

Required fields are shown with yellow backgrounds and asterisks.

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| Page 1 of * 39 | SECURITIES AND EXCHANGE COMMISSION<br>WASHINGTON, D.C. 20549<br>Form 19b-4 | File No.* SR - 2017 - * 009 | Amendment No. (req. for Amendments *) |
|----------------|--|-----------------------------|---------------------------------------|

Filing by Cboe EDGX Exchange, Inc.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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|---|---|-------------------------------------|---|---|--|
| Initial * <input checked="" type="checkbox"/> | Amendment * <input type="checkbox"/>                                      | Withdrawal <input type="checkbox"/> | Section 19(b)(2) * <input type="checkbox"/> | Section 19(b)(3)(A) * <input checked="" type="checkbox"/> | Section 19(b)(3)(B) * <input type="checkbox"/> |
|   |   |                                     | Rule  |   |  |
| Pilot <input type="checkbox"/>                | Extension of Time Period for Commission Action * <input type="checkbox"/> | Date Expires * <input type="text"/> | <input type="checkbox"/> 19b-4(f)(1)        | <input type="checkbox"/> 19b-4(f)(4)                      |  |
|   |   |                                     | <input type="checkbox"/> 19b-4(f)(2)        | <input type="checkbox"/> 19b-4(f)(5)                      |  |
|   |   |                                     | <input type="checkbox"/> 19b-4(f)(3)        | <input checked="" type="checkbox"/> 19b-4(f)(6)           |  |

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| Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 | Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 |
| Section 806(e)(1) * <input type="checkbox"/>  | Section 806(e)(2) * <input type="checkbox"/>                                   |
| Section 3C(b)(2) * <input type="checkbox"/>   |  |

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| Exhibit 2 Sent As Paper Document <input type="checkbox"/> | Exhibit 3 Sent As Paper Document <input type="checkbox"/> |
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**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

The Exchange proposes to update Rule 21.1, Rule 21.10, and Rule 21.17 to make modifications to the Exchange's rules and functionality applicable to the Exchange's options platform in preparation for the technology migration of the Exchange's affiliated options exchanges onto the same technology as the Exchange.

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

|  |                          |
|--|--------------------------|
| First Name * Anders                    | Last Name * Franzon      |
| Title * SVP, Associate General Counsel |                          |
| E-mail * afranzon@cboe.com             |                          |
| Telephone * (913) 815-7154             | Fax <input type="text"/> |

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

|                   |                                |
|-------------------|--------------------------------|
| Date 12/21/2017   | SVP, Associate General Counsel |
| By Anders Franzon | <input type="text"/>           |
| (Name *)          |                                |



afranzon@cboe.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> Cboe EDGX Exchange, Inc. (the “Exchange”) is filing with the Securities and Exchange Commission (the “Commission”) a proposal to update Rule 21.1, Rule 21.10, and Rule 21.17 to make modifications to the Exchange’s rules and functionality applicable to the Exchange’s options platform (“EDGX Options”) in preparation for the technology migration of the Exchange’s affiliated options exchanges onto the same technology as the Exchange.

The Exchange has designated this proposal as a non-controversial filing and requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) under the Act.<sup>3</sup> If such waiver is granted by the Commission, the Exchange shall implement this rule proposal immediately.

The text of the proposed rule change is attached as Exhibit 5. Material proposed to be added is underlined. Material proposed to be deleted is enclosed in brackets.

(b) Not applicable

(c) Not applicable

2. Procedures of the Self-Regulatory Organization

(a) The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on November 30, 2017.

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

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

<sup>3</sup> 17 CFR 240.19b-4(f)(6)(iii).

(b) Please refer questions and comments on the proposed rule change to Joanne Moffic-Silver, Executive Vice President, General Counsel and Corporate Secretary, (312) 786-7462, or Anders Franzon, (913) 815-7154, SVP, Associate General Counsel.

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

(a) Purpose

In 2016, the Exchange and its affiliates Cboe BYX Exchange, Inc. ("BYX"), Cboe EDGA Exchange, Inc. ("EDGA"), and Cboe BZX Exchange, Inc. ("BZX") received approval to affect a merger (the "Merger") of the Exchange's then-current indirect parent company, Bats Global Markets, Inc., with Cboe Global Markets f/k/a CBOE Holdings, Inc. ("Cboe"), the direct parent of Cboe Exchange, Inc. ("Cboe Options") and Cboe C2 Exchange, Inc. ("C2 Options", and together with the Exchange, BZX, and Cboe Options the "Cboe Affiliated Exchanges").<sup>4</sup> 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. Thus, the proposals set forth below are intended to add certain functionality to the Exchange's System<sup>5</sup> that is more similar to functionality offered by Cboe Options and C2 Options in order to ultimately provide a consistent technology offering for market

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<sup>4</sup> See Securities Exchange Act Release No. 79585 (December 16, 2016), 81 FR 93988 (December 22, 2016) (SR-BatsBZX-2016-68; SR-BatsBYX-2016-29; SR-BatsEDGA-2016-24; SR-BatsEDGX-2016-60). The Exchange notes that BYX and EDGA are also affiliated exchanges but do not operate options platforms and thus the integration described in this proposal is inapplicable to such exchanges.

<sup>5</sup> The "System" is the automated trading system used by EDGX Options for the trading of options contracts. See Rule 16.1(a)(59).

participants who interact with the Cboe Affiliated Exchanges. Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent practicable will reduce potential confusion for Users.

The Exchange is proposing to adopt periodic but relatively minor changes to functionality in order to reduce risk in connection with the technology migration described above; this proposal is related to two such proposed changes. First, the Exchange proposes to adopt certain risk functionality in Rule 21.17, which is based on functionality on Cboe Options, C2 Options and/or the Exchange's functionality applicable to complex orders. The Exchange notes that it also proposes to make a related change to Rule 21.1 to eliminate functionality that overlaps with the proposed risk functionality. Second, the Exchange proposes to modify Rule 21.10 to allow it to provide additional information on transaction reports.

### Risk Controls

The Exchange currently provides certain controls to Users<sup>6</sup> of EDGX Options pursuant to Rule 21.16, which describes the Exchange's "Risk Monitor Mechanism," and Rule 21.20, which describes the Exchange's functionality for complex orders. In addition, the Exchange provides a variety of optional risk controls to all Exchange Users pursuant to Interpretation and Policy .01 to Rule 11.10, including various controls related

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<sup>6</sup> The term "User" means any Options Member or Sponsored Participant who is authorized to obtain access to the Exchange's System (as defined below) pursuant to Rule 11.3. See Rule 16.1(a)(63).

to the price of an order.<sup>7</sup> The Exchange proposes to adopt various risk controls currently offered by Cboe Options, C2 Options, and/or the Exchange with respect to complex orders and to codify such risk controls in Rule 21.17.

Rule 21.17 currently permits the Exchange to share a User's risk settings with the Clearing Member that clears transactions on behalf of the User, which is a provision that the Exchange does not propose to modify. Rule 21.17 does not currently describe any applicable risk settings. As noted above, though certain risk settings offered for Users of EDGX Options are codified in Rule 21.16, other optional risk settings offered by the Exchange are more generally described in Interpretation and Policy .01 to Rule 11.10 and have been described in other filings previously made by the Exchange.<sup>8</sup> The Exchange proposes to provide more specificity in proposed Rule 21.17 regarding the risk settings the Exchange proposes to implement for EDGX Options, which is consistent with the approach taken by Cboe Options and C2 Options.

As a general matter, the Exchange proposes to adopt various numeric values that would apply to the risk settings offered by the Exchange. Consistent with other rules of the Exchange,<sup>9</sup> the Exchange proposes to maintain all numeric values established by the Exchange pursuant to Rule 21.17 in publicly available specifications and/or published in

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<sup>7</sup> See Rule 11.10, Interpretation and Policy .01; see also Securities Exchange Act Release No. 67266 (June 26, 2012), 77 FR 39300 (July 2, 2012) (SR-EDGX-2012-21) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to New Market Access Risk Management Service).

<sup>8</sup> See id.

<sup>9</sup> See, e.g., Interpretation and Policies .04(c)(1), .04(e), .04(f) and .06 to Rule 21.20, which refer to various risk control values offered by the Exchange with respect to complex orders that are communicated to members of the Exchange via specifications and/or Regulatory Circular.

a Regulatory Circular. Further, as a general matter, the proposed risk settings would be applied to all orders and quotes received by EDGX Options rather than optionally configured and enabled by Users. Thus, proposed Rule 21.17 would explicitly state that unless otherwise specified, the price protections in the Rule, including the numeric values established by the Exchange, may not be disabled or adjusted. Below are descriptions of the specific risk settings proposed by the Exchange.

The first risk control the Exchange proposes to adopt is the Market Order NBBO Width Protection. As proposed, if a User submits a Market Order<sup>10</sup> to the System when the NBBO<sup>11</sup> width is greater than x% of the midpoint of the NBBO, subject to minimum and maximum dollar values established by the Exchange, the System will reject or cancel back to the User the Market Order. The Exchange proposes to establish “x” and the minimum and maximum values on a class-by-class basis. The proposed Market Order NBBO Width Protection is based on and similar to the Market-Width Parameter set forth in C2 Options Rule 6.17(a)(1).<sup>12</sup> In particular, similar to C2 Options Rule 6.17(a)(1), the Exchange would reject or cancel Market Orders when the width of the NBBO is greater than an acceptable range and would establish the numeric values that would ultimately determine acceptable quote widths on a class-by-class basis. However, in contrast to C2 Options Rule 6.17(a)(1),

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<sup>10</sup> See Rule 21.1(d)(5).

<sup>11</sup> As defined in Rule 16.1(a)(29), the term “NBB” means the national best bid, the term “NBO” means the national best offer, and the term “NBBO” means the national best bid or offer as calculated by EDGX Options based on market information received by EDGX Options from OPRA.

<sup>12</sup> The Exchange notes that identical or similar rules regarding risk controls offered by C2 Options are also provided in the rules of Cboe Options and on other options exchanges. However, the Exchange has focused on the Rules of C2 Options as well as the Exchange’s own rules applicable to complex orders for purposes of this proposal.

the Exchange does not propose to set forth specific boundaries for quote widths within the proposed rule. The Exchange believes that it needs flexibility to modify acceptable quote widths based on experience with the risk control and Users would always have access to the applicable settings in the Exchange's publicly available specifications and/or as published in a Regulatory Circular. The Exchange notes that the Nasdaq Options Market ("NOM") has a similar quote width protection in place for market orders that does not specify the applicable limits within the rule.<sup>13</sup> The Exchange notes that it does not currently have an NBBO width protection in place for Market Orders, and thus this protection is an additive control to protect against erroneous executions.

The second risk control the Exchange proposes to adopt is the Limit Order Fat Finger Check. As proposed, if a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount established by the Exchange above (below) the NBO (NBB), or, in the case of an order received prior to 9:30 a.m., above (below) the midpoint of the NBBO at the close of the market on the previous trading day, the System will reject or cancel back to the User the limit order. The proposed Limit Order Fat Finger Check is based on and similar to certain Limit Order Price Parameters set forth in C2 Options Rule 6.17(b). In particular, similar to C2 Options Rule 6.17(b)(1) and (b)(2), the Exchange would reject or cancel limit orders that are more than an acceptable difference from the applicable reference price and would distinguish the applicable reference price depending on whether an order was received prior to market open or during the trading day. However, in contrast

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<sup>13</sup> See NOM Chapter VI, Section 6(c), which describes the NOM Market Order Spread Protection and states that "System Orders that are Market Orders will be rejected if the best of the NBBO and the internal market BBO (the "Reference BBO") is wider than a preset threshold at the time the order is received by the System."

to C2 Options Rule 6.17(b), which states that the acceptable tick distance shall be no less than two minimum increment ticks for simple orders, the Exchange does not propose to set forth specific boundaries for the acceptable difference within the proposed rule. As is true for the Market Order NBBO Width Protection described above, the Exchange believes that it needs flexibility to modify the acceptable price range based on experience with the risk control and Users would always have access to the applicable settings in the Exchange's publicly available specifications and/or as published in a Regulatory Circular. The Exchange notes that the BOX Options Exchange ("BOX") has a similar price protection in place for limit orders that does specify potential percentages in the Rule but also permits BOX to modify such percentages via Information Circular without establishing outer boundaries.<sup>14</sup> The Exchange notes that it currently applies mandatory fat finger protection to complex orders received by the Exchange pursuant to Interpretation and Policy .06 to Rule 21.20. The Exchange also notes that it currently offers price protections analogous to the proposed Limit Order Fat Finger Check for orders other than complex orders (i.e., "simple orders"), however, as noted above such price protections are optional.

The third risk control the Exchange proposes to adopt is the Buy Order Put Check. As proposed, if a User enters a buy limit order for a put with a price that is higher than or equal to the strike price of the option, the System will reject or cancel back to the User the limit order. Similarly, if a User enters a buy Market Order for a put that would

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<sup>14</sup> See BOX Rule 7290, which describes the Price Protection for Limit Orders and Quotes and states that "[t]he price parameter is set by either the Exchange or the Participant on an underlying security basis and is a percentage of the NBBO on the opposite side of the incoming order or quote. Unless determined otherwise by the Exchange and announced to Participants via Informational Circular, the specified percentage shall be: 100% for the contra-side NBB or NBO priced at or below \$0.25; and 50% for the contraside NBB or NBO priced above \$0.25."

execute at (or the remaining portion would execute at) a price higher than or equal to the strike price of the option, the System will reject or cancel back to the User the Market Order (or remaining portion). The Exchange does not propose to apply this check to adjusted options. The proposed Buy Order Put Check is based on and substantively identical to the Put Strike Price Value Check set forth in C2 Options Rule 6.17(d)(1)(A). The Exchange notes that it does not currently have an analogous risk control in place, and thus, this protection is an additive control to protect against erroneous executions.

The fourth and final risk control the Exchange proposes to adopt is the Drill-Through Price Protection. As proposed, the Drill-Through Price Protection feature is a price protection mechanism applicable to all orders under which a buy (sell) order will not be executed at a price that is higher (lower) than the NBO (NBB) at the time of order entry plus (minus) a buffer amount established by the Exchange (the “Drill-Through Price”). If a buy (sell) order would execute or post to the EDGX Options Book at a price higher (lower) than the Drill-Through Price, the System will instead post the order to the EDGX Options Book at the Drill-Through Price, unless the terms of the order instruct otherwise. Any order (or unexecuted portion thereof) will rest in the EDGX Options Book (based on the time at which it enters the book for priority purposes) for a time period in milliseconds that may not exceed three seconds with a price equal to the Drill-Through Price. If the order (or unexecuted portion thereof) does not execute during that time period, the System will cancel it. While similar to and based on C2 Options Rule 6.17(a)(2), the proposed Rule is more directly based on Interpretation and Policy .04, to Exchange Rule 21.20, which describes Drill-Through Price Protection applicable to complex orders on EDGX Options. The proposed Drill-Through Price Protection is

identical to Interpretation and Policy .04 to Rule 21.20 with the exceptions of necessary differences between language related to simple orders and complex orders and that in contrast to a User being able to modify the protection to a more or less restrictive control, which is available for the control on the Exchange for complex orders, the Exchange proposes to apply standard Drill-Through Price Protection to all orders and such protection cannot be modified.

In connection with the changes described above, the Exchange proposes to remove a portion of the definition of a Market Orders to remove a risk protection currently in place that overlaps with various risk controls described above. Market Orders are currently defined in in Rule 21.1(d)(5) as “orders to buy or sell at the best price available at the time of execution.” Rule 21.1(d)(5) further states that “[a]ny portion of a Market Order that would execute at a price more than \$0.50 or 5 percent worse than the NBBO at the time the order initially reaches EDGX Options, whichever is greater, will be cancelled.” The Exchange proposes to remove this price protection for Market Orders because it is no longer necessary in light of the proposed risk controls described above (other than the Limit Order Fat Finger Check, which is inapplicable to Market Orders). In particular, the Drill-Through Price Protection provides a control with respect to the execution prices of Market Orders and would be duplicative of the existing control.

#### Details in Transaction Reports

The Exchange also proposes to modify Rule 21.10, Anonymity, to allow it to provide additional information on transaction reports. Current Rule 21.10(a) states that “[t]he intra-day transaction reports produced by the System will indicate the details of the

transactions, and shall not reveal contra party identities.” The Exchange notes that this provision is consistent with Rule 11.13(d) of its cash equities trading platform (“EDGX Equities”) but is not a common provision in the rules of other options exchanges, including Cboe Options or C2 Options, which do not have such a provision. The Exchange currently provides details regarding contra-parties on various end of day and end of month reports for clearing purposes, and this information is similarly readily available through the Options Clearing Corporation (“OCC”) for clearing purposes.

The Exchange proposes to remove the restriction on providing contra party identities and to specifically state that aggregated and individual transaction reports produced by the System will indicate the details of a User’s transactions, including the contra party’s MPID, capacity, and clearing firm account number.

Current paragraph (c) of Rule 21.10 contains four exceptions to the general rule of anonymity, providing that the “Exchange shall reveal a User’s identity in the following circumstances: (1) for regulatory purposes or to comply with an order of an arbitrator or court; (2) if both Users to the transaction consent; (3) if a User is acting as either a Market Maker or sending Orders on behalf of a Priority Customer; or (4) unless otherwise instructed by a User, the Exchange will reveal to a User, no later than the end of the day on the date an anonymous trade was executed, when the User’s Order has been decremented by another Order submitted by that same User.” The Exchange proposes to retain only the first exception, regarding regulatory purposes or to comply with an order of an arbitrator or court, as the other exceptions are no longer necessary to the extent the Exchange will provide information on individual and aggregate transaction reports produced by the System.

(b) Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>15</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>16</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. In particular, consistent rules and functionality between the Exchange and its affiliated exchanges will reduce complexity and help avoid potential confusion by the Users of the Exchange that are also participants on other Cboe Affiliated Exchanges.<sup>17</sup>

The Exchange believes the proposed amendment will reduce complexity and increase the understanding of the Exchange's operations for all Users of the Exchange. In particular, by adopting certain mandatory risk controls, the Exchange's functionality will be more similar to that of Cboe Options and C2 Options. In turn, when Cboe Options and C2 Options are migrated to the same technology as that of the Exchange, Users of the Exchange and other Cboe Affiliated Exchanges will have access to similar functionality on all Cboe Affiliated Exchanges. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and

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

<sup>16</sup> 15 U.S.C. 78f(b)(5).

<sup>17</sup> The Exchange notes that its affiliate, BZX, also intends to adopt changes that are substantively identical to the changes set forth in this proposal. In addition, as Cboe Options and C2 Options migrate to the same technology platform as the Exchange, Cboe Options and C2 Options intend to modify rules and functionality to be consistent with the Exchange and BZX, unless the retention of differences is intended.

open market and a national market system.

The Exchange further believes that the proposed price protection mechanisms and risk controls will protect investors and the public interest and maintain fair and orderly markets by mitigating potential risks associated with market participants entering orders and quotes at unintended prices, and risks associated with orders and quotes trading at prices that are extreme and potentially erroneous, which may likely have resulted from human or operational error. While the Exchange has previously offered many risk controls under Interpretation and Policy .01 to Rule 11.10 and other filings previously made by the Exchange,<sup>18</sup> the Exchange believes that Users will benefit from the additional specificity provided under the proposed rules, particularly because, in contrast to optional risk control functionality, the proposed rules provide that each proposed risk control will be applied to all orders received by EDGX Options. Although the Exchange's proposed price protection mechanisms and risk controls are similar to and based on existing rules of C2 Options or the Exchange, the Exchange notes that it has not proposed to establish outer boundaries or limits to the levels at which the mechanisms can be set. The Exchange believes this is reasonable and is necessary to afford the Exchange the flexibility to establish and modify the default parameters in order to protect investors and the public interest and maintain a fair and orderly market. The Exchange again notes that the applicable specified levels will always be available in the Exchange's publicly available specifications and/or as published in a Regulatory Circular. The Exchange also notes that this approach is consistent with certain rules of other options

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<sup>18</sup> See supra, note 7.

exchanges, which similarly offer risk controls that can be modified without regard to a rule based limitation.<sup>19</sup>

The Exchange believes the proposed changes to Rule 21.10 that will permit the Exchange to provide additional detail in transaction reports is consistent with the rules of other options exchanges that do not contain explicit restrictions on providing such information. The proposed changes are similarly consistent with a variety of current Exchange and options industry practices, including the fact that clearing information available through OCC already provides contra-party information, as well as the ability of a User on the Exchange to disclose their identity when quoting.<sup>20</sup> Based on the foregoing, the Exchange believes the proposed changes to Rule 21.10 are consistent with Section 6(b)(5) of the Act<sup>21</sup> in particular, in that they are designed to foster cooperation and coordination with persons engaged in clearing, settling, processing information with respect to, and facilitating transactions in securities.

#### 4. 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 notes that the proposal will further promote consistency between the Exchange and its affiliated exchanges, and is part of a larger technology integration that will ultimately reduce complexity for Users of the Exchange that are also

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<sup>19</sup> See supra, notes 13 and 14.

<sup>20</sup> See, e.g., Rule 21.1(c)(1), defining “Attributable Orders” as orders that are designated for display (price and size) including the User’s market participant identifier (“MPID”).

<sup>21</sup> 15 U.S.C. 78f(b)(5).

participants on other Cboe Affiliated Exchanges. The Exchange does not believe that the proposed changes will have any direct impact on competition. Thus, the Exchange does not believe that the proposal creates any significant impact on competition.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>22</sup> and paragraph (f)(6) thereunder.<sup>23</sup> The Exchange asserts that the proposed rule change: (1) will not significantly affect the protection of investors or the public interest; (2) will not impose any significant burden on competition; and (3) will not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. In addition, the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as designated by the Commission.<sup>24</sup>

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<sup>22</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>23</sup> 17 CFR 240.19b-4.

<sup>24</sup> 17 CFR 240.19b-4(f)(6)(iii).

The Exchange believes that the proposed rule change is particularly appropriate for filing on an immediately effective basis under paragraph (f)(6) of Rule 19b-4. As described above, the rule changes proposed herein are to make the Exchange's functionality with respect to risk controls more consistent with Cboe Options and C2 Options in preparation for the ultimate migration of such exchanges onto the same technology as the Exchange. Further, the Exchange does not believe that the proposal raises any new policy issues. In particular, Cboe Options and C2 Options (and in some cases the Exchange with respect to complex orders) have similar mandatory risk controls in place, as described above.

As noted above, the proposed rule changes for risk controls are primarily based on C2 Options rules. As also noted above, certain proposed rule changes are similar to or based on rules of the Exchange applicable to complex orders. The Exchange does not believe there are any material substantive differences between the proposed rules and the C2 Options and other Exchange rules referenced above. As also described above, although the Exchange has not proposed certain boundaries that are contained in the rules of C2 Options, other options exchanges offer various risk controls that either are silent with respect to the exact parameters of the applicable control, allowing the Exchange flexibility to modify such parameters with proper notice to their Users.<sup>25</sup> Further, the proposed rules provide additional detail as compared to current optional risk controls offered by the Exchange.

With respect to the proposed modifications to Rule 21.10, the Exchange notes that most options exchanges do not have an identical rule restricting the provision of contra-

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<sup>25</sup> See supra, notes 13 and 14.

side information (or a rule that details what information is contained in transaction reports). Thus, the modification to remove the restrictive language in Rule 21.10 is consistent with the rules of other options exchanges. Further, retaining detail regarding the information that is provided in transaction reports ensures transparency in the Exchange's rules.

Because this filing is based on rules currently in place for other options exchanges and does not present any new or novel issues that have not been previously considered by the Commission, the Exchange believes this proposal is properly filed pursuant to paragraph (f)(6) of Rule 19b-4.<sup>26</sup>

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the noted operative delay so that the Exchange may, as soon as possible, implement the changes proposed by this filing. The Exchange notes that the proposal will promote consistency between the Exchange and its affiliated exchanges, and is part of a larger technology integration that will ultimately reduce complexity for Users of the Exchange that are also participants on other Cboe Affiliated Exchanges. Allowing the Exchange to move forward with the proposed changes without an operative delay will ensure that the technology integration can continue with periodic but measured changes rather than implementing several changes at once. Further, implementation of the risk controls outlined above will help to avoid potentially erroneous executions. Therefore, allowing

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<sup>26</sup> 17 CFR 240.19b-4(f)(6).

the Exchange to adopt these changes without an operative delay is consistent with the protection of investors and the public interest.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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

8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

As noted above, the proposed rule changes to adopt additional risk controls are based on C2 Options Rule 6.17(a)(1), paragraphs (a)(1), (b)(1),(b)(2) and (d)(1)(A) of C2 Options Rules 6.17, and Interpretation and Policy .04(f) to Exchange Rule 21.20. The substantive differences between the proposed rules and the C2 Options and Exchange rules referenced above include minor language and functional changes to simplify the operation of the rules, and in the case of the proposed Drill-Through Protection as compared to Interpretation and Policy .04(f) to Exchange Rule 21.20, not to allow Users to modify the parameters of such protection. In addition, with respect to both the Market Order NBBO Width Protection and the Limit Order Fat Finger Check, the Exchange has not proposed to set forth in Rule 21.17 the outer boundaries at which the applicable

parameters can be set, whereas the applicable C2 Options rules establish flexibility only up to a certain parameter. As set forth above, both NOM (with respect to a risk control analogous to the proposed Market Order NBBO Width Protection) and BOX (with respect to a risk control analogous to the proposed Limit Order Fat Finger Check) have retained flexibility within their rules to establish the relevant parameters without establishing limits to such parameters.<sup>27</sup>

As also noted above, the proposed change to Rule 21.10 is based on the fact that few options exchanges have such a provision and rather than removing such provision, the Exchange has proposed to make the Rule transparent with respect to information on transaction reports that the Exchange proposes to provide.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1: Completed Notice of the Proposed Rule Change for publication in the Federal Register.

Exhibits 2 – 4: Not applicable.

Exhibit 5: Text of Proposed Rule Change.

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<sup>27</sup> See supra, notes 13 and 14.

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_; File No. SR-CboeEDGX-2017-009)

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt Risk Controls and Modify Rules 21.1, 21.10, and 21.17 in Connection with Technology Migration of Cboe Exchanges

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on \_\_\_\_\_, Cboe EDGX Exchange, Inc. (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6)(iii) thereunder,<sup>4</sup> which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange filed a proposal to update Rule 21.1, Rule 21.10, and Rule 21.17 to make modifications to the Exchange’s rules and functionality applicable to the Exchange’s options platform (“EDGX Options”) in preparation for the technology migration of the Exchange’s affiliated options exchanges onto the same technology as the

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

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

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

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

Exchange.

The text of the proposed rule change is available at the Exchange's website at [www.markets.cboe.com](http://www.markets.cboe.com), at the principal office of the Exchange, 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 parts 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 and its affiliates Cboe BYX Exchange, Inc. ("BYX"), Cboe EDGA Exchange, Inc. ("EDGA"), and Cboe BZX Exchange, Inc. ("BZX") received approval to affect a merger (the "Merger") of the Exchange's then-current indirect parent company, Bats Global Markets, Inc., with Cboe Global Markets f/k/a CBOE Holdings, Inc. ("Cboe"), the direct parent of Cboe Exchange, Inc. ("Cboe Options") and Cboe C2 Exchange, Inc. ("C2 Options", and together with the Exchange, BZX, and Cboe Options the "Cboe Affiliated Exchanges").<sup>5</sup> The Cboe Affiliated

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<sup>5</sup> See Securities Exchange Act Release No. 79585 (December 16, 2016), 81 FR 93988 (December 22, 2016) (SR-BatsBZX-2016-68; SR-BatsBYX-2016-29; SR-BatsEDGA-2016-24; SR-BatsEDGX-2016-60). The Exchange notes that BYX

Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of a technology migration. Thus, the proposals set forth below are intended to add certain functionality to the Exchange's System<sup>6</sup> that is more similar to functionality offered by Cboe Options and C2 Options in order to ultimately provide a consistent technology offering for market participants who interact with the Cboe Affiliated Exchanges. Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent practicable will reduce potential confusion for Users.

The Exchange is proposing to adopt periodic but relatively minor changes to functionality in order to reduce risk in connection with the technology migration described above; this proposal is related to two such proposed changes. First, the Exchange proposes to adopt certain risk functionality in Rule 21.17, which is based on functionality on Cboe Options, C2 Options and/or the Exchange's functionality applicable to complex orders. The Exchange notes that it also proposes to make a related change to Rule 21.1 to eliminate functionality that overlaps with the proposed risk functionality. Second, the Exchange proposes to modify Rule 21.10 to allow it to provide additional information on transaction reports.

### Risk Controls

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and EDGA are also affiliated exchanges but do not operate options platforms and thus the integration described in this proposal is inapplicable to such exchanges.

<sup>6</sup> The "System" is the automated trading system used by EDGX Options for the trading of options contracts. See Rule 16.1(a)(59).

The Exchange currently provides certain controls to Users<sup>7</sup> of EDGX Options pursuant to Rule 21.16, which describes the Exchange’s “Risk Monitor Mechanism,” and Rule 21.20, which describes the Exchange’s functionality for complex orders. In addition, the Exchange provides a variety of optional risk controls to all Exchange Users pursuant to Interpretation and Policy .01 to Rule 11.10, including various controls related to the price of an order.<sup>8</sup> The Exchange proposes to adopt various risk controls currently offered by Cboe Options, C2 Options, and/or the Exchange with respect to complex orders and to codify such risk controls in Rule 21.17.

Rule 21.17 currently permits the Exchange to share a User’s risk settings with the Clearing Member that clears transactions on behalf of the User, which is a provision that the Exchange does not propose to modify. Rule 21.17 does not currently describe any applicable risk settings. As noted above, though certain risk settings offered for Users of EDGX Options are codified in Rule 21.16, other optional risk settings offered by the Exchange are more generally described in Interpretation and Policy .01 to Rule 11.10 and have been described in other filings previously made by the Exchange.<sup>9</sup> The Exchange proposes to provide more specificity in proposed Rule 21.17 regarding the risk settings the Exchange proposes to implement for EDGX Options, which is consistent with the approach taken by Cboe Options and C2 Options.

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<sup>7</sup> The term “User” means any Options Member or Sponsored Participant who is authorized to obtain access to the Exchange’s System (as defined below) pursuant to Rule 11.3. See Rule 16.1(a)(63).

<sup>8</sup> See Rule 11.10, Interpretation and Policy .01; see also Securities Exchange Act Release No. 67266 (June 26, 2012), 77 FR 39300 (July 2, 2012) (SR-EDGX-2012-21) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to New Market Access Risk Management Service).

<sup>9</sup> See id.

As a general matter, the Exchange proposes to adopt various numeric values that would apply to the risk settings offered by the Exchange. Consistent with other rules of the Exchange,<sup>10</sup> the Exchange proposes to maintain all numeric values established by the Exchange pursuant to Rule 21.17 in publicly available specifications and/or published in a Regulatory Circular. Further, as a general matter, the proposed risk settings would be applied to all orders and quotes received by EDGX Options rather than optionally configured and enabled by Users. Thus, proposed Rule 21.17 would explicitly state that unless otherwise specified, the price protections in the Rule, including the numeric values established by the Exchange, may not be disabled or adjusted. Below are descriptions of the specific risk settings proposed by the Exchange.

The first risk control the Exchange proposes to adopt is the Market Order NBBO Width Protection. As proposed, if a User submits a Market Order<sup>11</sup> to the System when the NBBO<sup>12</sup> width is greater than x% of the midpoint of the NBBO, subject to minimum and maximum dollar values established by the Exchange, the System will reject or cancel back to the User the Market Order. The Exchange proposes to establish “x” and the minimum and maximum values on a class-by-class basis. The proposed Market Order NBBO Width Protection is based on and similar to the Market-Width Parameter set forth in C2 Options

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<sup>10</sup> See, e.g., Interpretation and Policies .04(c)(1), .04(e), .04(f) and .06 to Rule 21.20, which refer to various risk control values offered by the Exchange with respect to complex orders that are communicated to members of the Exchange via specifications and/or Regulatory Circular.

<sup>11</sup> See Rule 21.1(d)(5).

<sup>12</sup> As defined in Rule 16.1(a)(29), the term “NBB” means the national best bid, the term “NBO” means the national best offer, and the term “NBBO” means the national best bid or offer as calculated by EDGX Options based on market information received by EDGX Options from OPRA.

Rule 6.17(a)(1).<sup>13</sup> In particular, similar to C2 Options Rule 6.17(a)(1), the Exchange would reject or cancel Market Orders when the width of the NBBO is greater than an acceptable range and would establish the numeric values that would ultimately determine acceptable quote widths on a class-by-class basis. However, in contrast to C2 Options Rule 6.17(a)(1), the Exchange does not propose to set forth specific boundaries for quote widths within the proposed rule. The Exchange believes that it needs flexibility to modify acceptable quote widths based on experience with the risk control and Users would always have access to the applicable settings in the Exchange's publicly available specifications and/or as published in a Regulatory Circular. The Exchange notes that the Nasdaq Options Market ("NOM") has a similar quote width protection in place for market orders that does not specify the applicable limits within the rule.<sup>14</sup> The Exchange notes that it does not currently have an NBBO width protection in place for Market Orders, and thus this protection is an additive control to protect against erroneous executions.

The second risk control the Exchange proposes to adopt is the Limit Order Fat Finger Check. As proposed, if a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount established by the Exchange above (below) the NBO (NBB), or, in the case of an order received prior to 9:30 a.m., above (below) the midpoint of

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<sup>13</sup> The Exchange notes that identical or similar rules regarding risk controls offered by C2 Options are also provided in the rules of Cboe Options and on other options exchanges. However, the Exchange has focused on the Rules of C2 Options as well as the Exchange's own rules applicable to complex orders for purposes of this proposal.

<sup>14</sup> See NOM Chapter VI, Section 6(c), which describes the NOM Market Order Spread Protection and states that "System Orders that are Market Orders will be rejected if the best of the NBBO and the internal market BBO (the "Reference BBO") is wider than a preset threshold at the time the order is received by the System."

the NBBO at the close of the market on the previous trading day, the System will reject or cancel back to the User the limit order. The proposed Limit Order Fat Finger Check is based on and similar to certain Limit Order Price Parameters set forth in C2 Options Rule 6.17(b). In particular, similar to C2 Options Rule 6.17(b)(1) and (b)(2), the Exchange would reject or cancel limit orders that are more than an acceptable difference from the applicable reference price and would distinguish the applicable reference price depending on whether an order was received prior to market open or during the trading day. However, in contrast to C2 Options Rule 6.17(b), which states that the acceptable tick distance shall be no less than two minimum increment ticks for simple orders, the Exchange does not propose to set forth specific boundaries for the acceptable difference within the proposed rule. As is true for the Market Order NBBO Width Protection described above, the Exchange believes that it needs flexibility to modify the acceptable price range based on experience with the risk control and Users would always have access to the applicable settings in the Exchange's publicly available specifications and/or as published in a Regulatory Circular. The Exchange notes that the BOX Options Exchange ("BOX") has a similar price protection in place for limit orders that does specify potential percentages in the Rule but also permits BOX to modify such percentages via Information Circular without establishing outer boundaries.<sup>15</sup> The Exchange notes that it currently applies mandatory fat finger protection to complex orders received by the Exchange pursuant to Interpretation and Policy

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<sup>15</sup> See BOX Rule 7290, which describes the Price Protection for Limit Orders and Quotes and states that "[t]he price parameter is set by either the Exchange or the Participant on an underlying security basis and is a percentage of the NBBO on the opposite side of the incoming order or quote. Unless determined otherwise by the Exchange and announced to Participants via Informational Circular, the specified percentage shall be: 100% for the contra-side NBB or NBO priced at or below \$0.25; and 50% for the contraside NBB or NBO priced above \$0.25."

.06 to Rule 21.20. The Exchange also notes that it currently offers price protections analogous to the proposed Limit Order Fat Finger Check for orders other than complex orders (i.e., “simple orders”), however, as noted above such price protections are optional.

The third risk control the Exchange proposes to adopt is the Buy Order Put Check. As proposed, if a User enters a buy limit order for a put with a price that is higher than or equal to the strike price of the option, the System will reject or cancel back to the User the limit order. Similarly, if a User enters a buy Market Order for a put that would execute at (or the remaining portion would execute at) a price higher than or equal to the strike price of the option, the System will reject or cancel back to the User the Market Order (or remaining portion). The Exchange does not propose to apply this check to adjusted options. The proposed Buy Order Put Check is based on and substantively identical to the Put Strike Price Value Check set forth in C2 Options Rule 6.17(d)(1)(A). The Exchange notes that it does not currently have an analogous risk control in place, and thus, this protection is an additive control to protect against erroneous executions.

The fourth and final risk control the Exchange proposes to adopt is the Drill-Through Price Protection. As proposed, the Drill-Through Price Protection feature is a price protection mechanism applicable to all orders under which a buy (sell) order will not be executed at a price that is higher (lower) than the NBO (NBB) at the time of order entry plus (minus) a buffer amount established by the Exchange (the “Drill-Through Price”). If a buy (sell) order would execute or post to the EDGX Options Book at a price higher (lower) than the Drill-Through Price, the System will instead post the order to the EDGX Options Book at the Drill-Through Price, unless the terms of the order instruct otherwise. Any order (or unexecuted portion thereof) will rest in the EDGX Options

Book (based on the time at which it enters the book for priority purposes) for a time period in milliseconds that may not exceed three seconds with a price equal to the Drill-Through Price. If the order (or unexecuted portion thereof) does not execute during that time period, the System will cancel it. While similar to and based on C2 Options Rule 6.17(a)(2), the proposed Rule is more directly based on Interpretation and Policy .04, to Exchange Rule 21.20, which describes Drill-Through Price Protection applicable to complex orders on EDGX Options. The proposed Drill-Through Price Protection is identical to Interpretation and Policy .04 to Rule 21.20 with the exceptions of necessary differences between language related to simple orders and complex orders and that in contrast to a User being able to modify the protection to a more or less restrictive control, which is available for the control on the Exchange for complex orders, the Exchange proposes to apply standard Drill-Through Price Protection to all orders and such protection cannot be modified.

In connection with the changes described above, the Exchange proposes to remove a portion of the definition of a Market Orders to remove a risk protection currently in place that overlaps with various risk controls described above. Market Orders are currently defined in in Rule 21.1(d)(5) as “orders to buy or sell at the best price available at the time of execution.” Rule 21.1(d)(5) further states that “[a]ny portion of a Market Order that would execute at a price more than \$0.50 or 5 percent worse than the NBBO at the time the order initially reaches EDGX Options, whichever is greater, will be cancelled.” The Exchange proposes to remove this price protection for Market Orders because it is no longer necessary in light of the proposed risk controls described above (other than the Limit Order Fat Finger Check, which is inapplicable to

Market Orders). In particular, the Drill-Through Price Protection provides a control with respect to the execution prices of Market Orders and would be duplicative of the existing control.

#### Details in Transaction Reports

The Exchange also proposes to modify Rule 21.10, Anonymity, to allow it to provide additional information on transaction reports. Current Rule 21.10(a) states that “[t]he intra-day transaction reports produced by the System will indicate the details of the transactions, and shall not reveal contra party identities.” The Exchange notes that this provision is consistent with Rule 11.13(d) of its cash equities trading platform (“EDGX Equities”) but is not a common provision in the rules of other options exchanges, including Cboe Options or C2 Options, which do not have such a provision. The Exchange currently provides details regarding contra-parties on various end of day and end of month reports for clearing purposes, and this information is similarly readily available through the Options Clearing Corporation (“OCC”) for clearing purposes.

The Exchange proposes to remove the restriction on providing contra party identities and to specifically state that aggregated and individual transaction reports produced by the System will indicate the details of a User’s transactions, including the contra party’s MPID, capacity, and clearing firm account number.

Current paragraph (c) of Rule 21.10 contains four exceptions to the general rule of anonymity, providing that the “Exchange shall reveal a User’s identity in the following circumstances: (1) for regulatory purposes or to comply with an order of an arbitrator or court; (2) if both Users to the transaction consent; (3) if a User is acting as either a Market Maker or sending Orders on behalf of a Priority Customer; or (4) unless

otherwise instructed by a User, the Exchange will reveal to a User, no later than the end of the day on the date an anonymous trade was executed, when the User's Order has been decremented by another Order submitted by that same User." The Exchange proposes to retain only the first exception, regarding regulatory purposes or to comply with an order of an arbitrator or court, as the other exceptions are no longer necessary to the extent the Exchange will provide information on individual and aggregate transaction reports produced by the System.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>16</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>17</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. In particular, consistent rules and functionality between the Exchange and its affiliated exchanges will reduce complexity and help avoid potential confusion by the Users of the Exchange that are also participants on other Cboe Affiliated Exchanges.<sup>18</sup>

The Exchange believes the proposed amendment will reduce complexity and increase the understanding of the Exchange's operations for all Users of the Exchange.

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<sup>16</sup> 15 U.S.C. 78f(b).

<sup>17</sup> 15 U.S.C. 78f(b)(5).

<sup>18</sup> The Exchange notes that its affiliate, BZX, also intends to adopt changes that are substantively identical to the changes set forth in this proposal. In addition, as Cboe Options and C2 Options migrate to the same technology platform as the Exchange, Cboe Options and C2 Options intend to modify rules and functionality to be consistent with the Exchange and BZX, unless the retention of differences is intended.

In particular, by adopting certain mandatory risk controls, the Exchange's functionality will be more similar to that of Cboe Options and C2 Options. In turn, when Cboe Options and C2 Options are migrated to the same technology as that of the Exchange, Users of the Exchange and other Cboe Affiliated Exchanges will have access to similar functionality on all Cboe Affiliated Exchanges. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

The Exchange further believes that the proposed price protection mechanisms and risk controls will protect investors and the public interest and maintain fair and orderly markets by mitigating potential risks associated with market participants entering orders and quotes at unintended prices, and risks associated with orders and quotes trading at prices that are extreme and potentially erroneous, which may likely have resulted from human or operational error. While the Exchange has previously offered many risk controls under Interpretation and Policy .01 to Rule 11.10 and other filings previously made by the Exchange,<sup>19</sup> the Exchange believes that Users will benefit from the additional specificity provided under the proposed rules, particularly because, in contrast to optional risk control functionality, the proposed rules provide that each proposed risk control will be applied to all orders received by EDGX Options. Although the Exchange's proposed price protection mechanisms and risk controls are similar to and based on existing rules of C2 Options or the Exchange, the Exchange notes that it has not proposed to establish outer boundaries or limits to the levels at which the mechanisms

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<sup>19</sup> See supra, note 7.

can be set. The Exchange believes this is reasonable and is necessary to afford the Exchange the flexibility to establish and modify the default parameters in order to protect investors and the public interest and maintain a fair and orderly market. The Exchange again notes that the applicable specified levels will always be available in the Exchange's publicly available specifications and/or as published in a Regulatory Circular. The Exchange also notes that this approach is consistent with certain rules of other options exchanges, which similarly offer risk controls that can be modified without regard to a rule based limitation.<sup>20</sup>

The Exchange believes the proposed changes to Rule 21.10 that will permit the Exchange to provide additional detail in transaction reports is consistent with the rules of other options exchanges that do not contain explicit restrictions on providing such information. The proposed changes are similarly consistent with a variety of current Exchange and options industry practices, including the fact that clearing information available through OCC already provides contra-party information, as well as the ability of a User on the Exchange to disclose their identity when quoting.<sup>21</sup> Based on the foregoing, the Exchange believes the proposed changes to Rule 21.10 are consistent with Section 6(b)(5) of the Act<sup>22</sup> in particular, in that they are designed to foster cooperation and coordination with persons engaged in clearing, settling, processing information with respect to, and facilitating transactions in securities.

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<sup>20</sup> See supra, notes 13 and 14.

<sup>21</sup> See, e.g., Rule 21.1(c)(1), defining "Attributable Orders" as orders that are designated for display (price and size) including the User's market participant identifier ("MPID").

<sup>22</sup> 15 U.S.C. 78f(b)(5).

(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 notes that the proposal will further promote consistency between the Exchange and its affiliated exchanges, and is part of a larger technology integration that will ultimately reduce complexity for Users of the Exchange that are also participants on other Cboe Affiliated Exchanges. The Exchange does not believe that the proposed changes will have any direct impact on competition. Thus, the Exchange does not believe that the proposal creates any significant impact on competition.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

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) by its terms, 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<sup>23</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>24</sup> the Exchange has designated this rule filing as non-controversial. The

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<sup>23</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>24</sup> 17 CFR 240.19b-4.

Exchange has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

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: (1) necessary or appropriate in the public interest; (2) for the protection of investors; or (3) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal 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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-CboeEDGX-2017-009 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 No. SR-CboeEDGX-2017-009. This file number should be included on the subject line if e-mail 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 am and 3:00 pm. Copies of such filing will also 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 No. SR-CboeEDGX-2017-009 and should be submitted on or before [\_\_\_\_\_21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>25</sup>

Robert W. Errett  
Deputy Secretary

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<sup>25</sup> 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Note: Proposed new language is underlined. Proposed deletions are enclosed in [brackets].

**Rules of Cboe EDGX Exchange, Inc.**

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**CHAPTER XXI. TRADING SYSTEMS**

## Rule 21.1. Definitions

(No change.)

(a)-(c) (No change.)

(d) The term “Order Type” shall mean the unique processing prescribed for designated orders that are eligible for entry into the System, and shall include:

(1)-(4) (No change.)

(5) “Market Orders” are orders to buy or sell at the best price available at the time of execution. Market Orders to buy or sell an option traded on EDGX Options will be rejected if they are received when the underlying security is subject to a “Limit State” or “Straddle State” as defined in the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the “Limit Up-Limit Down Plan”). [Any portion of a Market Order that would execute at a price more than \$0.50 or 5 percent worse than the NBBO at the time the order initially reaches EDGX Options, whichever is greater, will be cancelled.]

(6)-(12) (No change.)

(e)-(i) (No change.)

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## Rule 21.10. Anonymity

(a) [The intra-day] Aggregated and individual transaction reports produced by the System will indicate the details of [the ] a User’s transactions, [and shall not reveal ] including the contra party[ identities]’s MPID, capacity, and clearing firm account number.

(b) (No change.)

(c) The Exchange shall reveal a User’s identity [in the following circumstances:

- (1) ]for regulatory purposes or to comply with an order of an arbitrator or court.];
- (2) if both Users to the transaction consent;
- (3) if a User is acting as either a Market Maker or sending Orders on behalf of a Priority Customer; or
- (4) unless otherwise instructed by a User, the Exchange will reveal to a User, no later than the end of the day on the date an anonymous trade was executed, when the User's Order has been decremented by another Order submitted by that same User.]

\* \* \* \* \*

Rule 21.17. [Exchange Sharing of User Designate Risk Settings]Additional Price Protection Mechanisms and Risk Controls

The System's acceptance and execution of orders and quotes are subject to the price protection mechanisms and risk controls in Rule 21.16, this Rule 21.17 (related to all orders other than complex orders), Rule 21.20 (related to complex orders) and as otherwise set forth in the Rules. All numeric values established by the Exchange pursuant to this Rule will be maintained by the Exchange in publicly available specifications and/or published in a Regulatory Circular. Unless otherwise specified the price protections set forth in this Rule, including the numeric values established by the Exchange, may not be disabled or adjusted. The Exchange may share any of a User's risk settings with the Clearing Member that clears transactions on behalf of the User.

(a) *Market Order NBBO Width Protection.* If a User submits a Market Order to the System when the NBBO width is greater than x% of the midpoint of the NBBO, subject to minimum and maximum dollar values established by the Exchange, the System will reject or cancel back to the User the Market Order. The Exchange will establish "x" and the minimum and maximum values on a class-by-class basis.

(b) *Limit Order Fat Finger Check.* If a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount established by the Exchange above (below) the NBO (NBB), or, in the case of an order received prior to 9:30 a.m., above (below) the midpoint of the NBBO at the close of the market on the previous trading day, the System will reject or cancel back to the User the limit order.

(c) *Buy Order Put Check.* If a User enters a buy limit order for a put with a price that is higher than or equal to the strike price of the option, the System will reject or cancel back to the User the limit order. If a User enters a buy Market Order for a put that would execute at (or the remaining portion would execute at) a price higher than or equal to the strike price of the option, the System will reject or cancel back to the User the Market Order (or remaining portion). This check does not apply to adjusted options.

(d) *Drill-Through Price Protection.* The Drill-Through Price Protection feature is a price protection mechanism applicable to all orders under which a buy (sell) order will not be

executed at a price that is higher (lower) than the NBO (NBB) at the time of order entry plus (minus) a buffer amount established by the Exchange (the “Drill-Through Price”). If a buy (sell) order would execute or post to the EDGX Options Book at a price higher (lower) than the Drill-Through Price, the System will instead post the order to the EDGX Options Book at the Drill-Through Price, unless the terms of the order instruct otherwise. Any order (or unexecuted portion thereof) will rest in the EDGX Options Book (based on the time at which it enters the book for priority purposes) for a time period in milliseconds that may not exceed three seconds with a price equal to the Drill-Through Price. If the order (or unexecuted portion thereof) does not execute during that time period, the System will cancel it.

\* \* \* \* \*