

## OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 21

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549  
 Form 19b-4

File No.\* SR - 2018 - \* 019

Amendment No. (req. for Amendments \*)

Filing by Cboe C2 Exchange, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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)	

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) \*

☐

Section 806(e)(2) \*

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Section 3C(b)(2) \*

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Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document



### Description

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

Proposed rule change to expand the type of messages that users may submit into Bulk Order Ports.

### 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 \* Laura Last Name \* Dickman  
 Title \* Associate General Counsel  
 E-mail \* dickman@cboe.com  
 Telephone \* (312) 786-7572 Fax

### 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 09/05/2018

By Corinne Klott

(Name \*)

Assistant General Counsel

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.

klott@cboe.com

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFT 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

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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

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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.

**Item 1.        Text of the Proposed Rule Change**

(a)        Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) proposes to expand the types of messages that Users may submit into bulk order ports. The text of the proposed rule change is provided below and in Exhibit 1.

(additions are underlined; deletions are [bracketed])

\* \* \* \* \*

**Rules of Cboe C2 Exchange, Inc.**

\* \* \* \* \*

**Rule 1.1. Definitions**

\* \* \* \* \*

**Port**

The term “port” includes the following types of ports:

(a) – (b) No change.

(c) A “bulk order port” is a dedicated logical port that provides Users with the ability to submit single and bulk order messages to enter, modify, or cancel auction responses or orders designated as Post Only Orders with a Time-in-Force of Day or GTD with an expiration time on that trading day.

\* \* \* \* \*

(b)        Not applicable.

(c)        Not applicable.

**Item 2.        Procedures of the Self-Regulatory Organization**

(a)        The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on August 10, 2018.

(b)        Please refer questions and comments on the proposed rule change to Pat Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-

7467, or Laura G. Dickman, (312) 786-7572, Cboe C2 Exchange, Inc., 400 South LaSalle, Chicago, Illinois 60605.

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

(a) Purpose

The proposed rule change expands the types of messages that Users may submit into bulk order ports. A bulk order port is a dedicated logical port that provides Users with the ability to submit single and bulk order messages to enter, modify, or cancel orders designated as Post Only Orders<sup>1</sup> with a Time-in-Force of DAY<sup>2</sup> or GTD<sup>3</sup> with an expiration time on that trading day. Post Only Orders with a Time-in-Force of Day or GTD are orders that will be posted to and displayed by the Exchange, rather than removing liquidity or routing to another options exchange. The Exchange currently limits the use of bulk order ports to these orders to limit the use of these ports to liquidity provision. The primary purpose of bulk order ports is to encourage Users, and Market-Makers in particular, to quote on the Exchange. As a general matter, however, the overall purpose of bulk order ports is to

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<sup>1</sup> A "Post Only" order is an order the System ranks and executes pursuant to Rule 6.12, subjects to the Price Adjust process pursuant to Rule 6.12, or cancels or rejects (including if it is not subject to the Price Adjust process and locks or cross a Protected Quotation of another exchange), as applicable (in accordance with User instructions), except the order may not remove liquidity from the Book or route away to another exchange. See Rule 1.1 (paragraph (h) of definition of Order Instruction).

<sup>2</sup> An order designated as "Day" means an order that, if not executed, expires at market close. See Rule 1.1 (definition of Time-in-Force).

<sup>3</sup> An order designated as "GTD" means an order that, if after entry into the System, is not fully executed, remains available for potential display or execution until a date and time specified by the entering User unless cancelled by the entering User. See Rule 1.1 (definition of Time-in-Force).

allow Users to bundle multiple instructions in a single message and provide all Users (not just Market-Makers) with an efficient way to provide liquidity on the Exchange.

The proposed rule change permits Users to submit auction responses into bulk order ports, in addition to Post Only Orders with a Time-in-Force of Day or GTD with an expiration time on that trading day. The Exchange currently offers one auction mechanism, the Complex Order Auction (“COA”), which provides Users with additional execution opportunities and potential price improvement for their complex orders.<sup>4</sup> When the Exchange initiates a COA, it disseminates a message that contains the relevant information about the auction order.<sup>5</sup> The purpose of this message is to encourage Users to provide liquidity against which the auctioned order may trade. Users submit this liquidity in the form of auction responses. Like Post Only Orders with a Time-in-Force of Day or GTD with an expiration time on the applicable trading day, auction responses will not remove liquidity from the Exchange order book or route to another options exchange. Auction responses are similarly available for execution for a limited time period. Unexecuted auction responses are cancelled at the end of the auction, and thus do not last beyond the auction to which they were submitted.<sup>6</sup> Because the purpose of auction responses is to provide liquidity, which is the purpose of bulk order ports, the Exchange believes it is appropriate to permit Users to submit auction responses into bulk order ports.

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<sup>4</sup> See Rule 6.13(d). COA auctions eligible complex orders for execution and potential price improvement.

<sup>5</sup> See Rule 6.13(d)(1) (the Exchange initiates the COA process by sending a COA auction message).

<sup>6</sup> See Rule 6.13(d)(2)(C) and (4)(D).

Orders submitted to the Exchange through all ports are subject to various parameters, such as price reasonability checks and volume restrictions.<sup>7</sup> These parameters may be configured either by the Exchange or the Member. Orders are also subject to other validation checks and processes before execution, entry into the book, or cancellation. Examples of such validation checks include validating an order's Capacity, Time-in-Force, Order Instructions, and routing options. While orders submitted through bulk order ports pass through these same validation checks and processes, they are not subject to parameters such as routing options and are restricted to one order instruction and two Time-in-Force options. As a result, the System can perform these validation checks with respect to orders submitted through bulk order ports in a more efficient manner.

Pursuant to Exchange technical specifications<sup>8</sup> and Fees Schedule,<sup>9</sup> the order messages per second that a User may submit through a non-bulk order port is smaller than the order messages per second that a User may submit through a bulk order port. The Exchange understands from certain Trading Permit Holders that they may restrict the number of auction response messages they submit to avoid having to obtain additional ports. The Exchange believes permitting Users to submit auction responses through bulk order ports will encourage Users to provide increased liquidity to auction mechanisms in a more cost-efficient manner. While bulk order ports have a higher monthly cost, the higher order message/second rate may ultimately be more cost-efficient than a User having to obtain

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<sup>7</sup> See, e.g., Rule 6.14 and technical specifications available at <http://markets.cboe.com/us/options/support/technical/>.

<sup>8</sup> These technical specifications are available at <http://markets.cboe.com/us/options/support/technical/>.

<sup>9</sup> See C2 Fees Schedule, Logical Connectivity Fees, available at [http://markets.cboe.com/us/options/membership/fee\\_schedule/ctwo/](http://markets.cboe.com/us/options/membership/fee_schedule/ctwo/).

multiple additional non-bulk ports to accommodate the submission of auction responses. Additionally, Users that have both bulk and non-bulk order ports would be able to increase their submission of auction responses without additional monthly fees.<sup>10</sup>

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>11</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>12</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>13</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change protects investors and the public interest because it provides all Users with an efficient process to enter and

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<sup>10</sup> The Exchange notes certain Market-Makers currently only have bulk order ports, and thus are unable to provide liquidity to auction mechanisms without obtaining additional non-bulk order ports.

<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(5).

<sup>13</sup> Id.

update auction responses. Like quoting, auction responses are a critical form of liquidity on the Exchange. Auction mechanisms and the execution and price improvement opportunities they provide are dependent on auction responses submitted during the auctions. Permitting Users to submit auction responses into bulk order ports is consistent with the purpose of these ports and have a similar purpose as the orders that Users are currently permitted to enter into bulk order ports. The Exchange believes the proposed rule change may encourage the provision of additional liquidity in auctions, which will provide additional execution and price improvement opportunities to auctioned orders, which ultimately benefit investors.

**Item 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 does not believe the proposed rule change will impose any burden on intramarket competition, as the use of bulk order ports and the proposed functionality is voluntary and available to all Users of the Exchange. Bulk order entry functionality is available to all Users of the Exchange, as is the proposed functionality to submit auction responses into bulk order ports. Users may already submit auction responses to the Exchange using other types of ports – the proposed rule change merely provides Users of the Exchange with an additional method to submit auction responses to the Exchange. The Exchange does not believe the proposed rule change will have any direct impact on intermarket competition, as the proposed rule change relates solely to the manner in which Users may submit auction responses into auctions occurring on the Exchange.



**Item 5. 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.

**Item 6. Extension of Time Period for Commission Action**

Not applicable.

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

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act<sup>14</sup> and Rule 19b-4(f)(6)<sup>15</sup> thereunder.

(b) The Exchange designates that the proposed rule change effects a change that (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Additionally, the 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.

The proposed rule change does not significantly affect the protection of investors or the public interest because it provides Users with an efficient process to enter and update auction responses. Like quoting, auction responses are a critical form of liquidity

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6).

on the Exchange. Auction mechanisms and the execution and price improvement opportunities they provide are dependent on auction responses submitted during the auctions. Permitting Users to submit auction responses into bulk order ports is consistent with the purpose of these ports. The Exchange believes the proposed rule change may encourage the provision of additional liquidity in auctions, which will provide additional execution and price improvement opportunities to auction orders, which ultimately benefit investors.

The proposed rule change does not impose any significant burden on competition, as the use of bulk order ports and the proposed functionality is voluntary and available to all Users of the Exchange. Bulk order entry functionality is available to all Users of the Exchange, as is the proposed functionality to submit auction responses into bulk order ports. Users may already submit auction responses to the Exchange using other types of ports – the proposed rule change merely provides Users of the Exchange with an additional method to submit auction responses to the Exchange. The Exchange does not believe the proposed rule change will have any direct impact on intermarket competition, as the proposed rule change relates solely to the manner in which Users may submit auction responses into auctions occurring on the Exchange.

For the foregoing reasons, this rule filing qualifies as a “non-controversial” rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this 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.

(c) Not applicable.

(d) Not applicable.

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

The proposed rule change is not based on a rule either of another self-regulatory organization or of the Commission.

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

Not applicable.

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

Not applicable.

**Item 11. Exhibits**

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

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-       ; File No. SR-C2-2018-019]

[Insert date]

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Expand the Types of Messages that Users May Submit into Bulk Order Ports

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 [insert date], Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) 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 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) proposes to expand the types of messages that Users may submit into bulk order ports. The text of the proposed rule change is provided below.

(additions are underlined; deletions are [bracketed])

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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)(iii).

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

**Cboe C2 Exchange, Inc.**  
**Rules**

\* \* \* \* \*

Rule 1.1. Definitions

\* \* \* \* \*

**Port**

The term “port” includes the following types of ports:

(a) – (b) No change.

(c) A “bulk order port” is a dedicated logical port that provides Users with the ability to submit single and bulk order messages to enter, modify, or cancel auction responses or orders designated as Post Only Orders with a Time-in-Force of Day or GTD with an expiration time on that trading day.

\* \* \* \* \*

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

The proposed rule change expands the types of messages that Users may submit into bulk order ports. A bulk order port is a dedicated logical port that provides Users with the ability to submit single and bulk order messages to enter, modify, or cancel orders designated as Post Only Orders<sup>5</sup> with a Time-in-Force of DAY<sup>6</sup> or GTD<sup>7</sup> with an expiration time on that trading day. Post Only Orders with a Time-in-Force of Day or GTD are orders that will be posted to and displayed by the Exchange, rather than removing liquidity or routing to another options exchange. The Exchange currently limits the use of bulk order ports to these orders to limit the use of these ports to liquidity provision. The primary purpose of bulk order ports is to encourage Users, and Market-Makers in particular, to quote on the Exchange. As a general matter, however, the overall purpose of bulk order ports is to allow Users to bundle multiple instructions in a single message and provide all Users (not just Market-Makers) with an efficient way to provide liquidity on the Exchange.

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<sup>5</sup> A "Post Only" order is an order the System ranks and executes pursuant to Rule 6.12, subjects to the Price Adjust process pursuant to Rule 6.12, or cancels or rejects (including if it is not subject to the Price Adjust process and locks or cross a Protected Quotation of another exchange), as applicable (in accordance with User instructions), except the order may not remove liquidity from the Book or route away to another exchange. See Rule 1.1 (paragraph (h) of definition of Order Instruction).

<sup>6</sup> An order designated as "Day" means an order that, if not executed, expires at market close. See Rule 1.1 (definition of Time-in-Force).

<sup>7</sup> An order designated as "GTD" means an order that, if after entry into the System, is not fully executed, remains available for potential display or execution until a date and time specified by the entering User unless cancelled by the entering User. See Rule 1.1 (definition of Time-in-Force).

The proposed rule change permits Users to submit auction responses into bulk order ports, in addition to Post Only Orders with a Time-in-Force of Day or GTD with an expiration time on that trading day. The Exchange currently offers one auction mechanism, the Complex Order Auction (“COA”), which provides Users with additional execution opportunities and potential price improvement for their complex orders.<sup>8</sup> When the Exchange initiates a COA, it disseminates a message that contains the relevant information about the auction order.<sup>9</sup> The purpose of this message is to encourage Users to provide liquidity against which the auctioned order may trade. Users submit this liquidity in the form of auction responses. Like Post Only Orders with a Time-in-Force of Day or GTD with an expiration time on the applicable trading day, auction responses will not remove liquidity from the Exchange order book or route to another options exchange. Auction responses are similarly available for execution for a limited time period. Unexecuted auction responses are cancelled at the end of the auction, and thus do not last beyond the auction to which they were submitted.<sup>10</sup> Because the purpose of auction responses is to provide liquidity, which is the purpose of bulk order ports, the Exchange believes it is appropriate to permit Users to submit auction responses into bulk order ports.

Orders submitted to the Exchange through all ports are subject to various parameters, such as price reasonability checks and volume restrictions.<sup>11</sup> These parameters

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<sup>8</sup> See Rule 6.13(d). COA auctions eligible complex orders for execution and potential price improvement.

<sup>9</sup> See Rule 6.13(d)(1) (the Exchange initiates the COA process by sending a COA auction message).

<sup>10</sup> See Rule 6.13(d)(2)(C) and (4)(D).

<sup>11</sup> See, e.g., Rule 6.14 and technical specifications available at <http://markets.cboe.com/us/options/support/technical/>.

may be configured either by the Exchange or the Member. Orders are also subject to other validation checks and processes before execution, entry into the book, or cancellation. Examples of such validation checks include validating an order's Capacity, Time-in-Force, Order Instructions, and routing options. While orders submitted through bulk order ports pass through these same validation checks and processes, they are not subject to parameters such as routing options and are restricted to one order instruction and two Time-in-Force options. As a result, the System can perform these validation checks with respect to orders submitted through bulk order ports in a more efficient manner.

Pursuant to Exchange technical specifications<sup>12</sup> and Fees Schedule,<sup>13</sup> the order messages per second that a User may submit through a non-bulk order port is smaller than the order messages per second that a User may submit through a bulk order port. The Exchange understands from certain Trading Permit Holders that they may restrict the number of auction response messages they submit to avoid having to obtain additional ports. The Exchange believes permitting Users to submit auction responses through bulk order ports will encourage Users to provide increased liquidity to auction mechanisms in a more cost-efficient manner. While bulk order ports have a higher monthly cost, the higher order message/second rate may ultimately be more cost-efficient than a User having to obtain multiple additional non-bulk ports to accommodate the submission of auction responses. Additionally, Users that have both bulk and non-bulk order ports

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<sup>12</sup> These technical specifications are available at <http://markets.cboe.com/us/options/support/technical/>.

<sup>13</sup> See C2 Fees Schedule, Logical Connectivity Fees, available at [http://markets.cboe.com/us/options/membership/fee\\_schedule/ctwo/](http://markets.cboe.com/us/options/membership/fee_schedule/ctwo/).



would be able to increase their submission of auction responses without additional monthly fees.<sup>14</sup>

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>15</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>16</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>17</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change protects investors and the public interest because it provides all Users with an efficient process to enter and

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<sup>14</sup> The Exchange notes certain Market-Makers currently only have bulk order ports, and thus are unable to provide liquidity to auction mechanisms without obtaining additional non-bulk order ports.

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

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

<sup>17</sup> Id.

update auction responses. Like quoting, auction responses are a critical form of liquidity on the Exchange. Auction mechanisms and the execution and price improvement opportunities they provide are dependent on auction responses submitted during the auctions. Permitting Users to submit auction responses into bulk order ports is consistent with the purpose of these ports and have a similar purpose as the orders that Users are currently permitted to enter into bulk order ports. The Exchange believes the proposed rule change may encourage the provision of additional liquidity in auctions, which will provide additional execution and price improvement opportunities to auctioned orders, which ultimately benefit investors.

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, as the use of bulk order ports and the proposed functionality is voluntary and available to all Users of the Exchange. Bulk order entry functionality is available to all Users of the Exchange, as is the proposed functionality to submit auction responses into bulk order ports. Users may already submit auction responses to the Exchange using other types of ports – the proposed rule change merely provides Users of the Exchange with an additional method to submit auction responses to the Exchange. The Exchange does not believe the proposed rule change will have any direct impact on intermarket competition, as the proposed rule change relates solely to the manner in which Users may submit auction responses into auctions occurring on the Exchange.

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<sup>18</sup> and Rule 19b-4(f)(6)<sup>19</sup> 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:

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<sup>18</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>19</sup> 17 CFR 240.19b-4(f)(6).

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 Number SR-C2-2018-019 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-C2-2018-019. 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, D.C. 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; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All

submissions should refer to File Number SR-C2-2018-019 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

Secretary

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<sup>20</sup> 17 CFR 200.30-3(a)(12).