small percentage of the overall market. Based on publicly available information, no single equities exchange has more than 23% of the market share.[16] Therefore, no exchange possesses significant pricing power in the execution of option order flow. Indeed, participants can readily choose to send their orders to other exchange and off-exchange venues if they deem fee levels at those other venues to be more favorable. Additionally, as discussed above, the market for Retail Orders in even more stark given the amount of Retail Orders that are routed to and executed on off-exchange venues. Moreover, the Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Specifically, in Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system ''has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.'' [17] The fact that this market is competitive has also long been recognized by the courts. In *NetCoalition* v. *Securities and Exchange Commission,* the D.C. Circuit stated as follows: ''[n]o one disputes that competition for order flow is 'fierce.' . . . As the SEC explained, '[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution'; [and] 'no exchange can afford to take its market share percentages for granted' because 'no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers'. . . .''.[18] Accordingly, the Exchange does not believe its proposed fee change imposes any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

[16] See Cboe Global Markets U.S. Equities Market Volume Summary (June 28, 2019), available at *http://markets.cboe.com/us/equities/market_share/.*

[17] See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).

[18] *NetCoalition* v. *SEC,* 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782–83 (December 9, 2008) (SR–NYSEArca–2006–21)).

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act [19] and paragraph (f) of Rule 19b–4 [20] 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–CboeEDGX–2019–045 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR–CboeEDGX–2019–045. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (*http://www.sec.gov/rules/sro.shtml*). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–CboeEDGX–2019–045 and should be submitted on or before August 9, 2019.

[19] 15 U.S.C. 78s(b)(3)(A).

[20] 17 CFR 240.19b–4(f).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[21]

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 2019–15348 Filed 7–18–19; 8:45 am]

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[21] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–86374; File No. SR–CBOE–2019–033]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to System Connectivity and Order Entry and Allocation Upon the Migration of the Exchange's Trading Platform to the Same System Used by the Cboe Affiliated Exchanges

July 15, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the ''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on July 1, 2019, Cboe Exchange, Inc. (the ''Exchange'' or ''Cboe Options'') filed with the Securities and Exchange Commission (the ''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a ''non-controversial'' proposed rule change pursuant to Section

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

[2] 17 CFR 240.19b–4.

19(b)(3)(A)(iii) of the Act [3] and Rule 19b–4(f)(6) thereunder.[4] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend and move certain current Rules related to System [5] connectivity and order entry and allocation from the Exchange's currently effective Rulebook ("current Rulebook") to the shell structure for the Exchange's Rulebook that will become effective upon the migration of the Exchange's trading platform to the same system used by the Cboe Affiliated Exchanges (as defined below) ("shell Rulebook"). The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange's website (*http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx*), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. (formerly named CBOE Holdings, Inc.) ("Cboe Global"), which is also the parent company of Cboe C2 Exchange, Inc. ("C2"), acquired Cboe EDGA Exchange, Inc. ("EDGA"), Cboe EDGX Exchange, Inc. ("EDGX" or "EDGX Options"), Cboe BZX Exchange, Inc. ("BZX" or "BZX Options"), and Cboe BYX Exchange, Inc. ("BYX" and, together with Cboe Options, C2, EDGX, EDGA, and BZX, the "Cboe Affiliated Exchanges"). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of a technology migration. Cboe Options intends to migrate its trading platform to the same system used by the Cboe Affiliated Exchanges, which the Exchange expects to complete on October 7, 2019. Cboe Options believes offering similar functionality to the extent practicable will reduce potential confusion for market participants. In connection with this technology migration, the Exchange has a shell Rulebook that resides alongside its current Rulebook, which shell Rulebook will contain the Rules that will be in place upon completion of the Cboe Options technology migration.

System Connectivity

Current Rule 6.23A describes current provisions regarding System access and connectivity. The proposed rule change deletes current Rule 6.23A from the current Rulebook, and amends and moves relevant provisions to proposed Rule 5.5 in the shell Rulebook. Proposed Rule 5.5(a) states only authorized Users and associated persons of Users may establish connectivity to and access the Exchange to submit orders and quotes and enter auction responses in accordance with the Exchange's System access procedures, technical specifications, and requirements.[6] This is consistent with current Rule 6.23A(a), (d), and (e), which provides only authorized market participants (which may only be Trading Permit Holders, associated persons of Trading Permit Holders with authorized access, and Sponsored Users pursuant to current Rule 6.20A) may access the Exchange electronically to facilitate quote and order entry, as well as auction processing, in accordance with Exchange-prescribed technical specifications (to the extent any agreement is required to be signed, as indicated in current Rule 6.23A(d), that would be indicated in such specifications).[7]

Proposed Rule 5.5(b) describes Executing Firm IDs ("EFIDs"). A Trading Permit Holder may obtain one or more EFIDs from the Exchange (in a form and manner determined by the Exchange). The Exchange assigns an EFID to a Trading Permit Holder, which the System uses to identify the Trading Permit Holder and the clearing number for the execution of orders and quotes submitted to the System with that EFID. Each EFID corresponds to a single Trading Permit Holder and a single clearing number of a Clearing Trading Permit Holder with the Clearing Corporation.[8] A Trading Permit Holder may obtain multiple EFIDs, which may be for the same or different clearing numbers. A Trading Permit Holder may only identify for any of its EFIDs the clearing number of a Clearing Trading Permit Holder that is a Designated Give Up or Guarantor of the Trading Permit Holder as set forth in current Rule 6.21.[9] A Trading Permit Holder is able (in a form and manner determined by the Exchange) to designate which of its EFIDs may be used for each of its ports. If a User submits an order or quote through a port with an EFID not enabled for that port, the System cancels or rejects the order or quote. The proposed rule change regarding EFIDs is similar to the current use of acronyms on the Exchange and consistent with the use of EFIDs on the Cboe Affiliated Exchanges.[10] The Exchange believes including a description of the use of EFIDs in the Rules adds transparency to the Rules.

The proposed rule change defines the term port in proposed Rule 5.5.[11] The Exchange will provide Users with access to the System through various ports, as is the case on the Cboe Affiliated Exchanges. A User may connect to the Exchange using a logical port available through an application programming interface ("API"), such as the industry-standard Financial Information eXchange ("FIX") protocol or Binary Order Entry ("BOE") protocol.

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

[4] 17 CFR 240.19b–4(f)(6).

[5] The term "System" means the Exchange's hybrid trading platform that integrates electronic and open outcry trading of option contracts on the Exchange, and includes any connectivity to the foregoing trading platform that is administered by or on behalf of the Exchange, such as a communications hub. *See* Rule 1.1 in the current Rulebook and the shell Rulebook.

[6] These procedures, technical specifications, and requirements are available on the Exchange's website.

[7] *See also* C2 Rule 6.8(a). Users will continue to only be able to directly access the System from a jurisdiction expressly approved by the Exchange pursuant to current Rule 3.4A (which rule the Exchange intends to move to Rule 3.5 in the shell Rulebook). *See* current Rule 6.23A(d) (proposed Rule 5.9(a)). BZX Options and EDGX Options Rules 11.3 and 20.1(a) also provide that only an Options Member or a person associated with an Options Member, as well as Sponsored Participants, may access the systems and effect any options transactions on those exchanges.

[8] The Clearing Corporation is the Options Clearing Corporation. *See* Rule 1.1 in the shell Rulebook.

[9] The Exchange intends to move current Rule 6.21 to Rule 5.9 in the shell Rulebook.

[10] The proposed rule change is substantially the same as BZX Options Rule 21.1(k); C2 Rule 6.8(b); and EDGX Options Rule 21.1(k).

[11] The proposed rule change also adds a reference to this definition in Rule 1.1 in the shell Rulebook.

Users may use multiple logical ports. Cboe Market Interface will no longer be available following the technology migration, as that is an API on the Exchange's current System while BOE is an API available on the new technology platform. This functionality is similar to bandwidth packets currently available on the Exchange, as described in current Rule 6.23B (and therefore the Exchange proposes to delete that rule from the current Rulebook). Bandwidth packets restrict the maximum number of orders and quotes per second in the same way logical ports do, and Users may similarly have multiple logical ports as they may have bandwidth packets to accommodate their order and quote entry needs. The Exchange believes it is reasonable to not limit bulk ports, as the purpose of these ports is to submit bids and offers in bulk (as further described below). As discussed below, the Exchange will have the authority to otherwise mitigate message traffic as necessary.

There are three different types of ports: Physical ports, logical ports, and bulk ports. The Exchange notes that a bulk port is a type of logical port.

- A ''physical port'' provides a physical connection to the System. A physical port may provide access to multiple logical ports.
- A ''logical port'' or ''logical session'' provides Users with the ability within the System to accomplish a specific function through a connection, such as order entry, data receipt, or access to information.
- A ''bulk port'' is a dedicated logical port that provides Users with the ability to submit bulk messages, single orders, or auction responses, as further discussed below.

Port is the term the Exchange will use to describe the connection a User will use to connect to the System following the technology migration. Currently, the Exchange refers to System connections as logins, but the functionality is generally the same.[12]

The Exchange's new technology platform is currently the trading platform for the other Cboe Affiliated Exchanges, and thus has an established disaster recovery plan. The proposed rule change moves the Exchange's rule provisions regarding disaster recovery from Rule 6.18 in the current Rulebook to Rule 5.24 in the shell Rulebook.[13] The proposed rule change amends the provisions regarding Trading Permit Holders that must connect to the Exchange's backup systems and participate in functional and performance testing announced by the Exchange, which occurs at least once every 12 months.[14] These requirements are similar to those of Cboe Affiliated Exchanges.[15] Currently, the Exchange identifies Trading Permit Holders that must connect to backup systems and participate in testing based on criteria such as whether the TPH is an appointed DPM, LMM, or Market-Maker in a class and the quality of markets provided by the DPM, LMM, or Market-Maker, the amount of volume transacted by the market participant in a class or on the Exchange in general, operational capacity, trading experience, and historical contribution to fair and orderly markets on the Exchange. At a minimum, all Market-Makers in option classes exclusively listed on the Exchange that stream quotes in those classes and all DPMs in multiply listed options classes must connect to the backup systems.[16] Proposed Rule 5.24(b) requires the following TPHs to connect to backup systems and participate in testing:

- TPHs that the Exchange has determined contribute a meaningful percentage of the Exchange's overall volume.
- TPHs that the Exchange has determined contribute a meaningful percentage of the Exchange's executed customer volume in SPX and VIX combined.[17]
- TPHs that participate as Market-Makers (including LMMs) in option classes exclusively listed on the Exchange that submit continuous electronic quotes in those classes.
- TPHs that participate as DPMs in multiply listed option classes.[18]

These requirements are consistent with the criteria listed in current Rule 6.24(b). This proposed rule includes more detail regarding which categories of TPHs must connect to the backup systems. Proposed Interpretation and Policy .01 states for purposes of determining which TPHs contribute a meaningful percentage of the Exchange's overall volume and customer volume in SPX and VIX pursuant to proposed subparagraphs (b)(1) and (2), respectively, the Exchange measures volume executed on the Exchange during a specified calendar quarter (the ''measurement quarter''). The Exchange will provide TPHs with reasonable advance notice of the applicable meaningful percentage and measurement quarter.[19] The Exchange will individually notify all TPHs that are subject to this connection requirement based on the applicable meaningful percentage following the completion of the applicable measurement quarter. The Exchange will provide these TPHs with reasonable advance notice that they must participate in the testing described above.[20]

Proposed Rule 5.24(a) through (c) are consistent with Regulation SCI requirements, which apply to certain self-regulatory organizations (including the Exchange), alternative trading systems (''ATSs''), plan processors, and exempt clearing agencies (collectively, ''SCI entities''), and requires these SCI entities to comply with requirements with respect to the automated systems central to the performance of their regulated activities. The Exchange takes pride in the reliability and availability of its systems. The Exchange and the Cboe Affiliated Exchanges have put extensive time and resources toward planning for system failures and already maintain robust business continuity and disaster recovery plans consistent with the proposed rule.

The proposed rule change retains moves paragraphs (c) through (f) of current Rule 6.18 to proposed paragraphs (d) through (g) of proposed Rule 5.24, as they relate to the

[12] The proposed rule change is substantially the same as BZX Options Rule 21.1(l); C2 Rule 6.8(c); and EDGX Options Rule 21.1(j).

[13] The proposed rule change also deletes current Rule 6.19, which is currently reserved.

[14] The Exchange currently requires designated Trading Permit Holders to participate in backup system testing on an annual basis pursuant to current Rules 6.18 and 6.23A(f). The proposed rule change deletes current Rule 6.23A(f), as it relates to mandatory testing, which is covered by proposed Rule 5.24.

[15] *See, e.g.,* BZX Options Rule 2.4; C2 Rule 6.34; and EDGX Rule 2.4. The Exchange notes BZX Options and C2 do not currently have DPMs or LMMs (BZX has LMMs with respect to equities listed on that exchange), and thus the rules of those exchanges do not require connectivity by corresponding market participants. Additionally, EDGX Options only has DPMs. Additionally, SPX and VIX options only trade on Cboe Options, and thus the rules of other exchanges do not impose requirements with respect to trading in those classes. The Exchange notes the other Cboe Affiliated Exchanges intend to update their disaster recovery rules regarding notice to the market participants that must connect to the backup systems to conform to the proposed rule change.

[16] *See* current Rule 6.18(b)(iv).

[17] The Exchange believes this requirement is appropriate since SPX and VIX options are exclusively listed on the Exchange, and there is significant trading in these options, and this proposed requirement will ensure that TPHs will be available to receive and submit to the Exchange orders when the Exchange's primary system is inoperable.

[18] Pursuant to proposed Rule 5.24(c), all TPHs may connect to the Exchange's backup systems and participate in testing of these systems.

[19] A meaningful percentage may not apply retroactively to any measurement quarter completed or in progress.

[20] This is consistent the measurement and notice provision in Miami International Securities Exchange, Inc. (''MIAX'') Rule 321, Interpretation and Policy .01.

Exchange's trading floor. To conform to the corresponding rules of Cboe Affiliated Exchanges, the proposed rule change deletes the other provisions. The proposed rule change also makes nonsubstantive changes to some of the disaster recovery provisions, including updating paragraph lettering and numbering, making grammatical changes, simplifying certain provisions, and incorporating defined terms.

Proposed Rule 5.25 describes steps the Exchange may take to mitigate message traffic, based on the Exchange's traffic with respect to target traffic levels and in accordance with the Exchange's overall objective of reducing both peak and overall traffic. First, the System will not send an outbound message [21] in a series that has not been but is about to be sent if a more current quote message for the same series is available for sending, but does not delay the sending of any messages (referred to in proposed Rule 5.25 as ''replace on queue''). Second, the System will prioritize price update messages over size update messages in all series and in conjunction with the replace on queue functionality described above. Current Rules contain various provisions the Exchange may use on its current technology platform to mitigate message traffic, such as current Rule 6.23A(b) (which permits the Exchange to limit the number of messages sent by TPHs accessing the Exchange electronically in order to protect the integrity of the trading system) and (c) (which provides the Exchange may utilize a mechanism so that newly received quotations and other changes to the Exchange's best bid and offer are not disseminated for a period of up to, but not more than one second in order to control the number of quotations the Exchange disseminates), and Rule 6.23B (regarding bandwidth packets).[22] The proposed rule change essentially replaces these provisions. The Exchange does not have unlimited capacity to support unlimited messages, and the technology platform onto which it will migrate contains the above functionality, which are reasonable measures the Exchange may take to manage message traffic and protect the integrity of the System.[23]

The proposed rule moves the rule regarding back-up trading arrangements from Rule 6.16 in the current Rulebook to Rule 5.26 in the shell Rulebook. The proposed rule change deletes a cross-reference to current Rule 8.87.01, which the proposed rule change deletes, and instead states the Exchange may establish a lower DPM [24] participation entitlement percentage applicable to trading on a Cboe Options' facility on the Back-Up Exchange than the percentage applicable under the rules of the Back-Up Exchange, if Cboe Options and the Back-Up Exchange agree. This is consistent with the Exchange's current authority under the Rules. The proposed rule change makes no changes to this rule, except nonsubstantive changes, including updating paragraph lettering and numbering, making grammatical changes, updating cross-references, and incorporating defined terms.

Order and Quote Entry and Allocation

The System currently begins accepting orders in quotes at 4:00 p.m. Central Time the previous trading day for the Global Trading Hours (''GTH'') trading session and at 6:30 a.m. Central Time for the Regular Trading Hours (''RTH'') trading session.[25] Pursuant to proposed Rule 5.7, Users can enter orders and quotes into the System, or cancel previously entered orders, from 2:00 a.m. Eastern Time until RTH market close. While Users will have less time to submit orders and quotes prior to the GTH opening, the Exchange believes having one hour to submit orders and quotes in All Sessions Classes prior to the GTH opening is sufficient given that the Exchange lists fewer classes for trading during GTH, and it is the same amount of time they have to submit orders and quotes in RTH Only classes prior to the RTH trading session.[26]

Users may enter orders and quotes during that time, subject to the following requirements and conditions:

• Users may transmit to the System multiple orders and quotes at a single price level or multiple price levels.

• Each order and quote a User submits to the Exchange must contain the minimum information identified in the Exchange's technical specifications.

• The System timestamps an order or quote upon receipt, which determines the time ranking of the order or quote for purposes of processing the order or quote.

• For each System Security,[27] the System transmits to OPRA for display the aggregate size of all orders and quotes in the System eligible for display at the best price to buy and sell.

• After the RTH market close, Users may cancel orders with Time-in-Force of good-til-cancelled (''GTC'') or good-til-date (''GTD'') that remain on the Book until 4:45 p.m. Eastern Time.[28]

The proposed provisions described in the first four bullets above are consistent with current functionality, and the proposed rule change merely adds this detail to the Rules. The Exchange believes adding these provisions to the Rules provides additional transparency for market participants. The Exchange adds the provision in the fifth bullet above, which provides Users with additional flexibility to manage their orders that remain in the Book following the RTH market close. Cancelling a GTC or GTD order at 4:30 p.m. has the same effect as cancelling that order at 7:30 a.m. the following day—ultimately it accommodates the User's goal of cancelling an order prior to it potentially executing during the Opening Process the following morning.[29]

[21] This refers to outbound messages being sent to data feeds and OPRA.

[22] As noted above, the proposed rule change deletes current Rule 6.23B. The proposed Rule change also deletes the remainder of Rule 6.23A(b), which states the Exchange may impose restrictions on the use of a computer connected through an API if necessary to ensure the proper performance of the system. The proposed rules do not contain a similar provision; however, to the extent the Exchange wanted to impose any type of these restrictions in the future, it would similar submit a rule change to the Commission.

[23] The proposed rule change is substantially similar to BZX Options Rule 21.14, C2 Rule 6.35, and EDGX Options Rule 21.14. Note the BZX Options and EDGX Options rules also include a provision regarding their ability to periodically delist options with an average daily volume of less than 100 contracts. Current Exchange Rule 5.4, Interpretation and Policy .13 permits the Exchange to delist any class immediately if the class is open for trading on another national securities exchange, or to not open any additional series for trading in a class that is solely open for trading on the Exchange. This provision achieves the same purpose as the BZX Options and EDGX Options rules, and thus it is unnecessary to add that provision to the Exchange's Rules.

[24] The proposed rule change also adds the Exchange may do this for the LMM participation entitlement percentage, as LMMs and PMM serve substantially similar functions.

[25] *See* current Rule 6.2(a); *see also* Cboe Options Regulatory Circular RG15–103 (July 13, 2015). The Exchange currently begins accepting orders and quotes at 7:30 a.m. Eastern Time for the RTH trading session, which time is not changing.

[26] Pursuant to C2 Options Rule 6.11(a) and EDGX Options Rule 21.7(a), the Queuing Period for the GTH trading session will similarly begin one hour prior to the beginning of that trading session on those exchanges. Current Rule 6.2(a) provides the Exchange with flexibility regarding when to begin the pre-opening period. The Exchange proposes to eliminate this flexibility from the Rules, as it does not believe it is necessary any more. If the Exchange determines to change the time at which the Queuing Period will begin, it will submit a rule filing.

[27] A System Security is a class that currently trades on the Exchange. *See* Rule 1.1 in the shell Rulebook.

[28] *See* proposed Rule 5.7(a)–(e).

[29] This proposed change is also substantively the same as C2 Rule 6.9; and EDGX Options Rule 21.6(a)–(c) and (f). The proposed rule change is also similar to BZX Options Rule 21.6(a)–(c) (this rule does not contain the provision regarding when a

The proposed rule change also moves the provisions regarding the requirement to systematize an order from Rule 6.24 in the current Rulebook to Rule 5.7(f) and Interpretations .01 through .06, except the proposed rule change deletes current Interpretation and Policy .03. That provision describes the Exchange's Telephone and Terminal Order Formats Manual, which the Exchange prescribes. This manual no longer exists, and any order formats regarding systemization are included in the Exchange's technical specifications or otherwise disseminated to Trading Permit Holders by Regulatory Circular or Exchange Notice.[30] The proposed rule change makes no other substantive changes to current Rule 6.24, and makes certain nonsubstantive changes, such as to reflect defined terms, update paragraph lettering and numbering, update cross-references, and make other grammatical changes.

The Exchange currently offers quoting functionality to Market-Makers, which permits Market-Makers to update their electronic quotes in block quantities.[31] Quotes on the Exchange do not route to other exchanges,[32] and Market-Makers generally enter new quotes at the beginning of the trading day based on then-current market conditions.[33] The Exchange proposes to replace quoting functionality with bulk message functionality. As noted above, a bulk port is a dedicated logical port that provides Users with the ability to submit bulk messages, single orders, or auction responses. The proposed rule change defines bulk message as a single electronic message a User submits to the Exchange in which the User may enter, modify, or cancel up to an Exchange-specified number of bids and offers.[34] A User may submit a bulk message through a bulk port as described below. The System handles a bulk message bid or offer in the same manner as it handles and order or quote, unless the Rules specify otherwise.[35]

Users may submit bulk messages through a bulk port, subject to the following:

- A bulk message has a time-in-force of Day; [36]
- a Market-Maker with an appointment in a class may designate a bulk message for that class as Post Only or Book Only, and other Users must designate a bulk message for that class as Post Only; and
- a User may establish a default match trade prevention (''MTP'') modifier of MTP Cancel Newest (''MCN''), MTP Cancel Oldest (''MCO''), or MTP Cancel Both (''MCB''),[37] and a default value of attributable or non-attributable, for a bulk port, each of which applies to all bulk messages submitted to the Exchange through that bulk port.[38]

Users may also submit single orders through a bulk port in the same manner as Users may submit orders to the Exchange through any other type of port, including designated with any order instruction and any time-in-force in proposed Rule 5.30, except a Market-Maker with an appointment in a class may designate an order for that class submitted through a bulk port only as Post Only or Book Only, and other Users must designate an order for that class submitted through a bulk port as Post Only.[39] Users may also submit auction responses (using auction response messages) in the same manner as Users may submit auction responses to the Exchange through any other type of port.[40]

The proposed rule change restricts orders [sic] and bulk messages to Post Only and Book Only [41] with a time-in-force of Day. As a general matter, bulk ports are intended to be limited for the use of liquidity provision on the Exchange, particularly by, but not limited to, Market-Makers. In turn, the Exchange believes it is unnecessary to allow orders entered via bulk ports to be able to last beyond the trading day on which they were entered.

Proposed Rule 5.5(c)(3)(A)(i) states that bulk messages have a time-in-force of Day. As discussed above, this is consistent with current Exchange quoting functionality, which cancels all resting quotes at the close of the trading day. This is also consistent with a Market-Maker's obligation to update its quotes in response to changed market conditions in its appointed classes.[42] Users will have the ability to cancel bulk message bids and offers at any time during the trading day, and may apply any other time-in-force designation to an order submitted through a bulk port (as further discussed below) or other type of port.

Unlike current Exchange quoting functionality, which is only available to Market-Makers in their appointed classes, the proposed bulk messages will be available to all Users. While all Users will be able to use bulk messages, the primary purpose of quoting functionality and the proposed bulk message functionality is to encourage market-maker quoting on exchanges. The proposed rule change provides that a Market-Maker with an appointment in a class may designate a bulk message for that class as ''Post Only'' or ''Book Only.'' This will provide Exchange Market-Makers with substantially similar functionality that is currently available to them on the Exchange, which permits Market-Makers' incoming quotes to execute against resting orders and quotes, except against the resting quote of another Market-Maker (see discussion below).[43] The Exchange believes permitting Market-Makers to use bulk message to remove liquidity from the Book (if they so elect) will keep Exchange Market-Makers on

User may cancel a GTC or GTD order; however, the Exchange understands this is consistent with BZX Options functionality).

[30] *See* Rule 1.2 in current Rulebook (Rule 1.5 in shell Rulebook).

[31] *See* Rule 1.1 (definition of quote). In other words, a Market-Maker may submit a single message to the Exchange, which message contains bids and offers in multiple series.

[32] *See* current Rule 6.14B (which describes how the Exchange routes orders (specifically intermarket sweep orders) but not quotes to other exchanges); *see also* NYSE Arca, LLC (''Arca'') Rule 6.37–O(a)(3)(D) (which states quotes do not route).

[33] The Exchange understands this to be common practice by Market-Makers throughout the industry, and is consistent with Cboe Options functionality, which cancels all unexecuted resting Market-Maker quotes at the close of each trading day. Additionally, it is consistent with Market-Makers' obligation to update market quotations in response to changed market conditions. *See* current Rule 8.5(a)(4); *see also* Cboe Options Rule 8.7(b)(iii).

[34] Pursuant to Rule 1.5 in the shell Rulebook, the Exchange will announce this number via Exchange Notice or publicly available technical specifications. The limit on bids and offers per message is a reasonable measure for the Exchange to use to manage message traffic and activity to protect the integrity of the System.

[35] *See* Rule 1.1 in the shell Rulebook. In other words, a bulk message will be treated as an order (or quote if submitted by a Market-Maker) pursuant to the Rules, including with respect to priority and allocation. The proposed rule change identifies the rule provisions pursuant to which bulk messages will be handled in a different manner. The proposed rule change also amends the definition of quote in Rule 1.1 in the shell Rulebook to provide that a quote is a firm bid or offer a Market-Maker submits electronically in as an order or bulk message (as well as a firm bid or offer a Market-Maker represents in open outcry on the trading floor).

[36] The proposed rule change adds to Rule 5.6(a) in the shell Rulebook that an order instruction or time-in-force applied to a bulk message applies to each bid and offer within that bulk message. For example, a Market-Maker cannot designate one bulk message bid within a single message as Post Only and designate another bulk message bid within the same message as Book Only.

[37] *See* Rule 5.6(c) of the shell Rulebook for definitions of MTP modifiers.

[38] *See* proposed Rule 5.5(c)(3)(A).

[39] *See* proposed Rule 5.5(c)(3)(B).

[40] *See* proposed Rule 5.5(c)(3)(C).

[41] Consistent with the definitions of Post Only and Book Only (see Rule 5.6(c) in the shell Rulebook), bulk message bids and offers will not route.

[42] *See* Rule 8.7(b)(iii).

[43] Incoming market-maker quotes on some options exchanges may execute against interest resting in the book (*see, e.g.,* Arca Rule 6.37A–O(a)(3)), while on other options exchanges they may not (*see, e.g.,* Box Options Exchange, LLC (''BOX'') Rule 8050, IM–8050–3).

an even playing field with market-makers on other exchanges that offer quoting functionality. Additionally, Market-Makers are subject to various obligations, including obligations to provide two-sided quotes, to provide continuous quotes, and to trade at least 75% of its contracts each quarter in its appointed classes.[44] The Exchange believes providing Market-Makers with flexibility to use the Post Only or Book Only instruction with respect to bulk messages will provide Market-Makers with additional tools, to meet their obligations in a manner they deem appropriate. The Exchange further believes this may encourage liquidity providers to register as Market-Makers.

The proposed rule change provides that other Users (*i.e.,* non-Market-Makers or Market-Makers without an appointment in the class) must designate a bulk message for that class as ''Post Only.'' Because these Users do not have access to quoting functionality today, the proposed rule change will provide these Users with functionality that is not available to them today. This will provide Users with flexibility avoid incurring certain fees for removing liquidity if their intent is to add liquidity to the Book. The Exchange notes that Users may apply the Book Only instruction to orders submitted to the Exchange through other ports.

The proposed rule change also permits Users to establish a default MTP modifier of MCN, MCO, or MCB that would apply to all bulk messages submitted through a bulk port. Cboe Options currently offers a Market-Maker Trade Prevention Order, which would be cancelled if it would trade against a resting quote or order for the same Market-Maker, and also cancel the resting order or quote.[45] This is equivalent to the MCBO modifier (except the MCB modifier may be used by all Users rather than just Market-Makers). The proposed rule change provides Users with the ability to apply the same trade prevention designation that is available for quotes on the Exchange to bulk messages (MCB), as well as two additional MTP options (MCN and MCO) (the Exchange notes there is currently no trade prevention functionality equivalent to MCN or MCO available on the Exchange for quotes). Allowing three MTP modifiers for bulk messages will provide Users with additional control over the circumstances in which their bulk message bids and offers (and resting orders (including bulk message bids and offers)) will interact with each other. The Exchange does not believe there is demand by Users for the MDC and MCS modifiers (which will be available on the Exchange for orders) for bulk messages. There is currently no trade prevention functionality equivalent to MDC or MCS available on the Exchange today. The Exchange notes all Users may continue to apply all MTP modifiers to orders submitted through a bulk port or any other type of port.

Generally, the System will handle bulk message bids and offers in the same manner as it handles orders and quotes with the same order instructions and times-in-force that will be applied to bulk messages, including prioritizing, displaying, and executing them pursuant to proposed Rule 5.32.[46] Current Rule 6.45(c) provides in the event a Market-Maker's disseminated quote locks with another Market-Maker's disseminated quote, a counting period begins during which Market-Makers whose quotes are locked may eliminate the locked market. If, at the end of the counting period, the quotes remain locked, the locked quotes automatically execute against each other.[47] Proposed Rule 5.32(c)(6) states the System cancels or rejects a Book Only bulk message bid (offer) or order bid (offer) (or unexecuted portion) submitted by a Market-Maker with an appointment in the class through a bulk port if it would execute against a resting offer (bid) with a Capacity of M. This functionality is similar to the current quote-lock functionality. While current functionality permits locked quotes to execute against each other after a specified amount of time, it also provides Market-Makers with an opportunity to update their resting quotes, which would prevent execution of an incoming Market-Maker quote against a resting Market-Maker quote. As proposed, a Market-Maker bulk message or order bid or offer will be rejected if it would execute against resting Market-Maker interest. The Market-Maker may resubmit its bulk message or order bid or offer after being rejected, which would be able to rest in the Book if the Market-Maker repriced its resting bid or offer in the interim. Additionally, a Market-Maker may interact with resting Market-Maker interest by submitting an order to the Exchange through a different type of port.

Proposed Rule 5.7(a) provides that a User may only enter one bid and one offer for a series per EFID per bulk port. The Exchange believes this will encourage Users to submit their best bids and offers in series, and thus provide displayed liquidity to the market and contribute to price discovery. Note firms may have multiple EFIDs and multiple bulk ports, and thus will have the ability through separate ports or EFIDs to submit additional bids and offers using bulk messages in the same series if they choose. This provision is consistent with the Exchange's current rule interpretation.[48]

As noted above, the proposed rule change will permit Users to submit single orders to the Exchange through bulk ports. The Exchange believes this will encourage Users that may not have quoting systems to provide liquidity to the Exchange. Proposed Rule 5.5(c)(3)(B) subjects single orders submitted through bulk ports to the same Book Only and Post Only restrictions described above for Market-Makers with appointments in a class and other Users. This will provide Users with additional functionality that is not currently available today, as orders may not be submitted through quoting connections on the Exchange. Because there are no time-in-force restrictions on orders submitted through bulk ports, Users may allow their liquidity to rest on the Exchange for multiple trading days, if Users so choose. This will also provide Users with additional control over the orders they use to provide liquidity to the Exchange through bulk ports. Additionally, proposed Rule 5.32(6) imposes the same prohibition on Market-Maker orders submitted through bulk ports from removing resting Market-Maker interest that applies to bulk messages, as described above. The Exchange believes it is appropriate for orders submitted through bulk ports be subject to the same restrictions on adding and removing liquidity as bulk messages submitted through bulk ports, so that orders submitted through bulk ports do not have an advantage over bulk messages, and vice versa.

While liquidity providers are most commonly registered Market-Makers, other professional traders also provide liquidity to the options market, which contributes to price discovery. As a result, the Exchange believes it is appropriate to make bulk messages available to all Users to encourage them to provide liquidity, which is critical to the Exchange's market. Additionally, permitting orders to be submitted

[44] *See* current Rule 8.7.

[45] *See* Rule 6.53 in the current Rulebook.

[46] *See* proposed Rule 5.32(a).

[47] Inverted quotes would be handled in a similar manner pursuant to Rule 6.45(c).

[48] *See* Cboe Options Regulatory Circular RG18–008 (March 6, 2018), which provides that each Market-Maker acronym (which is comparable to an EFID), may only have one quote (which is considered to be a two-sided quote) in each series at a time.

through bulk ports will provide all liquidity providers with additional flexibility with respect to functionality they may use to provide liquidity to the Exchange.

The proposed rule change amends Rule 5.6(b), (c), and (d) in the shell Rulebook to provide that eligible order types, order instructions, and times-in-force, respectively, are subject to the proposed restrictions in proposed Rule 5.5(c) with respect to orders and bulk messages submitted through a bulk port, as well as to clarify which order types, order instructions, and times-in-force are and are not available for bulk messages.[49]

Rule 5.6(a) in the shell Rulebook permits the Exchange to make order types, order instructions, and times-in-force listed in that Rule available on a system, class, and trading session basis for electronic processing.[50] Proposed Rule 5.30 provides that the Exchange may make the following order types, order instructions, and times-in-force[51] available during RTH:

• *Order types:* Limit order and market order.
• *Order instructions:* all-or-none (''AON''), attributable, book only, all sessions, cancel back, electronic only, MTP modifier, minimum quantity, non-attributable, post only, price adjust, qualified cross contingent (''QCC''),[52] reserve order, RTH only, stop (stop-loss), and stop limit.
• *Times-in-force:* Day, fill-or-kill (''FOK''), GTC, GTD, immediate-or-cancel (''IOC''), limit-on-close (''LOC''), market-on-close (''MOC''), and opening rotation (''OPG'').[53]

Proposed Rule 5.30 provides that the Exchange may make the following order types, order instructions, and times-in-force available during GTH:[54]

• *Order types:* Limit order.
• Order instructions: AON, attributable, book only, all sessions, cancel back, electronic only, MTP modifier, minimum quantity, non-attributable, post only, price adjust, reserve order, and stop-limit.
• *Times-in-force:* Day, FOK, GTC, GTD, IOC, and OPG.[55]

The proposed rule change updates the definition of QCC orders in Rule 5.6(c) of the Shell Rulebook to codify in the Rules certain functionality for QCC orders with more than one option leg (''Complex QCC orders''). The current definition does not explicitly state that each leg of a complex QCC order must be at least 1,000 standard option contracts (or 10,000 mini-option contracts). However, that requirement is set forth in Cboe Options Regulatory Circular RG13–102 (July 19, 2013). Additionally, the current rule does not explicitly state that the legs of complex QCC orders must execute at prices at or better than the NBBO of the series, at prices better than a priority customer order resting in the Simple Book, or that a Complex QCC order may not execute at the same price as complex orders resting on the complex order book, but the Exchange understands this is consistent with current Cboe Options functionality.[56] The proposed rule change does not change the current functionality of QCC orders, but rather adds details regarding the functionality to the Rules.

The proposed rule change moves the provisions regarding the electronic processing, display, priority, and execution of simple orders from the current Rulebook to proposed Rule 5.32 in the shell Rulebook.[57]

Current Rule 6.45(a)(i) provides that orders and quotes are allocated pursuant to the aggregated pro-rata base allocation algorithm, except in classes the Exchange determines to apply the price-time or pro-rata base allocation algorithm. Following the technology migration, the Exchange will determine to only apply the price-time or pro-rata base allocation algorithm, which are currently available on the Cboe Affiliated Exchanges.[58] Therefore, the proposed rule change deletes aggregated pro-rata priority from the possible base allocation algorithms. Aggregated pro-rata is similar to standard pro-rata, except broker-dealer orders at the same price are aggregated prior to the pro-rata distribution and counted as a single order with the aggregated size. While these algorithms allocate orders and quotes in a different manner because of this aggregation, and may result in different allocations of orders and quotes, the resulting allocations are generally similar.

Proposed Rule 5.32(a) states the Exchange determines which base allocation algorithm in proposed subparagraph (1), and whether one or more of the priority overlays in subparagraph (2), will apply on a class-by-class basis. This is consistent with current Rule 6.45(a)(i).[59] Proposed Rule 5.32(a)(1)(A) states resting orders and quotes on the Book with the highest bid and lowest offer have priority. If there are two or more resting orders or quotes at the same price, the System prioritizes them at the same price in the order in which the System received them (*i.e.,* time priority).[60] Proposed Rule 5.32(a)(1)(B) states resting orders and quotes on the Book with the highest bid and lowest offer have priority. If there are two or more resting orders at the same price, the System allocates orders proportionally according to size (*i.e.,* on a pro-rata basis). The System allocates executable quantity to the nearest whole number, with fractions ½ or greater rounded up (in size-time priority) and fractions less than ½ rounded down. If the executable quantity cannot be evenly allocated, the System distributes remaining contracts one at a time in

[49] The Exchange notes a User may not designate a bulk message as AON. AON orders are not displayed, and thus do not contribute to price discovery. Additionally, the size contingency restricts the ability of an AON order to execute, and thus its purpose is not to provide liquidity, which contradicts the purpose of bulk messages.

[50] Rule 6.1A(f) in the current Rulebook also provides that all order types that are available for electronic processing during RTH and as otherwise determined by the Exchange will be available for trading during GTH, except market orders, market-on-close orders (which includes limit-on-close orders pursuant to the current definition of market-on-close orders in current Rule 6.53), stop orders, and GTC orders. The proposed rule change deletes current Rule 6.1A(f), as proposed Rule 5.30 covers this information.

[51] *See* Rule 5.6 in the shell Rulebook for definitions of each order type, order instruction, and time-in-force.

[52] Note it is not specified in the current Rulebooks that QCC orders are not available during GTH; however, this is consistent with the fact that only index options are eligible for trading during GTH.

[53] With the exception of order instructions and times-in-force that are not currently available on the Exchange but will be following the technology migration, these are the same order types, order instructions, and times-in-force the Exchange may currently make available during RTH.

[54] The Exchange notes it intends to indicate which order types, order instructions, and times-in-force the Exchange may make available for complex orders during each trading session in a separate rule filing.

[55] With the exception of order instructions and times-in-force that are not currently available on the Exchange but will be following the technology migration, these are the same order types, order instructions, and times-in-force the Exchange may currently make available during GTH, except for GTC. Because the Exchange will use the same Book for GTH and RTH, the Exchange will make available the GTC time-in-force for GTH, as an order in an All Sessions class with that time-in-force can remain in the Book following the conclusion of the GTH trading session and be available for trading during the RTH trading session.

[56] The proposed definition of a QCC order is virtually identical to the definition of a QCC order in EDGX Options Rule 21.1(d)(10). QCC orders are not currently available on BZX Options or C2.

[57] The Exchange intends to move the provisions regarding the allocation and execution of orders in open outcry in current Rule 6.45(b) and Interpretation and Policy .06 to the shell Rulebook in a separate rule filing.

[58] *See* BZX Options Rule 21.8(a) (price-time); C2 Options Rule 6.12(a) (price-time and pro-rata); and EDGX Options Rule 21.8(c) (pro-rata).

[59] Pursuant to any allocation algorithm and priority overlay, the System only allocates to an order or quote up to the number of contracts of that order at the execution price. *See* current Rule 6.45(a)(i) and proposed Rule 5.32(a).

[60] *See* current Rule 6.45(a)(i)(A). The proposed rule change makes no substantive changes to the price-time base allocation algorithm.

size-time priority to orders that were rounded down.[61] This differs from the current the pro-rata allocation algorithm, pursuant to which the System allocates contracts to the first resting order or quote proportionally according to size (based on the number of remaining contracts to be allocated and the size of the remaining resting orders and quotes), and allocates contracts to the next resting order or quote. The System repeats this process until it allocates all contracts from the incoming order or quote. The system rounds fractions ½ or greater up and fractions less than ½ down. The Exchange believes the proposed pro-rata algorithm is a fair, objective, and simple systematic process to allocate ''extra'' contracts when more than one market participant may be entitled to those extra contracts after rounding. It is also consistent with the pro-rata process on Cboe Affiliated Exchanges.[62]

Proposed Rule 5.32(a)(2) describes the priority overlays the Exchange may apply to a class, which are the same priority overlays the Exchange may apply today. The Exchange may apply one or more priority overlays to a class in any sequence,[63] except if the Exchange applies any participation entitlement pursuant to proposed subparagraph (B) or the small order priority pursuant to proposed subparagraph (C), the Exchange must apply the Priority Customer overlay in proposed subparagraph (A) ahead of the participation entitlement and small-size priority in the priority sequence.[64] After the System executes an incoming order subject to the applicable priority overlays, the System executes any remaining orders on the Book (which are non-Priority Customer orders if the Exchange applies any of the overlays in proposed subparagraphs (A) through (C)) pursuant to the applicable base allocation algorithm. This is consistent with current functionality, and the proposed rule change is adding this detail to the Rules.[65]

Proposed Rule 5.32(a)(2)(A) describes the Priority Customer overlay, pursuant to which a Priority Customer order at the highest bid or lowest offer has priority over orders and quotes of all other market participants (*i.e.,* non-Priority Customers) at that price. If there are two or more Priority Customer orders at the same price, the System prioritizes them in the order in which the System received them (*i.e.,* time priority).[66]

Proposed Rule 5.32(a)(2)(B) describes the Designated Primary Market-Maker (''DPM''), Lead Market-Maker (''LMM''), and Preferred Market-Maker (''PMM'') participations entitlements.[67] The Exchange may apply one or more of the DPM, LMM, and PMM participation entitlements (in any sequence) to a class. If the DPM, LMM, or PMM, as applicable, has a quote at the highest bid or lowest offer, it will receive the greater of (1) the number of contracts it would receive pursuant to the applicable base allocation algorithm and (2) 50% of the contracts if there is one other non-Priority Customer order or quote, 40% of the contracts if there are two non-Priority Customer orders or quotes, or 30% of the contracts if there are three or more non-Priority Customer orders or quotes at that price.[68]

Only one participation entitlement may apply to a trade (*e.g.,* if the Exchange applies a PMM participation entitlement and DPM participation entitlement to a class, with the PMM participation entitlement ahead of the DPM participation entitlement in the priority sequence, and both a PMM and DPM have a quote at the highest bid or lowest offer, the PMM will receive an entitlement on a trade and the DPM will not).[69] The participation entitlement will be based on the number of non-Priority Customer contracts remaining after the Priority Customer overlay is applied.[70] If the Exchange appoints both an On-Floor LMM or DPM and an Off-Floor DPM or LMM to a class, the On-Floor LMM or DPM, as applicable, may receive a participation entitlement with respect to orders represented in open outcry but not for orders executed electronically, and an Off-Floor DPM or LMM, as applicable, may receive a participation entitlement with respect to orders executed electronically but not orders represented in open outcry.[71] Additionally, the DPM/LMM/PMM participation entitlements do not apply during GTH.[72]

Proposed Rule 5.32(a)(2)(C) describes the small-size order entitlement (also referred to as the 1–5 lot entitlement).[73] If an incoming order or quote has five or fewer contracts (a ''small-size order''), and the DPM or LMM, as applicable, in the class has a quote at the highest bid or lowest offer, it has priority to execute against the entire size of the order or quote that does not execute against any Priority Customer orders on the Book at that price.[74] If a small-size order is preferred to a PMM, the PMM has a quote at the BBO, and the Exchange has applied the PMM participation entitlement to the class, the PMM receives its participation entitlement, and the small-size order entitlement does not apply to any execution of that order. If the PMM does not have a quote at the BBO, but the DPM or LMM, as applicable does, the DPM/LMM participation entitlement will apply to any execution of that order.[75] If a small-size order is preferred to a DPM or LMM, and the Exchange has applied the PMM and DPM or LMM participation entitlement, the DPM or LMM receives the small-size order entitlement, and the participation entitlement does not apply to execution of that order.[76] The small-

[61] *See also* C2 Rule 6.12(a)(2)(B); and EDGX Options Rule 21.8(c).

[62] *See* C2 Rule 6.12(a)(2)(B); and EDGX Options Rule 21.8(c).

[63] *See* current Rule 6.45(a)(ii).

[64] *See* current Rule 6.45(a)(ii)(B)(2) and (a)(ii)(c).

[65] *See also* EDGX Options Rule 21.8(e).

[66] *See* current Rule 6.45(a)(ii)(A). The proposed rule change makes no substantive changes to the Priority Customer overlay. *See also* EDGX Options Rule 21.18(d)(1).

[67] The provisions describing the current participation entitlements are in current Rules 6.45(b)(ii)(B), 8.13(c), 8.15(d), and 8.87, which the proposed rule change deletes. The proposed rule change also deletes Rule 8.87, Interpretation and Policy .01, as the Exchange does not intend to establish a different participation rate for newly listed products. Additionally, the proposed rule change deletes current Rule 8.87, Interpretations and Policies .02 and .03 (which contain exceptions to a DPM's continuous electronic quoting obligations). The Exchange intends to move these provisions to the shell Rulebook in a future filing regarding Market-Maker quoting obligations. The proposed rule change also deletes Rule 8.15(c), which is currently reserved.

[68] *See* current Rules 8.13(c), 8.15(d)(ii), and 8.87(b)(2). The proposed rule change deletes the provision that all broker-dealers at the same price will be treated as one broker-dealer order (with size consisting of the cumulative number of contracts in those non-Market-Maker broker-dealer orders). The System will treat each order as an individual order. The Exchange believes this will also be a fair, objective, and simple systematic process, and may provide other market participants with additional opportunities to participate in executions where a participation entitlement applies. The proposed rule change makes no other substantive changes to the participation entitlements. DPMs, LMMs, and PMMs are subject to the obligations set forth in current Rules 8.13, 8.15, and 8.17, respectively.

[69] *See* current Rule 6.45(a)(ii)(B)(3) (proposed Rule 5.32(a)(2)(B)(i)).

[70] *See* current Rule 6.45(a)(ii)(B)(2) (proposed Rule 5.32(a)(2)(B)(ii)).

[71] *See* current Rules 8.15(d)(i) and 8.87(b)(iv) (proposed Rule 5.32(a)(2)(B)(iii)).

[72] *See* current Rule 6.1A(e)(iii)(B) and 8.87(b)(iv) (proposed Rule 5.32(a)(2)(B)(iv)). Note the current rule only references the LMM participation entitlement. However, to the extent the Exchange appoints a DPM or PMM to a class for the GTH trading session, the Exchange would similarly not have the applicable participation entitlement apply during that trading session at this time.

[73] *See* current Rule 6.45(a)(ii)(c). The proposed rule change makes no substantive changes to the small-size order entitlement.

[74] *See also* EDGX Options Rule 21.8(g)(2).

[75] *See* current Rule 6.45(a)(ii)(c)(3) and proposed Rule 5.32(a)(2)(C)(i); *see also* EDGX Options Rule 21.8(h)(1)(A).

[76] *See* current Rule 6.45(a)(ii)(c) and proposed Rule 5.32(a)(2)(C)(ii); *see also* EDGX Options Rule 21.8(h)(1)(C). While this is not specified in the current Rule, the proposed rule change is consistent with current functionality and adds this detail to the Rules.

size order does not apply to executions following auctions.[77] The Exchange will continue to review the small-size order entitlement on a quarterly basis, and will reduce the size of the small-size orders if they comprise more than 40% of the volume executed on the Exchange (excluding volume resulting from the execution of orders in the Automated Improvement Mechanism (''AIM'')).[78]

Proposed Rule 5.32(a)(2)(D) describes the Market Turner priority.[79] A ''Market Turner'' is a TPH that first entered an order or quote at a better price than the previous highest bid or lowest offer, which order is continuously on the Book (and not modified in a manner that changes its priority) until it trades. A Market Turner has priority to execute against 50% of an incoming order or quote, or against the number of contracts remaining after any priority overlays ahead of the Market Turner priority are applied).[80] There may be a Market Turner for each price at which a particular order or quote trades.[81] Market-Turner priority remains with an order or quote once established (*i.e.,* if the market moves in the same direction as the Market Turner's order or quote moved the market, and then moves back to the Market Turner's original price, the Market Turner retains priority at that original price).[82] Any unexecuted portion of a Market Turner order or quote retains its Market Turner priority at its original price.[83] Market Turner priority may not be established until after the market open. Once established, Market Turner priority remains in effect for an order or quote until the market close.[84]

The proposed rule change moves the following additional priority rules to proposed Rule 5.32(a)(3):

• Displayed orders at a given price have priority over nondisplayed orders (current Rule 6.45(a)(v)(A)).

• Priority Customer Reserve Quantities at the same price execute in time sequence, and non-Priority Customer Reserve Quantities execute in accordance with the applicable base allocation algorithm (current Rule 6.45(a)(v)(B)).

• An AON order is always last in priority order (including after nondisplayed Reserve Quantity). The System allocates AON orders at the same price based on the time the System receives them (*i.e.,* in time priority), except if the Exchange applies the Priority Customer overlay to a class, Priority Customer AON orders have priority over non-Priority Customer AON orders (current Rule 6.45(a)(v)(D)).[85] A transaction may occur at the same price as an AON order resting on the EDGX Options Book without the AON order participating in the transaction. Notwithstanding proposed Rule 5.32(a)(1), a transaction may occur at a price lower (higher) than an AON order bid (offer) resting on the Book if the size of the resting AON order cannot be satisfied (current Rule 6.44, Interpretation and Policy .02).

Other than the deletion of the aggregated pro rata base allocation algorithm (and the related aggregation provisions within the participation entitlement overlay) and how the System will round and allocate contracts when they cannot be divided evenly pursuant to the pro-rata base allocation algorithm, the System will allocate orders and quotes in the same manner as it does today. As noted above, the Exchange believes the proposed pro-rata base allocation (which the Exchange will apply to any classes to which the Exchange currently applies the aggregated pro-rata base allocation algorithm) is a fair, objective, and simple systematic process that is equivalent to the pro-rata base allocation algorithm available on Cboe Affiliated Exchanges. While the aggregated pro-rata and pro-rata algorithms each allocate orders and quotes in a different manner because of the aggregation of broker-dealer interest at the same price, and may result in different allocations of orders and quotes, the resulting allocations are generally similar.

Proposed Rule 5.32(b) describes a new Price Adjust process, which is a repricing mechanism offer to Users on BZX Options, C2, and EDGX Options.[86] Orders designated to be subject to the Price Adjust process or not designated as Cancel Back (and thus not subject to the Price adjust process), will be handled pursuant to proposed Rule 5.32(b). The Price Adjust process (in addition to the Cancel Back order instruction) is an additional way in which the Exchange will ensure compliance with the locked and crossed market rules in current Chapter VI, Section E (which the proposed rule change moves to Chapter 5, Section E in the shell Rulebook). It will also provide Users with additional flexibility regarding how they want the System to handle their orders.

Pursuant to proposed Rule 5.32(b)(1)(A), a buy (sell) non-AON order at the time of entry would lock or cross (1) a Protected Quotation of another exchange or the Exchange, the System ranks and displays the order at one minimum price variation below (above) the current NBO (NBB); or (2) the offer (bid) of a sell (buy) AON order resting on the Book at or better than the Exchange's best offer (bid), the System ranks the resting AON order one minimum price variation above (below) the bid (offer) of the non-AON order. For example, if an AON order to buy 5 at 1.10 is resting on the Book (which is the NBB), and a non-AON order to sell 1 (which does not satisfy the size of the AON order) at 1.10 enters the Book, the System reprices the AON order to rest in the Book at 1.05 (assuming the minimum price variation for the class is $0.05). Proposed Rule 5.32(b)(1)(B) states if a buy (sell) AON order, at the time of order entry, would (1) cross a Protected Offer (Bid) of another options exchange or a sell (buy) AON order resting on the Book at or better than the Exchange's best offer (bid), the System ranks the incoming AON order at a price equal to the Protected Offer (Bid) or the offer (bid) of the resting AON order, respectively; or (2) lock or cross a Protected Offer (Bid) of the Exchange, the System ranks the incoming AON order at a price one minimum price variation below (above) the Protected Offer (Bid).

For example, if an AON order to buy 5 at 1.10 is resting on the Book (which

[77] *See* current Rule 6.45(a)(ii)(c)(4) and proposed Rule 5.32(a)(2)(C)(iii).

[78] *See* current Rule 6.45(a)(ii)(c)(1) and proposed Rule 5.32(a)(2)(C)(iv).

[79] *See* current Rule 6.45(a)(ii)(D). The proposed rule change makes no substantive changes to the Market Turner priority.

[80] This is consistent with current functionality, and the proposed rule change adds this detail to the Rules. Currently, the Exchange may receive priority against an entire incoming order or quote or a percentage of that order or quote. *See* current Rule 6.45(a)(ii)(D). The Exchange currently sets this percentage to 50%, and intends to maintain that percentage following the technology migration, so the proposed rule change specifies this in the Rules.

[81] *See* current Rule 6.45(a)(ii)(D) and proposed Rule 5.32(a)(2)(D)(i).

[82] *See* current Rule 6.45(a)(ii)(D) and proposed Rule 5.32(a)(2)(D)(ii).

[83] *See* current Rule 6.45(a)(ii)(D) and proposed Rule 5.32(a)(2)(D)(iii).

[84] *See* current Rule 6.45(a)(ii)(D) and proposed Rule 5.32(a)(2)(D)(iv).

[85] The proposed rule change also states that a transaction may occur at the same price as an AON order resting on the Book without the AON participating in the transaction, and that notwithstanding proposed Rule 5.32(a)(1), a transaction may occur at a price lower (higher) than an AON order bid (offer) resting on the Book if the size of the resting AON order cannot be satisfied. *See* current Rule 6.44, Interpretation and Policy .02 (which was deleted from the current Rulebook pursuant to SR–CBOE–2019–027).

[86] The proposed Price Adjust process is substantially the same as EDGX Options Rule 21.1(i). Note BZX Options and C2 do not have AON orders, and thus the Price Adjust process described in their rules do not account for AON orders (and are equivalent to proposed paragraph 5.32(b)(1)(A)(i)). *See* BZX Options Rule 21.1(i); and C2 Rule 6.12(b).

is the NBB), and a non-AON order to sell 1 (which does not satisfy the size of the AON order) at 1.10 enters the Book, the System reprices the AON order to rest in the Book at 1.05 (assuming the minimum price variation for the class is $0.05). As another example, if a non-AON order to buy 1 at 1.10 is resting at the top of the Book, and an AON order to sell 5 (which cannot satisfied by the resting interest) at 1.10 enters the Book, the System reprices the AON order to rest in the Book at 1.15 (assuming the minimum price variation for the class is $0.05). As a final example, if a buy AON order has a bid of 1.05 and enters the Book when the NBO is 1.00, the System ranks the AON order at a 1.00 bid. Or, if a sell AON order has an offer of 1.10 and enters the Book, where there is a resting AON order with a bid of 1.15, the System ranks the incoming AON order at a price of 1.15.

The proposed Price Adjust process handles AON orders different than other orders, because AON orders are not displayed on the Book (and thus are not Protected Quotations). The Exchange believes the proposed process is reasonable, because non-AON orders will rest on the Book at prices that would not create a locked or crossed market, and AON orders will rest on the Book at executable prices. The proposed process will generally re-price the incoming (and thus later arriving order). However, the proposed rule change will reprice a resting AON order rather than an incoming non-AON order, because AON orders have last priority (as discussed above) and are not displayed, and thus should not cause the price of an incoming non-AON order to reprice. Because AONs are not displayed and have last priority on the Book, the Exchange believes it is appropriate to adjust the price of an AON rather than an incoming order that would be displayed and protected. The proposed rule change is consistent with linkage rules, because AONs are not be part of the BBO, and repricing an AON to lock an away exchange price or a resting (and nondisplayed) order on the Book will, therefore, not result in a displayed locked market.

The proposed rule change also ensures that a resting AON order will not lock the price of a Protected Quotation on the Book. This prevents the situation in which an incoming order may execute ahead of the resting non-AON order. For example, if a non-AON order to buy 1 at 1.10 is resting on the Book, and an AON order to sell 5 (and thus is not satisfied by the resting interest) at 1.10 enters the Book, if the System permitted the AON order to rest at a price of 1.10 (rather than reprice the AON to rest at 1.15 as proposed), if subsequently an AON to buy 5 at 1.10 was submitted to the Exchange, that AON would execute against the resting AON at 1.10, and thus ahead of the non-AON order to buy.[87] The proposed rule change will also reprice an AON order to a more aggressive price up to the limit price at which it would be able to execute without causing a trade-through as the market changes.[88]

Proposed Rule 5.32(b)(2) states the circumstances that caused the System to adjust the price of an order pursuant to proposed subparagraph (1) change so that it would not lock or cross, as applicable, a Protected Quotation or an AON resting on the Book at a price at or better than the BBO, the System gives the Price Adjust order a new timestamp. The System ranks or displays the order at a price that locks or is one minimum price variation away from the new Protected Quotation or AON resting on the Book at or better than the BBO, as applicable. All Price Adjust orders that are re-ranked and re-displayed (if applicable) retain their priority as compared to other Price Adjust orders based upon the time the System initially received the orders. Following the initial ranking and display (if applicable) of a Price Adjust order, an order will only be re-ranked and re-displayed (if applicable) to the extent it achieves a more aggressive price up to its limit price. The System adjusts the ranked and displayed price of an order subject to Price Adjust once or multiple times depending upon the User's instructions and changes to the prevailing NBBO. The System does not display a Price Adjust limit order at any price worse than its limit price. This proposed repricing mechanism is an additional way in which the Exchange will ensure compliance with intermarket linkage rules, while permitting resting orders to rest at the most aggressive, executable prices (subject to orders' limit prices). It also provides Users with additional flexibility regarding how they want the System to handle their orders.[89]

The Exchange does not have functionality that corresponds to the Price Adjust process. However, the Exchange's current Rules do not provide any special handling that applies to AON orders that lock or cross orders on the Exchange or the quote of an away options market. Therefore, pursuant to the Rules, if an AON order is unable to execute upon entry into the System (or after routing, if eligible for routing pursuant to the Rules), the AON order will rest at its price, even if it locks or crosses the Exchange's BBO or the quote of an away options market.[90] The proposed rule change will similarly permit an AON order to rest at a price that locks the quote of an away options market, as well as an AON order resting on the Book at a price at or better than the BBO. An AON order resting at a price that locks or crosses an order may only execute in accordance with the priority principles set forth in current Rule 6.45 and may not execute at prices that would cause a trade-through pursuant to current Rule 6.81. The Exchange believes the proposed rule change ultimately creates the same result for a resting AON order that would otherwise occur on the Exchange (the proposed rule change merely changes the price of an AON order upon entry rather than at the time of execution), and in some cases results in price improvement for an AON order.

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

Additionally, suppose the BBO was 1.15 × 1.25 (non-AON order with size of 50), and was also the NBBO, and a User submitted an AON order for 100 to buy at 1.25, the AON order would rest on the Book with a price of 1.20 (which is one minimum price variation below the resting non-AON order). If an order to

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

[88] *See* current Rule 6.81 and proposed Rule 5.66 (which prohibits trade-throughs, subject to certain exceptions); and current Rule 6.82 and proposed Rule 5.67 (requires the Exchange to reasonably avoid displaying quotes that lock a Protected Quotation).

[89] *See also* EDGX Options Rule 21.1(i).

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

sell 100 at 1.20 was later submitted to the Exchange, it would execute against the resting AON order at a price of 1.20 (which results in price improvement for the AON order). Currently on the Exchange, the AON would rest at 1.25. If an order to sell 100 at 1.20 was later submitted to the Exchange, the AON would receive execution at a price of 1.25.[91] The Exchange believes the proposed rule change is an enhancement that will prevent such incoming orders to trade against a resting AON at the same price as a resting non-AON order on the opposite side of the market that had insufficient size to trade against the AON order.

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

Proposed Rule 5.32(c) describes how the System handles orders and quotes in additional circumstances. Proposed subparagraph (1) states, subject to the exceptions contained in proposed Rule 5.66 (current Rule 6.81), the System does not execute an order at a price that trades through a Protected Quotation of another options exchange. The System routes an order a User designates as routable in compliance with applicable Trade-Through restrictions. The System cancels or rejects any order not eligible for routing or the Price Adjust process that is entered with a price that locks or crosses a Protected Quotation of another options exchange. The Exchange currently does not execute orders at trade-through prices, consistent with intermarket linkage rules.[92]

The proposed rule change adds proposed Rule 5.32(c)(2), which states the System cancels or rejects a buy (sell) stop or stop-limit order if the NBB (NBO) at the time the System receives the order is equal to or above (below) the stop price. The System accepts a buy (sell) stop or stop-limit order if the consolidated last sale price at the time the System receives the order is equal to or above (below) the stop price. This is consistent with the definitions of stop and stop-limit orders in Rule 5.7(c) of the shell Rulebook. Because the purpose of a stop or stop-limit order is to rest in the Book until a specified price is reached, the Exchange believes rejecting a stop or stop-limit order entered above or below, as applicable, that price may be erroneous, as entry at that time would be inconsistent with the purpose of the order.[93]

The proposed rule change adds proposed Rule 5.32(c)(3), which states the System cancels or rejects a GTC or GTD order in an adjusted series.[94] Pursuant to current Rule 5.7, options contracts are subject to adjustments in accordance with the Rules of the Options Clearing Corporation (''OCC''). Generally, due to a corporate action by the issuer of an underlying, OCC may adjust the price of an option. After a corporate action and a subsequent adjustment to the existing options, OPRA and OCC identify the series in question with a separate symbol consisting of the underlying symbol and a numerical appendage. As a standard procedure, exchanges listing options on an underlying security that undergoes a corporate action resulting in adjusted series will list new standard option series across all expiration months the day after the existing series are adjusted. The adjusted series are generally actively traded for a short period of time following adjustment, but prices of those series may have been impacted by the adjustment. As a result, any GTC or GTD orders submitted prior to the adjustment may no longer reflect the market price of the adjusted series, as the prices of the GTC or GTD orders do not factor in the adjustment. The Exchange believes any executions of these GTC or GTD orders would be at erroneous prices, and thus believes it is appropriate for the System to cancel these orders, which will permit Users to resubmit orders in the adjust series at prices that reflect the adjustment and to submit orders in the new series.

The proposed rule change adds proposed Rule 5.32(c)(4), which states the System does not execute an order with an MTP Modifier entered into the System against an order entered with an MTP Modifier and the same unique identifier, and instead handles them in accordance with Rule 5.7(c) in the shell Rulebook. This provision reflects the definitions of the MTP Modifiers in Rule 5.7(c) in the shell Rulebook.

The proposed rule change moves the provisions regarding handling of market orders, market-on-close orders, and stop orders when the underlying security is in a limit up-limit down state from Rule 6.45(d) in the current Rulebook to Rule 5.32(c)(5) in the shell Rulebook. The proposed rule change only makes nonsubstantive changes to these provisions, including updating cross-references (and adding references to the Exchange's electronic crossing mechanisms), making grammatical changes, and updating paragraph numbering and lettering.

The proposed rule change moves the provision regarding the decrementation of an order or quote following partial execution from Rule 6.45(a)(iii) in the current Rulebook to Rule 5.32(d) in the shell Rulebook. The proposed rule change also moves the provision regarding the modification of orders and quotes from Rule 6.45(a)(iv) in the current Rulebook to Rule 5.32(e) in the shell Rulebook. The proposed rule change deletes the provision regarding two-sided quotes, as the functionality on Bats technology will not have an equivalent of two-sided quotes. Through bulk messages (the proposed equivalent to quoting technology), Users may submit bids and offers in the same series; however, they are individual quotes. The proposed rule change only makes nonsubstantive changes to these provisions, including updating cross-references (and adding references to the Exchange's electronic crossing mechanisms), making grammatical changes, and updating paragraph numbering and lettering.

The proposed rule change deletes current Rule 6.45(v) regarding contingency orders. As discussed above, certain provisions regarding AONs and Reserve orders were moved to other parts of the rule. The Exchange does not believe the introductory language and remaining provisions are necessary, as the order instruction definitions in Rule 5.6 of the shell Rulebook and order handling provisions described above contain sufficient detail regarding how the System will handle contingency orders. Additionally, the Exchange believes FOK and IOC orders relate to the time of execution of orders rather than a contingency, and thus these terms are described in Rule 5.6(d) of the shell Rulebook.

The proposed rule change moves the provisions regarding order exposure requirements from Rule 6.45, Interpretations and Policies .01 through .03 in the current Rulebook to Rule 5.8 in the shell Rulebook. The proposed rule change only makes nonsubstantive changes to these provisions, including updating cross-references (and adding references to the Exchange's electronic crossing mechanisms), making grammatical changes, and updating paragraph numbering and lettering.

[91] *See* current Rule 6.45 (proposed Rule 5.32).

[92] *See also* C2 Rule 6.12(c)(1); and EDGX options Rule 21.6(e) and (f).

[93] *See also* C2 Rule 6.12(c)(3).

[94] This is true on any trading day on which the adjusted series continues to trade.

The proposed rule change deletes current Rule 6.45, Interpretation and Policy .04, as it is redundant of Rule 1.2 in the current Rulebook (Rule 1.5 in the shell Rulebook). The proposed rule change moves current Interpretation and Policy .05 to proposed Interpretation and Policy .01. The proposed rule change deletes current Interpretations and Policies .05 and .06, and intends to add those provisions to Chapter 5, Section G of the shell Rulebook to keep all Rules related to open outcry trading in the same rule.

The proposed rule change moves the Rules regarding intermarket linkage, including order protection and locked and crossed market rules, from current Rules 6.80 to 6.82 in the current Rulebook to proposed Rules 5.65 to 5.67 in the shell Rulebook. The proposed rule change only makes nonsubstantive changes to these provisions, including updating cross-references and paragraph numbering and lettering.[95]

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.[96] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[97] 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)[98] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed rule changes are generally intended to add or align certain system functionality offered by the Exchange and the Cboe Affiliated Exchanges in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology, 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 changes would also provide Users with access to functionality that is generally available on markets other than the Cboe Affiliated Exchanges and may result in the efficient execution of such orders and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users. The proposed rule change does not propose to implement new or unique functionality that has not been previously filed with the Securities and Exchange Commission (the ''Commission'') or is not available on Cboe Affiliated Exchanges. There are a number of rules to which the proposed rule change only makes nonsubstantive changes. The proposed rule text is generally based on the rules of Cboe Affiliated Exchanges and is different only to the extent necessary to conform to the Exchange's current Rules, retain intended differences based on the Exchange's market, or make other nonsubstantive changes to simplify, clarify, eliminate duplicative language, or make rule provisions plain English.

To the extent a proposed rule change is based on an existing Cboe Affiliated Exchange rule, the language of the Rules and Cboe Affiliated Exchange rules may differ to extent necessary to conform with existing Exchange rule text or to account for details or descriptions included in the Exchange's Rules but not in the applicable Exchange Rule. Where possible, the Exchange has substantively mirrored Cboe Affiliated Exchange rules, because consistent rules will simplify the regulatory requirements and increase the understanding of the Exchange's operations for Trading Permit Holders that are also participants on the Exchange. The proposed rule change will provide greater harmonization between the rules of the Cboe Affiliated Exchanges, resulting in greater uniformity and less burdensome and more efficient regulatory compliance. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system. The Exchange also believes that the proposed amendments will contribute to the protection of investors and the public interest by making the Exchange's rules easier to understand.

The proposed rule change regarding connectivity to the Exchange, including the definition of ports, will reduce complexity and increase understanding of the Exchange's operations for all Users of the Exchange following migration. As the ports are the same as used on the Cboe Affiliated Exchanges, Users of the Exchange and these other exchanges will have access to similar functionality on all Cboe Affiliated Exchanges. As such, the proposed rule change will foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system. The proposed changes to the Exchange's disaster recovery rules, including the requirements regarding which TPHs must connect to the Exchange's back-up system and participate in testing, are consistent with Regulation SCI requirements applicable to the Exchange and other SCI entities, which require these SCI entities to comply with requirements with respect to the automated systems central to the performance of their regulated activities. The Exchange takes pride in the reliability and availability of its systems. The Exchange and the Cboe Affiliated Exchanges have put extensive time and resources toward planning for system failures and already maintain robust business continuity and disaster recovery plans consistent with the proposed rule. The proposed rule change is also substantially similar to the rules of the Cboe Affiliated Exchanges, as well as another options exchange.[99]

The proposed rule regarding message traffic mitigation replaces the current Rules that permit the Exchange to similar mitigate message traffic. The Exchange does not have unlimited capacity to support unlimited messages, and the Exchange believes the proposed rule change provides the Exchange with reasonable measures to take to manage message traffic and protect the integrity of the System. The proposed rule change is also substantially similar to the rules of the Cboe Affiliated Exchanges.[100]

[95] The proposed rule change also deletes current Rules 6.83 and 6.84, which were reserved or previously deleted.

[96] 15 U.S.C. 78f(b).

[97] 15 U.S.C. 78f(b)(5).

[98] *Id.*

[99] *See* BZX Options Rule 2.4; C2 Rule 6.34; and EDGX Rule 2.4; *see also* MIAX Rule 321, Interpretation and Policy .01.

[100] The proposed rule change is substantially similar to BZX Options Rule 21.14, C2 Rule 6.35, and EDGX Options Rule 21.14. Note the BZX Options and EDGX Options rules also include a provision regarding their ability to periodically delist options with an average daily volume of less than 100 contracts. Current Exchange Rule 5.4, Interpretation and Policy .13 permits the Exchange to delist any class immediately if the class is open for trading on another national securities exchange,

The proposed bulk message functionality is substantially similar to the Exchange's current quoting functionality. The Exchange believes this will provide Market-Makers with a more seamless transition to the Exchange's new technology, and will provide Market-Maker with a means to contribute liquidity to the Exchange's market continuously during the technology migration, which benefits investors. Additionally, the proposed rule change provides other liquidity providers with an additional method of providing liquidity to the Exchange. This may result in the efficient execution of quotes and orders and will provide Users with additional flexibility and increased functionality on the Exchange's System, which may benefit all investors. The proposed bulk message functionality is also substantially similar to functionality currently available on Cboe Affiliated Exchanges.[101]

The proposed rule change to update the definition of QCC orders merely codifies in the Rules certain functionality for Complex QCC orders, but makes no proposes changes to the actual functionality or how Complex QCC orders execute. The proposed definition is substantially the same as a rule of a Cboe Affiliated Exchange.[102]

The proposed price adjust process is consistent with intermarket linkage rules, which require the Exchange to reasonably avoid displaying quotations that lock or cross any Protected Quotation. This proposed functionality will assist Users by displaying orders and quotes at permissible, executable prices, while also providing Users with flexibility to not have their orders and quotes subject to the Price Adjust process if they prefer. This proposed functionality is substantially similar to functionality available on Cboe Affiliated Exchanges.[103]

As discussed above, other than the deletion of the aggregated pro-rata base allocation algorithm (and the related aggregation provisions within the participation entitlement overlay) and how the System will round and allocate contracts when they cannot be divided evenly pursuant to the pro-rata base allocation algorithm, the System will allocate orders and quotes in the same manner as it does today. While the pro-rata algorithm may result in a different allocation of contracts than the aggregated pro-rata algorithm because of the aggregation of broker-dealer interest at the same price, the resulting allocations are generally similar. The Exchange believes the proposed pro-rata base allocation (which the Exchange will apply to any classes to which the Exchange currently applies the aggregated pro-rata base allocation algorithm) is a fair, objective, and simple systematic process. Additionally, it is equivalent to the pro-rata base allocation algorithm available on Cboe Affiliated Exchanges.[104]

The majority of the changes are nonsubstantive changes or provide additional detail in the rule regarding current functionality. The Exchange believes these changes and transparency will protect investors, as they provide more clarity within the rule and more harmonized rule language across the rules of the Cboe Affiliated Exchanges.

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 does not believe the proposed rule change will impose any burden on intramarket competition. The Exchange believes the proposed rule changes to the disaster recovery rules will further contribute to the Exchange's continuous operation of a competitive market in the event of a systems failure or other disaster event. The Exchange notes that the proposed rule change is designed to provide the Exchange with authority to require certain market participants to participate in, and provide necessary liquidity to, the market to ensure that the Exchange functions in a fair and orderly manner in the event of a significant systems failure, disaster, or other unusual circumstances.

The proposed rule changes regarding connectivity to the Exchange (including the description of ports and EFIDs) will apply to all Users in the same manner, and are similar to the manner in which Users may connect to the Exchange today. Additionally, the proposed rule regarding message traffic mitigation replaces the current measures the Exchange may use to mitigate message traffic. The proposed rule will apply to messages of all Users in the same manner.

The proposed bulk message functionality will be available to all Users, and will be voluntary. While only Market-Makers may submit Book Only bulk messages (and orders submitted through bulk ports), the Exchange believes this is appropriate given the various obligations Market-Makers must satisfy under the Rules and the unique and critical role Market-Makers play in the options market, as discussed above. The Exchange believes providing Market-Makers with flexibility to use the Post Only or Book Only instruction with respect to bulk messages (and orders submitted through bulk ports) will provide Market-Makers with tools to meet their obligations in a manner they deem appropriate, as they are currently able to do today using current quoting functionality on the Exchange. The Exchange notes all other Users may continue to use the Book Only instruction on orders submitted to the Exchange through other types of ports. The proposed rule change expands the availability of this functionality to all Users (currently, only appointed Market-Makers may use the Exchange's quoting functionality). The availability of bulk message functionality (including the use of the Post Only instruction on those bulk messages) will be available for all Users, which may encourage Users that may not have quoting systems to provide liquidity to the Exchange.

The proposed Price Adjust process will apply to the orders and quotes of all Users in the same manner. Because Users may opt out their orders and quotes out of the Price Adjust process by designating them as Cancel Back, the Price Adjust process is voluntary, and will provide all Users with flexibility with respect to, and additional control over, the executions of their orders and quotes on the Exchange. The proposed distinction between AON orders and non-AON orders is consistent with the fact that AON orders are not displayed

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or to not open any additional series for trading in a class that is solely open for trading on the Exchange. This provision achieves the same purpose as the BZX Options and EDGX Options rules, and thus it is unnecessary to add that provision to the Exchange's Rules.

[101] *See* C2 Rules 1.1, 6.8(c)(3), 6.10, and 6.12(b); and EDGX Options Rules 16.1, 21.1(c), (d), (f), (g), (i), and (j)(3). The proposed rule change is also similar to BZX Options Rules 16.1(a)(4), 21.1(c), (d), (f), (g), and (l)(3). However, the BZX Options rules differ, because the BZX Options price adjust process does not apply to bulk messages (pursuant to the proposed rule change and the C2 and EDGX Options rules, Users may determine whether their bulk messages will be subject to the Price Adjust process), and the BZX Options rule permits all Users to designate a bulk message as Post Only or Book Only (pursuant to the proposed rule change and the C2 and EDGX Options rules, appointed Market-Makers may designate bulk messages as Post Only or Book Only, while other Users may only designate bulk messages as Post Only). These differences are intended to account for the different market models of the Exchange and BZX Options.

[102] *See* EDGX Options Rule 21.1(d)(10).

[103] *See* BZX Options Rule 21.1(i); C2 Rule 6.12(b); and EDGX Options Rule 21.1(i). The Exchange notes EDGX Options is the only other Cboe Affiliated Exchange with AON order functionality, and therefore the Price Adjust rules of BZX Options and C2 do not account for the presence of AON orders, as the proposed rule change and the EDGX Options rule do.

[104] *See* C2 Options Rule 6.12(a); and EDGX Options Rule 21.8(c).

on the Exchange's Book or disseminated to OPRA.

The proposed pro-rata base allocation algorithm will apply to the orders and quotes of all Users in the same manner in the classes to which the Exchange applies that algorithm (subject to the application of any priority overlays, which will operate in the same manner as they do today).

The proposed rule change to prevent Market-Maker bulk message executions against other resting Market-Maker interest is similar to the Exchange's current quote lock functionality, and is intended to protect Market-Makers from executions due to technology disparities rather than the intention of Market-Makers to trade with one another at that price. The Exchange believes this functionality and protection for Market-Makers may continue to encourage Market-Makers to quote tighter and deeper markets, which will increase liquidity and enhance competition.

The Exchange does not believe 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, because, as discussed above, the basis for the majority of the proposed changes to the Rules are the rules of the Cboe Affiliated Exchanges, which have been previously filed with the Commission as consistent with the Act. The proposed substantive rule changes are based on the following rules of the Cboe Affiliated Exchanges:

- The proposed changes to the Exchange's disaster recovery rule are substantively the same as BZX Rule 2.4; C2 Rule 6.34; and EDGX Rule 2.4.[105]
- The proposed rules regarding connectivity are substantively the same as C2 Rule 6.8.[106]
- The proposed message traffic mitigation rule is substantively the same as BZX Options Rule 21.14; C2 Rule 6.35; and EDGX Options Rule 21.14.
- The proposed bulk message functionality is substantively the same as C2 Rules 1.1, 6.8(c)(3), 6.10, and 6.12(b); and EDGX Options Rules 16.1, 21.1(c), (d), (f), (g), (i), and (j)(3).[107]
- The proposed price adjust functionality is substantively the same as EDGX Options Rule 21.1(i).[108]
- The proposed changes to the pro-rata allocation algorithm are substantively the same as C2 Rule 6.12(a); and EDGX Options Rule 21.8(c).
- The proposed changes to the QCC rule are substantively the same as EDGX Options Rule 21.1(d)(10).

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. In addition, the Exchange believes the proposed rule change will benefit Exchange participants in that it will provide a consistent technology offering, as well as consistent rules, for Users by the Cboe Affiliated Exchanges. Following the technology migration, the System will apply to all Users and orders and quotes submitted by Users in the same manner.

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[109] and Rule 19b–4(f)(6)[110] 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–2019–033 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–2019–033. 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–2019–033 and should be submitted on or before August 9, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[111]

Jill M. Peterson,

Assistant Secretary.

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[105] *See* MIAX Rule 321, Interpretation and Policy .01.

[106] *See also* BZX Options Rules 5.5(a), 11.3, 20.1(a), and 21.1(k) and (l); and EDGX Options Rules 5.5(a), 11.3, 20.1(a), and 21.1(j) and (k).

[107] *See also* BZX Options Rules 16.1(a)(4), 21.1(c), (d), (f), (g), and (l)(3).

[108] *See also* BZX Options Rule 21.1(i); and C2 Rule 6.12(b).

[109] 15 U.S.C. 78s(b)(3)(A).

[110] 17 CFR 240.19b–4(f)(6).

[111] 17 CFR 200.30–3(a)(12).