit orders and market orders, and orders with a Time-in-Force of Day, GTC, GTD, IOC, or OPG, and with Order Instructions of All Sessions, AON, Book Only, Complex Only, MTP Modifiers, Post Only, RTH Only, QCC with Stock Order, or stock-option order. In particular, the Exchange believes that limit orders, GTD, IOC, DAY, GTC, and OPG orders all provide valuable limitations on execution price and time that help to protect Exchange participants and investors in both the Simple Book and the COB. As noted above, the Exchange currently makes most of these order types (including having similar criteria for being COA-eligible and providing an option to designate a complex order as do-not-COA) available for complex orders. Currently, complex orders may be submitted in the GTH and RTH trading sessions, and making the All Sessions and RTH Only instructions available will continue to permit Users to have the flexibility to submit complex orders into both trading sessions, in their discretion. The proposed rule change also clarifies that Attributable/Non-Attributable instructions are available for complex orders; however, these instructions merely apply to information that is displayed for the orders but do not impact how they execute. Because complex orders do not route (and the Exchange does not currently offer a Post Only instruction, which the Exchange proposes to make available for complex orders, as discussed below), all complex orders are currently the equivalent of Book Only, which is therefore consistent with current Exchange complex order functionality.

In particular, the Exchange notes that while the Complex Only Order (as further discussed below) may reduce execution opportunities for the entering Market-Maker, C2 and EDGX options each offer this functionality in connection with complex order functionality. The Exchange believes this is a reasonable limitation a Market-Maker may wish to include on its order in order to participate on the COB. In addition, the Exchange believes that offering participants the ability to utilize

[88] The Exchange current permits market and limit complex orders to be routed to PAR for manual handling.

[89] Rule 5.83(a) in the shell Rulebook currently lists Multi-Class Spreads and SPX Combos as available for PAR routing. Because those are multi-legged orders, the proposed rule change moves them to Rule 5.83(b), and adds subheadings to each of paragraph (a) and (b). These order instructions (other than Complex Only, which the Exchange does not currently offer) are current eligible to route to PAR.

[90] *See* Rules 6.12A(c) and 6.53 (in the current Rulebook) (which provide that certain order types in Rule 6.53 are eligible for routing to PAR, and that the Exchange may determine which order types in Rule 6.53 are available on a class and system (including PAR) basis); *see also* Rule 5.83 in the shell Rulebook.

[91] 15 U.S.C. 78f(b).

[92] 15 U.S.C. 78f(b)(5).

[93] *Id.*

MTP Modifiers for complex orders in a similar way to the way they are used on the Simple Book provides such participants with the ability to protect themselves from inadvertently automatic matching against their own interest.

The Post Only Order instruction on complex orders is designed to encourage market participants to add liquidity in the complex order market, which will benefit investors. By giving market participants the flexibility to manage their execution costs and the circumstances in which their complex orders are executed, the Exchange believes the proposed rule change would remove impediments to perfect the mechanism of a free and open market and a national market system and protect investors. The Exchange also believes that the proposed rule change will contribute to the protection of investors and the public interest by assuring compliance with rules related to locked and crossed markets.

Additionally, the Exchange notes that Post Only functionality is not new or unique functionality and is already available in a similar capacity. While the Post Only complex order type is not currently available in the market, the Exchange recently proposed to have a Post Only simple order type,[94] which functions in the same manner as the proposed Post Only complex order type. The purpose of a Post Only complex order is the same as the purpose of a Post Only simple order, and the Post Only Order instruction on complex orders ensures the submitter receives the benefit of a reduced fee when intending to add liquidity.

The proposed rule change benefits investors by providing transparency regarding how the System will handle and execute AON orders, which handling and execution are consistent with the size contingency of AON orders. The proposed rule change to require AON complex orders to COA and not permit them to rest in the COB or Leg into the Simple Book will protect investors, because it will provide AON complex orders with opportunities for execution and continue to protect orders on the Simple Book. As the Exchange noted above, there would be significant technical complexities associated with reprogramming priority within the System to permit AON complex orders to Leg into the Simple Book and provide AON orders with priority consistent with the standard priority principles described above. The Exchange notes that, in addition to EDGX Options, other options exchange do not permit AON complex orders to rest in the COB[95] or to leg into the simple book.[96] In addition, as described above, the proposed rule change protects resting Leg market interest because AON complex orders may not execute unless they improve the SBBO at the conclusion of a COA.

The Exchange believes the proposed complex orders types (in addition to those currently available on the Exchange) will provide investors with additional functionality that will provide them with more flexibility and control over the management of their complex orders and the manner and circumstances in which their complex orders may be executed, modified, or cancelled. As a result, this may provide for the protection of investors and contribute to market efficiency. This may encourage market participants to bring additional liquidity to the market, which benefits all investors. Additionally, this will provide Users with greater harmonization between the order handling instructions available among the Cboe Affiliated Exchanges.

The proposed rule change also benefits investors by adding transparency regarding which orders are eligible for electronic processing, and which orders are eligible for manual handling. The Exchange currently has authority pursuant to Rules 6.12A and 6.53 in the current Rulebook to determine which orders are eligible for electronic processing and PAR routing, and the proposed rule change is consistent with that authority.

If a complex order is not priced equal to, or better than, the SBBO or is not priced to improve other complex orders resting at the top of the COB, the Exchange does not believe that it is reasonable to anticipate that it would generate a meaningful number of COA Responses such that there would be price improvement of the complex order's limit price. Promoting the orderly initiation of COAs is essential to maintaining a fair and orderly market for complex orders; otherwise, the initiation of COAs that are unlikely to result in price improvement could affect the orderliness of the marketplace in general. The Exchange believes that this removes impediments to and perfects the mechanisms of a free and open market and a national market system by promoting the orderly initiation of COAs, and by limiting the likelihood of unnecessary COAs that are not expected to result in price improvement. The proposed circumstances in which an order may be eligible to COA are substantively the same as those in which an order may be eligible to COA on C2 and EDGX, as noted above.

The Exchange believes the proposed maximum 500 millisecond Response Time Interval promotes just and equitable principles of trade and removes impediments to a free and open market because it allows sufficient time for Trading Permit Holders participating in a COA to submit COA Responses and would encourage competition among participants, thereby enhancing the potential for price improvement for complex orders in the COA to the benefit of investors and public interest. The Exchange believes the proposed rule change is not unfairly discriminatory because it establishes a Response Time Interval applicable to all Exchange participants participating in a COA, which is the same maximum Response Time Interval on EDGX and C2, as noted above.

The proposed events that will conclude a COA early are reasonable and promote a fair and orderly market and national market system, because they will ensure that executions at the conclusion of a COA occur at permissible prices (and not outside the prices of complex order resting at the top of the COB or the SBBO, or at the SBBO if there is a Priority Customer order resting in any leg on the Simple Book). The proposed rule change will also benefit investors by continuing to provide clarity regarding what will cause a COA to conclude. These events would create circumstances under which a COA would not have been permitted to start, or that would cause the auction price no longer be consistent with the permissible prices at which executions at the conclusion of a COA may occur. Thus the Exchange believes it is appropriate to conclude a COA if those circumstances occur. The Exchange will no longer conclude a COA early due to the receipt of an opposite side order. The Exchange believes this promotes just and equitable principles of trade, because these orders may have the opportunity to trade against the COA'd order following the conclusion of the COA, which execution must still be at or better than the SBBO (or better than the SBBO if there is a Priority Customer order on any leg) and at or better than the best-priced complex orders on the COB. The Exchange believes this will protect investors, because it will

[94] *See* Rule 5.6(c) in the shell Rulebook.

[95] *See, e.g.,* ISE Options 3, Section 14(b)(3) (which requires AON complex orders to be submitted as IOC orders). While not specified in current Rules, this proposed change is consistent with current Exchange functionality (pursuant to the Exchange's authority in current Rule 6.53 to determine which order types are eligible for COB entry (an Exchange system)).

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

provide more time for price improvement, and the unrelated order will have the opportunity to trade against the COA'd order in the same manner as all other contra-side interest.

The Exchange again notes that it has not proposed to limit the frequency of COAs for a complex strategy and could have multiple COAs occurring concurrently with respect to a particular complex strategy. The Exchange represents that it has systems capacity to process multiple overlapping COAs consistent with the proposal, including systems necessary to conduct surveillance of activity occurring in such auctions. Further, C2 and EDGX may both currently have multiple complex auctions in the same strategy run concurrently, as noted above. The Exchange does not anticipate overlapping auctions necessarily to be a common occurrence, however, after considerable review, believes that such behavior is more fair and reasonable with respect to Trading Permit Holders who submit orders to the COB because the alternative presents other issues to such Trading Permit Holders. Specifically, if the Exchange does not permit overlapping COAs, then a Trading Permit Holder who wishes to submit a COA-eligible order but has its order rejected because another COA is already underway in the complex strategy must either wait for such COA to conclude and re-submit the order to the Exchange (possibly constantly resubmitting the complex order to ensure it is received by the Exchange before another COA commences) or must send the order to another options exchange that accepts complex orders.

The proposed Legging restrictions protects investors and the public interest by ensuring that Market-Makers and other liquidity providers do not trade above their established risk tolerance levels, which is consistent with the purpose of current restrictions in place on the Exchange, as discussed above. The proposed Legging restrictions, as noted above, are the same as those offered on EDGX Options (while several are unique to the Exchange and exist today). Despite the enhanced execution opportunities provided by Legging, the Exchange believes it is reasonable and consistent with the Act to permit Market-Makers to submit orders designated as Complex Only Orders that will not leg into the Simple Book. This is analogous to other types of functionality offered by the Exchange that provides Trading Permit Holders the ability to direct the Exchange not to route their orders or remove liquidity from the Exchange. Similar to such analogous features, the Exchange believes that Market-Makers may utilize Complex Only Order functionality as part of their strategy to maintain additional control over their executions, in connection with their attempt to provide and not remove liquidity, or in connection with applicable fees for executions.

Evaluation of the executability of complex orders is central to the removal of impediments to, and the perfection of, the mechanisms of a free and open market and a national market system and, in general, the protection of investors and the public interest. The proposed evaluation process will ensure that the System will capture and act upon complex orders that are due for execution. The regular and event-driven evaluation process removes potential impediments to the mechanisms of the free and open market and the national market system by ensuring that complex orders are given the best possible chance at execution at the best price, evaluating the availability of complex orders to be handled in a number of ways as described in this proposal. Any potential impediments to the order handling and execution process respecting complex orders are substantially removed due to their continual and event-driven evaluation for subsequent action to be taken by the System. This protects investors and the public interest by ensuring that complex orders in the System are continually monitored and evaluated for potential action(s) to be taken on behalf of investors that submit their complex orders to the Exchange.

The proposed rule change to permit the Exchange to set an allowable value outside of the expected notional trade value for the legs of a stock-option order removes impediments to and perfects the mechanism of a free and open market and a national market system because it provides Users with functionality that allows stock-option strategies to trade outside of their specified net prices when the executable stock match price results in a small difference between the expected notional value of the trade and the actual trade value. Users generally prefer not to forgo an execution for their stock-option strategies when this occurs, as the residual amount is miniscule compared to the value of the trade. As a result of the proposed rule, Users will be able to receive an expeditious execution, and trade the stock and options components of a stock-option strategy in a moving market without introducing legging risk, instead of resubmitting their orders and potentially receiving a much worse price or missing an execution. The proposed Exchange determination of a value allowance outside of the expected notional value is the same as that on EDGX Options, as noted above, and similar to that of another options exchange.[97] The Exchange believes having the trade value allowance in a dollar amount is more straightforward and less confusing for investors than the calculation of a percentage. The Exchange also believes that determining the amount of the trade value allowance will simplify the implementation of this functionality and mitigate any potential investor confusion by setting just one Exchange-determined notional variance. Because the difference between the expected notional value of the trade and the actual trade value is inconsequential, especially as compared to the overall benefit to investors of an expeditious execution, the Exchange does not believe the proposed difference will have any significant impact on the Exchange's participants and, instead, may benefit participants overall. As stated, the Exchange would determine an allowance amount that would reasonably account for the average differences in notional trade values as well as the cost benefit to market participants between the differences in actual trade value versus expected notional trade value and the imposition of resubmitting their orders and potentially receiving a much worse price or missing an execution.

Based on the foregoing, the Exchange does not believe that the proposed complex order functionality raises any new or novel concepts under the Act, and is substantively the same as functionality available today on the Exchange or on C2 and/or EDGX Options, and instead is consistent with the goals of the Act to remove impediments to and to perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest. The proposed rule change is generally intended to align system functionality currently offered by the Exchange with functionality available on other Cboe Affiliated Exchanges in order to provide a consistent technology offering. 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 will provide Users with additional flexibility and increased functionality on the Exchange's System.

[97] *See also* ISE Rule Options 3, Section 14, Supplementary Material .03.

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

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The 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.

The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The general framework and primary features of the Exchange's complex order functionality is not changing, and will continue to protect orders, including Priority Customer orders, resting in the Book. Therefore, the electronic processing of complex orders will occur in a substantially similar manner as it does today. The System's electronic processing of complex orders of all Users will apply in the same manner. Use of complex order functionality and the various complex order instructions will continue to be voluntary and within the discretion of Users.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. As discussed above, the basis for the majority of the proposed rule changes in this filing are based on C2 Rule 6.13 and EDGX Options Rule 21.20, and thus have previously been filed with the Commission.

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

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

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

Because the foregoing proposed rule change does not:

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

B. impose any significant burden on competition; and

C. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act [98] and Rule 19b–4(f)(6) [99] thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic Comments

• Use the Commission's internet comment form (*http://www.sec.gov/rules/sro.shtml*); or

• Send an email to *rule-comments@sec.gov.* Please include File Number SR–CBOE–2019–060 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–2019–060. 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–2019–060 and should be submitted on or before October 16, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[100]

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 2019–20711 Filed 9–24–19; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–87031; File No. SR–NASDAQ–2019–073]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Concerning the Operation of the Nasdaq Opening, Halt and Closing Crosses

September 19, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on September 5, 2019, The Nasdaq Stock Market LLC (''Nasdaq'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'')

[98] 15 U.S.C. 78s(b)(3)(A).

[99] 17 CFR 240.19b–4(f)(6).

[100] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.