OMB APPROVAL	
OMB Number:	3235-0045
Estimated average burden hours per response............38	

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

File No.* SR - 2018 - * 041

Amendment No. (req. for Amendments *)

Filing by   Cboe EDGX Exchange, Inc.

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

Initial * ☑	Amendment * ☐	Withdrawal ☐	Section 19(b)(2) * ☐	Section 19(b)(3)(A) * ☑	Section 19(b)(3)(B) * ☐

Rule

Pilot ☐	Extension of Time Period for Commission Action * ☐	Date Expires *	

☐ 19b-4(f)(1)   ☐ 19b-4(f)(4)
☐ 19b-4(f)(2)   ☐ 19b-4(f)(5)
☐ 19b-4(f)(3)   ☑ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐   Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

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 *).

The Exchange proposes a rule change to adopt a new order type called the MidPoint Discretionary Order ("MDO") and to amend the definition of the Super Aggressive instruction.

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, Deputy General Counsel

E-mail * afranzon@cboe.com

Telephone * (913) 815-7154   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.

Date 09/19/2018

By Anders Franzon
(Name *)

(Title *)

SVP, Deputy 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.

afranzon@cboe.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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 ("Act")[1] and Rule 19b-4 thereunder,[2] Cboe EDGX Exchange, Inc. ("EDGX"

or the "Exchange") is filing with the Securities and Exchange Commission (the

"Commission") a proposed rule change to adopt a new order type called the MidPoint

Discretionary Order ("MDO") under paragraph (g) of Exchange Rule 11.8 and to amend

the definition of the Super Aggressive instruction under paragraph (n)(2) of Exchange

Rule 11.6. The proposed MDO will function similarly to the MDO offered by the Cboe

EDGA Exchange, Inc. ("EDGA").[3] The proposed MDO is also similar to and shares

certain functionality with the Discretionary Pegged Order and Mid-Point Liquidity Order

with an Add Liquidity Only modifier ("MPL-ALO Order") offered by NYSE Arca, Inc.

("NYSE Arca") as well as the Discretionary Peg Order offered by the Investors Exchange

LLC ("IEX").[4] Therefore, the Exchange has designated this proposal as "non-

controversial" and provided the Commission with the notice required by Rule 19b-

4(f)(6)(iii) under the Act.[5]

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

[2]   17 CFR 240.19b-4.

[3]   See EDGA Rule 11.8(e).

[4]   See NYSE Arca Rule 7.31-E(h)(3) (defining the Discretionary Pegged Order).
        See also Securities Exchange Act Release No. 78181 (June 28, 2016), 81 FR
        43297 (July 1, 2016) (order approving the Discretionary Pegged Order). See
        NYSE Arca Rule 7.31-E(d)(3)(F). See IEX Rule 11.190(a)(3) (defining Pegged
        Orders and a non-displayed order which may be pegged to the inside quote on the
        same side of the market with discretion to the midpoint of the NBBO, i.e.,
        Discretionary Peg orders). See also Securities Exchange Act Release No. 78101
        (June 17, 2016), 81 FR 41141 (June 23, 2016) (order approving the IEX exchange
        application, which included IEX's Discretionary Peg Orders and Discretionary
        Peg Order).

[5]   17 CFR 240.19b-4(f)(6)(iii).

The text of the proposed rule change is available on the Exchange's website at

http://markets.cboe.com/, at the Exchange's principal office and at the Public Reference

Room of the Commission.

(b)   The Exchange does not believe that the proposed rule change will have

any direct or significant indirect effect on any other Exchange rule in effect at the time of

this filing.

(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 September 19, 2018.

(b)   Please refer questions and comments on the proposed rule change to Patrick

Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-

7462, or Anders Franzon, Senior Vice President, Deputy General Counsel and Chief Legal

Officer, (913) 815-7154.

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

(a)   Purpose

The Exchange proposes to adopt a new order type known as the MDO under new

paragraph (g) of Exchange Rule 11.8 and to amend the definition of the Super Aggressive

instruction under paragraph (n)(2) of Exchange Rule 11.6.

Proposed MDOs on EDGX

MDOs are designed to exercise discretion to execute to the midpoint of the

NBBO and provide price improvement to contra-side orders over the NBBO. The

proposed MDO would function similarly to the MDO offered by EDGA,[6] but would also

include certain aspects that mirror functionality currently available through the

Discretionary Pegged Order and MPL-ALO Order offered by NYSE Arca, as well as the

Discretionary Peg Order offered by IEX.[7] The core functionality of the proposed MDO,

EDGA's MDO, NYSE Arca's Discretionary Pegged Order, and IEX's Discretionary Peg

Order would be the same – being pegged to the NBBO, as applicable, with discretion to

execute to the midpoint of the NBBO.

Proposed Operation. An MDO would be defined as a Limit Order[8] that is

executable at the National Best Bid ("NBB") for an order to buy or the National Best

Offer ("NBO") for an order to sell while resting on the EDGX Book,[9] with discretion to

execute at prices to and including the midpoint of the NBBO. Upon entry, an MDO will

only execute against resting orders that include a Super Aggressive instruction[10] priced at

the MDO's pegged price if the MDO also contains a Displayed instruction[11] and against

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[6]   See EDGA Rule 11.8(e).

[7]   See supra note 4.

[8]   See Exchange Rule 11.8(b). In sum, a Limit Order is an order to buy or sell a
        stated amount of a security at a specified price or better.

[9]   See Exchange Rule 1.5(d).

[10]   See Exchange Rule 11.6(n)(2).

[11]   Pursuant to the terms of the Super Aggressive instruction, such orders execute
        against incoming orders with a Post Only instruction only when such orders also
        contain a Displayed instruction. See Exchange Rule 11.6(n)(7). As noted below,
        the Exchange also proposes to amend the definition of the Super Aggressive
        instruction to reflect the addition of the MDO order type. Further, although an
        order with a Super Aggressive instruction resting at the pegged price of an MDO
        should be a rare occurrence, because orders with a Super Aggressive instruction
        route to locking or crossing quotes at away Trading Centers and an MDO is
        pegged to the NBBO (i.e., the locking price), it is possible to have an order with a
        Super Aggressive instruction at such price based on the Exchange's matching and
        routing logic as well as the Exchange's calculation of the NBBO and processing

orders with a Non-Displayed Swap ("NDS") instruction[12] priced at the MDO's pegged

price or within its discretionary range. As a result, an MDO will not act as a liquidity

remover upon entry against resting orders at its pegged price or at any price within its

discretionary range. Should a resting contra-side order within the MDO's discretionary

range not include an NDS instruction, the incoming MDO will be placed on the EDGX

Book and its discretionary range shortened to equal the limit price of the contra-side

resting order. Likewise, where an incoming order with a Post Only instruction[13] does not

remove liquidity on entry against a resting MDO, the discretionary range of the resting

MDO will be shortened to equal the limit price of the incoming contra-side order with a

Post Only instruction. Shortening the MDO's discretionary range in such circumstances

is intended to avoid the discretionary range extending past the contra-side order's limit

price, which could create a price priority issue should a later order be entered and be

eligible to execute against the resting MDO within its discretionary range but at a price

that extends beyond the contra-side order with a Post Only instruction. Once resting on

the EDGX Book, an MDO will only act as a liquidity provider against all incoming

orders that are executable at the resting MDO's pegged price or at any price within the

resting MDO's discretionary range.[14]

    An MDO's pegged price and discretionary range would be bound by its limit

price. For example, an MDO to buy or sell with a limit price that is less than the

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of quote updates. See, e.g., Securities Exchange Act Release No. 74072 (January 15, 2015), 80 FR 3282 (January 22, 2015) (SR-EDGX-2015-02) (describing the Exchange's calculation of the NBBO, including router feedback and other details).

[12]   See Exchange Rule 11.6(n)(7).

[13]   See Exchange Rule 11.6(n)(4).

[14]   See infra note 16 and accompanying text.

prevailing NBB or higher than the prevailing NBO, respectively, would be posted to the

EDGX Book at its limit price. The pegged prices of an MDO are derived from the NBB

or NBO, and cannot independently establish or maintain the NBB or NBO. An MDO

will exercise the least amount of price discretion necessary from its pegged price to its

discretionary price. An MDO in a stock priced at $1.00 or more can only be executed in

sub-penny increments when it executes at the midpoint of the NBBO.

Notwithstanding that an MDO may be a Limit Order and include a discretionary

range, its operation and available modifiers would be limited to its description under

proposed Rule 11.8(g). Exchange rules describe Discretionary Range as an instruction

the User may attach to an order to buy (sell) a stated amount of a security at a specified,

displayed or non-displayed ranked price with discretion to execute up (down) to another

specified, non-displayed price.[15] The discretionary range of an MDO would not operate

like the Discretionary Range instruction in certain respects. For instance, orders that

include a Discretionary Range instruction may become a liquidity remover for fee

purposes despite being posted to the EDGX Book (i.e., a "liquidity swap") in certain

scenarios that are outlined in Exchange Rule 11.6(d).[16] The Exchange does not propose

for MDOs executed within their discretionary range to engage in the liquidity swapping

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[15] See Exchange Rule 11.6(d).

[16] The scenarios under Exchange Rule 11.6(d) in which an order with a Discretionary Range may liquidity swap but the proposed MDO would not are: (i) to the extent an order with a Discretionary Range instruction's displayed or non-displayed ranked price is equal to an incoming order with a Post Only instruction that does not remove liquidity on entry pursuant to Exchange Rule 11.6(n)(4), the order with a Discretionary Range instruction will remove liquidity against such incoming order; and (ii) any contra-side order with a time-in-force other than Immediate-or-Cancel or Fill-or-Kill and a price in the discretionary range but not at the displayed or non-displayed ranked price will be posted to the EDGX Book and then the Discretionary Order will remove liquidity against such posted order.

scenarios set forth under the description of the Discretionary Range instruction under

Exchange Rule 11.6(d), including where an MDO's displayed or non-displayed ranked

price is equal to an incoming order with a Post Only instruction that does not remove

liquidity on entry pursuant to Exchange Rule 11.6(n)(4).[17]

While MDOs would function similarly to the MDO offered by EDGA,[18] it would

also include certain aspects that mirror functionality currently available through the

Discretionary Pegged Order and MPL-ALO Order offered by NYSE Arca, as well as the

Discretionary Peg Order offered by IEX.[19] The core functionality of the proposed MDO,

EDGA's MDO, NYSE Arca's Discretionary Pegged Order, and IEX's Discretionary Peg

Order would be the same – being pegged to the NBBO, as applicable, with discretion to

execute to the midpoint of the NBBO. The similarities and differences amongst these

order types are explained below.

Similarities to the EDGA MDO. The following aspects of the proposed MDO's

functionality are identical to functionality of MDOs on EDGA.[20] The proposed EDGX

MDO's pegged price and discretionary range would be bound by its limit price. An

MDO to buy or sell with a limit price that is less than the prevailing NBB or higher than

the prevailing NBO, respectively, would be posted to the EDGX Book at its limit price.

The pegged prices of an MDO would be derived from the NBB or NBO, and cannot

independently establish or maintain the NBB or NBO. An MDO in a stock priced at

$1.00 or more would only be executed in sub-penny increments when it executes at the

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17   Id.

18   See EDGA Rule 11.8(e).

19   See supra note 4.

20   See EDGA Rule 11.8(e).

midpoint of the NBBO.[21]

Also like EDGA's MDO,[22] the proposed EDGX MDO may only contain the
following time-in-force terms: Day, RHO, GTX, GTD, PRE, PTX, or PTD.[23] Proposed
paragraph (2) of Rule 11.8(g) would state that MDOs may be entered as a Round Lot or
Mixed Lot.[24] A User may include a Minimum Execution Quantity instruction on a MDO
with a Non-Displayed instruction.[25] Proposed paragraph (3) of Rule 11.8(g) would state
that MDOs may be executed during the Early Trading Session, Pre-Opening Session,
Regular Session, and Post-Closing Session.[26] An MDO would default to a Displayed
instruction unless the User[27] includes a Non-Displayed instruction on the order.[28]

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[21]   Unlike the EDGA MDO, the proposed EDGX MDO would not execute upon
entry at sub-penny prices pursuant to Exchange Rule 11.10(a)(4)(D) because
EDGX MDOs will only be eligible for execution upon entry against orders with a
Super Aggressive instruction at its pegged price or against orders with an NDS
instruction priced at its pegged price or within its discretionary range. Such
execution will occur at the price of the contra-side order and not at a sub-penny
increment. See, e.g., Securities Exchange Act Release No. 82087 (November 15,
2017), 82 FR 55472 (November 21, 2017) (Notice of Filing and Immediate
Effectiveness of SR-BatsEDGA-2017-29) (describing, among other things, when
an MDO on EDGA may execute at a non-midpoint or sub-penny midpoint).

[22]   See EDGA Rule 11.8(e)(1).

[23]   Each of these time-in-force instructions are defined in Exchange Rule 11.6(q).

[24]   The terms Round Lot and Mixed Lot are defined in Exchange Rule 11.6(s).
However, unlike on EDGA, MDOs may not be entered on EDGX as an Odd Lot.
See EDGA Rule 11.8(e)(2). The term Odd Lot is defined in Exchange Rule
11.6(s).

[25]   See Exchange Rule 11.6(h) for a description of the Minimum Execution Quantity
instruction. The Exchange understands that EDGA plans to submit a proposed
rule filing to allow non-displayed EDGA MDOs to also include a Minimum
Execution Quantity instruction.

[26]   The terms Early Trading Session, Pre-Opening Session, Regular Session, and
Post-Closing Session are defined in Exchange Rule 1.5(ii), (s), (hh), and (r),
respectively. See also EDGA Rule 11.8(e)(3).

[27]   See Exchange Rule 1.5(ee).

Proposed paragraph (4) of Rule 11.8(g) would also specify that a User may elect for an

MDO that is displayed on the EDGX Book to include the User's market participant

identifier ("MPID") by selecting the Attributable instruction.[29] Otherwise, an MDO with

a Displayed instruction will automatically default to a Non-Attributable[30] instruction.

This is also consistent with the current operation of orders that are to be displayed on the

EDGX Book.[31] Under proposed paragraph (5) of Rule 11.8(g), MDOs would not be

eligible for routing pursuant to Exchange Rule 11.11, Routing to Away Trading

Centers.[32]

Proposed paragraph (6) of Rule 11.8(g) would describe the operation of MDOs

under the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of

Regulation NMS under the Act (the "Limit Up-Limit Down Plan").[33] Pursuant to

Exchange Rule 11.10(a)(3), an MDO to buy would be re-priced to the Upper Price

Band[34] where the price of the Upper Price Band moves below an existing Protected

Bid.[35] An MDO to sell will be re-priced to the Lower Price Band[36] where the price of the

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[28]   The terms Displayed and Non-Displayed are defined in Exchange Rule 11.6(e).
        See also EDGA Rule 11.8(e)(4).

[29]   See Exchange Rule 11.6(a). See also EDGA Rule 11.8(e)(4).

[30]   See Exchange Rule 11.6(a)(1).

[31]   See, e.g, Exchange Rule 11.8(b)(4).

[32]   See EDGA Rule 11.8(e)(5).

[33]   See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498
        (June 6, 2012) (the "Limit Up-Limit Down Release"). See also EDGA Rule
        11.8(e)(6).

[34]   As defined in the Limit Up-Limit Down Plan.

[35]   Id.

[36]   Id.

Lower Price Band moves above an existing Protected Offer.[37] MDOs will only execute

at their pegged prices and not within their Discretionary Ranges when: (i) the price of the

Upper Price Band equals or moves below an existing Protected Bid; or (ii) the price of

the Lower Price Band equals or moves above an existing Protected Offer. When the

conditions in (i) or (ii) of the preceding sentence no longer exist, MDOs will resume

trading against other orders in their Discretionary Range and being pegged to the NBBO.

Pursuant to proposed paragraph (7) of Rule 11.8(g), any unexecuted portion of an

MDO that is resting on the EDGX Book would receive a new time stamp each time its

pegged price is automatically adjusted in response to changes in the NBBO.[38]

Proposed paragraph (8) of Rule 11.8(g) would describe the operation of MDOs

during a locked or crossed market.[39] With respect to an MDO with either a Displayed

instruction or a Non-Displayed instruction, when the EDGX Book is crossed by another

market, the MDO's pegged price will be automatically adjusted to the current NBO (for

bids) or the current NBB (for offers) with no discretion to the midpoint of the NBBO. If

an MDO displayed on the Exchange would be a Locking Quotation or Crossing

Quotation,[40] the displayed price of the order will be automatically adjusted by the System

to one Minimum Price Variation below the current NBO (for bids) or to one Minimum

Price Variation above the current NBB (for offers) with no discretion to execute to the

midpoint of the NBBO.

Differences with the EDGA MDO. As highlighted above, the proposed MDO

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[37]   Id.

[38]   See EDGA Rule 11.8(e)(7).

[39]   See EDGA Rule 11.8(e)(8).

[40]   The terms Locking Quotation or Crossing Quotation are defined in Exchange
         Rule 11.6(g) and (c), respectively.

would operate identically to EDGA's MDO[41] in nearly all respects, however, as proposed, it will function differently in two areas. These differences are based on functionality included as part of NYSE Arca's Discretionary Pegged Order and MPL-ALO Order as well as IEX's Discretionary Pegged Order[42] and are designed to provide Users with increased control over which price points their order may execute upon entry as well as when the order would act as a liquidity provider or remover once resting on the EDGX Book. These differences are: (i) the proposed EDGX MDO would only execute upon entry against resting orders that include a Super Aggressive instruction priced at the MDO's pegged price (if the MDO also contained a Displayed instruction) and against orders with an NDS instruction priced at the MDO's pegged price or within its discretionary range; and (ii) the proposed EDGX MDO would not engage in liquidity swapping behavior once resting on the EDGX Book as other orders with a Discretionary Range instruction may do, including the EDGA MDO. As a preliminary note, once posted to the EDGX Book, the proposed MDO would share the same core functionality as EDGA's MDO, NYSE Arca's Discretionary Pegged Order and IEX's Discretionary Peg Order - executable at the NBB for an order to buy or the NBO for an order to sell, with discretion to execute at prices to and including the midpoint of the NBBO. Additional similarities with NYSE Arca's Discretionary Pegged Order and MPL-ALO Order as well as IEX's Discretionary Pegged Order are explained below.

First, an EDGX MDO would only execute upon entry against resting orders that include a Super Aggressive instruction priced at the MDO's pegged price if the MDO also contains a Displayed instruction and against orders with an NDS instruction priced at

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[41]   See EDGA Rule 11.8(e).

[42]   See supra note 4.

the MDO's pegged price or within its discretionary range. This would allow the MDO to ensure it would act as a liquidity adder even when executing upon entry. Orders with either a Super Aggressive instruction or NDS instruction are willing to engage in a liquidity swap with an incoming order priced at its limit price.[43] In such case, an incoming MDO to buy (sell) would execute against an order to sell (buy) with either a Super Aggressive instruction or NDS instruction priced at the NBB (NBO). Similarly, an incoming MDO to buy (sell) would execute against an order to sell (buy) with an NDS instruction priced within its discretionary range. In both cases, the incoming MDO would act as the liquidity adder and the resting order with either a Super Aggressive or NDS instruction would act as the liquidity remover. In contrast, on EDGA an incoming MDO with a Displayed instruction will also execute on entry within its discretionary range against an order with a Super Aggressive instruction, not just at the price of the NBB (for a sell MDO) or NBO (for a buy MDO).

The Exchange believes it is reasonable to execute resting orders with an NDS instruction within the incoming MDO's discretionary range but not execute orders with a Super Aggressive instruction within the incoming MDO's discretionary range due to the different purposes of each order instruction. Orders including the Super Aggressive instruction will route to an away Trading Center that displays an order that either locks or crosses the limit price of the Super Aggressive order. Pursuant to Rule 11.6(n)(2), orders with a Super Aggressive instruction will likewise execute against incoming orders with a Post Only instruction and a Displayed instruction that are priced equal to its limit price. In general, Users of the Super Aggressive instruction tend to use it for best execution

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[43]   See paragraphs (n)(2) and (7) of Exchange Rule 11.6.

purposes because the order instruction enables the order to be routed away or executed locally when an order is displayed at a price equal to or better than the order's limit price. Furthermore, a User submitting an order with a Super Aggressive instruction wishes to execute against displayed liquidity either at its price or better, and if priced within the discretionary range of an incoming MDO order, that MDO would be displayed not at the price of the order with a Super Aggressive instruction, but rather the NBB/NBO to which it is pegged. For best execution, the intention of a User submitting an order with a Super Aggressive instruction is to ensure an execution at the best available price of a displayed order on another Trading Center or against an incoming order that would have been displayed on the EDGX Book but for the execution and is willing to engage in a liquidity swap on the Exchange to ensure an execution. Conversely, an order with an NDS instruction is not routable and engages in a liquidity swap only to execute against an incoming order that would lock it. Orders with an NDS instruction and Super Aggressive instruction differ on how they interact with contra-side orders – orders with a Super Aggressive instruction execute against displayed liquidity only while an order with an NDS instruction will execute against an order that locks it, regardless of whether the contra-side order would have been displayed. Therefore, the Exchange believes it is reasonable to execute an incoming MDO against a resting order with an NDS instruction priced within its discretionary range as the NDS order is aggressively seeking to execute against incoming orders at its limit price and is willing to act as a liquidity remover to do so.

The above-proposed behavior is similar to the operation of NYSE Arca's MPL-

ALO order, which also does not act as a liquidity remover upon entry.[44] Specifically,

NYSE Arca's MPL-ALO order will only execute upon entry against a resting order that

includes a Non-Display Remove modifier which, like the NDS and Super Aggressive

instructions, enables that order to switch from a liquidity adder to a remover. This is also

similar to NYSE Arca's ALO Order which will also only trade with resting contra-side

orders that include a Non-Display Remove Modifier.[45]

Second, EDGA's MDO would perform a liquidity swap when executed within its

Discretionary Range as set forth in EDGA Rule 11.6(d). The proposed EDGX MDO

would not. However, not performing a liquidity swap within the discretionary range is

identical to the operation of NYSE Arca's Discretionary Pegged Order.[46] The proposed

MDO would also not liquidity swap at its pegged price once resting on the EDGX Book.

This is similar to NYSE Arca's ALO Order.[47]

Order Priority. The Exchange also proposes to amend Exchange Rule 11.9 to

describe the execution priority of the proposed MDO when it is resting on the EDGX

Book. The proposed priority of MDOs on EDGX would be identical to the priority of

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[44]   See NYSE Arca Rule 7.31-E(d)(3)(F) and (e)(2)(B)(iv) (stating that, unless the resting order includes a Non-Display Remove modifier which enable that order to switch from a liquidity adder to a remover, an ALO order will only trade with arriving contra-side interest).

[45]   See NYSE Arca Rule 7.31-E(e)(2). The only time an ALO Order will execute upon entry is when the resting order includes the Non-Display Remove Modifier.

[46]   See NYSE Arca Rule 7.31-E(h)(3) (the rule does not provide for a liquidity swap to occur within the order's discretionary range).

[47]   See NYSE Arca Rule 7.31-E(e)(2) (stating that an ALO order will not remove liquidity from the NYSE Arca Book, and will be re-priced to avoid a locked or crossed market). An ALO order will only act as a liquidity taker where it crosses an order resting on the NYSE Arca Book. Because it is pegged to the NBBO, the proposed MDO would never cross an order resting on the EDGX Book.

MDOs on EDGA.[48] In general, where orders to buy (sell) are entered into the System at

the same price, the order clearly established as the first entered into the System at such

particular price shall have precedence at that price, up to the number of shares of stock

specified in the order. Under paragraph (a)(2)(A) of Rule 11.9, the System currently

ranks equally priced trading interest resting on the EDGX Book in time priority in the

following order: the portion of a Limit Order with a Displayed instruction; Limit Orders

with a Non-Displayed instruction; orders with a Pegged and Non-Displayed instruction;

the Reserve Quantity of Limit Orders; Limit Orders executed within their Discretionary

Range; and Supplemental Peg Orders. For purposes of MDO priority, the Exchange

proposes that the pegged price of an MDO, whether displayed or non-displayed, be

treated like a Limit Order that is resting on the EDGX Book. Accordingly, the pegged

prices of MDOs displayed on the EDGX Book will have the same priority as displayed

Limit Orders. Likewise, the pegged price of an MDO that is not displayed will have the

same priority as Limit Orders with a Non-Displayed instruction, and therefore will not be

treated for priority purposes like other orders with a Pegged and Non-Displayed

instruction. As such, the Exchange proposes to amend paragraph (a)(2)(D)(i) of Rule

11.9 to specify that the pegged prices of an MDO will be treated as a Limit Order for

purposes of order priority under Exchange Rule 11.9(a)(2)(A). The Exchange proposes

to amend paragraph (a)(2)(A)(v) of Rule 11.9 to specify that MDOs executed within their

Discretionary Range maintain the same priority as Limit Orders executed within their

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[48]   See generally EDGA Rule 11.9(a).

Discretionary Range. The above proposed priority sequence is consistent with the

priority of MDOs on EDGA.[49]

Paragraph (a)(2)(B) of Rule 11.9 sets forth separate priority for orders executed at

the midpoint of the NBBO. Where orders to buy (sell) are priced at the midpoint of the

NBBO, the order clearly established as the first shall have precedence at the mid-point of

the NBBO, up to the number of shares of stock specified in the order. Orders at the

midpoint of the NBBO resting on the EDGX Book are executed in following order: Limit

Orders to which the Display-Price Sliding instruction has been applied; Limit Orders with

a Non-Displayed instruction; Orders with a Pegged instruction; MidPoint Peg Orders; the

Reserve Quantity of Limit Orders; and Limit Orders executed within their Discretionary

Range. Like proposed above for the general priority of orders, the Exchange proposes to

amend paragraph (a)(2)(B)(vi) of Rule 11.9 to specify that MDOs executed within their

Discretionary Range at the midpoint of the NBBO shall have the same priority as Limit

Orders executed within their Discretionary Range.

Examples. The following examples illustrate the operation of the proposed MDO

when resting on the EDGX Book. Assume the NBBO is $10.00 by $10.04. There is a

displayed MDO to buy at $10.02 on the EDGX Book that is pegged to the NBB at $10.00

with discretion to execute to $10.02, the midpoint of the NBBO. A Limit Order to buy at

$10.00 with a Displayed instruction is then entered. Next, a Limit Order to sell at $10.00

with a Non-Displayed instruction is entered. The Limit Order to sell would execute

against the MDO to buy at $10.00, with the MDO exercising no discretion. The

displayed MDO has time priority ahead of the displayed Limit order to buy. The pegged

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[49]   See EDGA Rule 11.9(a)(2)(A)(vi) and (a)(2)(C)(i).

price of a displayed or non-displayed MDO has the same priority as displayed or non-displayed Limit Orders, respectively, that are resting on the EDGX Book at the same price.

Assume the same facts as above but that the MDO instead included a Non-Displayed instruction. In that case, the Limit Order to sell would execute as a liquidity remover against the displayed Limit Order to buy at $10.00 because displayed orders always have priority over non-displayed orders at the same price.

The following example illustrates the operation of a resting MDO on the EDGX Book and an incoming Limit Order that also includes a Post Only instruction. Assume again the NBBO is $10.00 by $10.04 resulting in a midpoint of $10.02. There is a resting MDO to buy at $10.02 displayed on the EDGX Book that is pegged to the NBB at $10.00 with discretion to execute to $10.02, the midpoint of the NBBO. A Limit Order to sell at $10.01 with a Non-Displayed instruction and Post Only instruction is then entered. No execution occurs. The MDO to buy resting on the EDGX Book would only act as a liquidity provider and the incoming order to sell with Post Only instruction will not remove liquidity. Therefore, the MDO to buy resting on the EDGX Book would have its discretionary range shortened from $10.02 to $10.01, which is the price of the incoming Limit Order to sell. The Limit Order with a Non-Displayed instruction to sell will be posted to the EDGX Book at $10.01, its limit price.

The MDO's discretionary range is shortened to avoid the following priority issue that may result from an internally crossed market issue. Assume a Limit Order to sell at $10.02 with a Non-Displayed instruction is subsequently entered. Absent the shortening of the buy MDO's discretionary range to $10.01, the sell Limit Order at $10.02 would

have executed against the resting buy MDO with discretion to $10.02, creating a priority issue for the first sell Limit Order that is ranked at $10.01.

Assume the same facts as the preceding example, but that the first sell Limit Order with a Post Only instruction to sell was priced at $9.99. In that case, the Limit Order to sell would execute against the resting MDO to buy at $10.00 in accordance with Exchange Rule 11.6(n)(4), receiving one cent of price improvement. The MDO would remain the liquidity provider and the Limit Order to sell would act as the liquidity remover.

The following examples illustrate the operation of the proposed MDO upon entry. Assume again the NBBO is $10.00 by $10.04 resulting in a midpoint of $10.02. There is a non-displayed order with an NDS instruction to sell at $10.00 resting on the EDGX Book. An MDO to buy with a Displayed instruction is entered that, if posted to the EDGX Book, would be pegged to the NBB at $10.00 with discretion to execute to $10.02, the midpoint of the NBBO. In such case, the MDO to buy would execute against the resting order with an NDS instruction to sell at $10.00 because the MDO's pegged price equals the limit price of the order with an NDS instruction. The incoming MDO would act as the liquidity adder and the order with an NDS instruction would act as the liquidity remover. The same result would occur if the order to sell resting on the EDGX Book included a Super Aggressive instruction rather than an NDS instruction. However, if the order to sell resting on the EDGX book did not include either a Super Aggressive instruction or NDS instruction, no execution would occur and the MDO order to buy would be posted to the EDGX Book at $10.00 with its discretionary range shortened from $10.02 to $10.00, which is the price of the resting non-displayed order to sell.

Assume the same facts as the preceding example but that the non-displayed order with an NDS instruction to sell resting on the EDGX Book is priced at $10.01 rather than $10.00. The resting order with an NDS instruction to sell is priced within the discretionary range of the incoming MDO to buy. The MDO to buy would execute against the resting order with an NDS instruction to sell at $10.01 because the MDO's discretionary range includes a price equal to the limit price of the order with an NDS instruction. The incoming MDO would act as the liquidity adder and the order with an NDS instruction would act as the liquidity remover.

Assume instead that the non-displayed order to sell resting on the EDGX Book did not include an NDS instruction. No execution would occur and the order to sell would remain on the EDGX Book. The incoming MDO to buy would be posted to the EDGX Book at $10.00 with its discretionary range shortened from $10.02 to $10.01, which is the price of the resting non-displayed order to sell. Like in an above example, the MDO's discretionary range is shortened to avoid the following priority issue that may result from an internally crossed market issue. Assume a Limit Order to sell at $10.02 with a Non-Displayed instruction is subsequently entered. Absent the shortening of the buy MDO's discretionary range to $10.01, the sell Limit Order at $10.02 would have executed against the resting buy MDO with discretion to $10.02, creating a priority issue for the first sell Limit Order that is ranked at $10.01.

Assume instead that the order to sell at $10.01 resting on the EDGX Book included a Super Aggressive instruction rather than an NDS instruction. No execution would occur because the order with a Super Aggressive instruction is priced within the discretionary range of the incoming MDO. The order with a Super Aggressive

instruction would remain on the EDGX Book until it is eligible to be routed away or executed. The incoming MDO would be posted to the EDGX Book at $10.00 with its discretionary range shortened from $10.02 to $10.01, which is the price of the resting non-displayed order to sell with a Super Aggressive instruction.

Proposed Amendment to Super Aggressive Instruction

In addition to the adoption of MDOs, the Exchange proposes to amend Rule 11.6(n)(2), which defines the Super Aggressive instruction. Specifically, the current definition states that when any order with a Super Aggressive instruction is locked by an incoming order with a Post Only instruction and a Displayed instruction that does not remove liquidity pursuant to Rule 11.6(n)(4), the order with a Super Aggressive instruction is converted to an executable order and will remove liquidity against such incoming order. Consistent with the proposed operation of MDOs, the Exchange proposes to add reference to MDOs with a Displayed instruction as another order against which a resting order with a Super Aggressive instruction will interact, converting to an executable order and removing liquidity against such order.

(b)   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[50] in general, and furthers the objectives of Section 6(b)(5) of the Act[51] in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open

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[50]   15 U.S.C. 78f(b).

[51]   15 U.S.C. 78f(b)(5).

market and a national market system and, in general, to protect investors and the public

interest.

The proposed MDO would remove impediments to and promote just and

equitable principles of trade because it would provide Users with an optional order type

that is designed to exercise discretion to execute to the midpoint of the NBBO, enhancing

order execution opportunities at the Exchange that provide price improvement

opportunities over the NBBO. The proposed rule change would also remove

impediments to and perfect the mechanism of a free and open market and a national

market system by potentially increasing liquidity at the NBBO and to midpoint of the

NBBO on the Exchange, thereby improving execution opportunities for market

participants at these price points and enhancing the quality of the EDGX Book. The

Exchange designed the proposed order type to include functionality that is included as

part of similar order types offered by other exchanges to provide Users with increased

control over which price points their order may execute upon entry as well as when the

order would act as a liquidity provider or remover once resting on the EDGX Book.

As proposed, MDOs on the Exchange would operate similarly to NYSE Arca's

Discretionary Pegged Orders and IEX's Discretionary Peg Order, except that both of the

IEX and NYSE Arca order types include "crumbling quote" functionality and neither

order type is able to be displayed on the applicable exchange's order book. [52]

The EDGX proposed MDO also operates identically to EDGA's MDO,[53] except

in two scenarios. These differences are: (i) the proposed EDGX MDO would only

execute upon entry against resting orders that include a Super Aggressive instruction

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[52]   See supra note 4.

[53]   See EDGA Rule 11.8(e).

priced at the MDO's pegged price if the MDO also contains a Displayed instruction and

against orders with an NDS instruction priced at the MDO's pegged price or within its

discretionary range; and (ii) the proposed EDGX MDO would not engage in liquidity

swapping behavior as other orders with a Discretionary Range instruction may do,

including the EDGA MDO. Ensuring that an EDGX MDO will act as a liquidity adder

even upon entry promotes just and equitable principles of trade because Users of the

proposed EDGX MDO would have greater control over their orders in exchange for

providing enhanced execution opportunities at prices more aggressive than the midpoint

of the NBBO to incoming contra-side orders when the MDO is posted to the EDGX

Book. The proposed MDO would share the same core functionality as EDGA's MDO,

NYSE Arca's Discretionary Pegged Order and IEX's Discretionary Peg Order -

executable at the NBB for an order to buy or the NBO for an order to sell, with discretion

to execute at prices to and including the midpoint of the NBBO.

The proposed differences with the EDGA MDO are based on NYSE Arca's ALO

Order, MPL-ALO order and Discretionary Pegged order as well as IEX's Discretionary

Peg Order and are designed to provide Users with additional control over their order upon

entry as well as certainty that their order would act as a liquidity provider. Specifically,

the proposed behavior is similar to the operation of NYSE Arca's MPL-ALO order which

will also not act as a liquidity remover upon entry.[54] NYSE Arca's MPL-ALO order will

only execute upon entry against a resting order that includes a Non-Display Remove

modifier which, like the NDS and Super Aggressive instructions, enables that order to

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[54]   See NYSE Arca Rule 7.31-E(d)(3)(F) and (e)(2)(B)(iv) (stating that, unless the
        resting order includes a Non-Display Remove modifier which enables that order
        to switch from a liquidity adder to a remover, an ALO order will only trade with
        arriving contra-side interest).

switch from a liquidity adder to a remover. This is also similar to NYSE Arca's ALO

Order which will only execute upon entry when the resting order includes the Non-

Display Remove Modifier.[55]

The proposed operation of the EDGX MDO enables it to act as a liquidity

provider while increasing its opportunities to rest on the EDGX Book and seek to execute

against incoming orders at prices equal to or more aggressive than the midpoint of the

NBBO. Therefore, the EDGX MDO promotes just and equitable principles of trade by

increasing the potential price improvement opportunities for incoming orders that may

execute against a resting MDO within its discretionary range. The proposed rule change

would facilitate transactions in securities and improve trading within the national market

system.

The Exchange believes it is reasonable to execute resting orders with an NDS

instruction within the incoming MDO's discretionary range but not execute orders with a

Super Aggressive instruction within the incoming MDO's discretionary range due to the

different purposes of each order instruction. As stated above, Users of the Super

Aggressive instruction tend to use it for best execution purposes because the order

instruction enables the order to be routed away or executed locally when an order is

displayed at a price equal to or better than the order's limit price. Conversely, an order

with an NDS instruction is not routable and only executes against an incoming order that

would lock it. The User of the NDS instruction is generally agnostic to whether the order

is displayed on an away Trading Center or priced at the NBBO. It simply seeks to

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[55]   See NYSE Arca Rule 7.31-E(e)(2).

execute against an order that is priced at its limit price and engages in a liquidity swap to do so, even if the contra-side interest contains a Non-Displayed instruction.

Under the proposal and in accordance with Exchange Rule 11.9(a)(2)(A), when MDOs execute at their pegged displayed price, they would have the same priority as that of displayed Limit Orders. Similarly, when MDOs execute at their non-displayed pegged price, they would have the same priority as that of non-displayed Limit Orders. When MDOs execute within their Discretionary Range in general or at the midpoint of the NBBO, the Exchange proposes that they maintain the same priority as a Limit Order executed within its Discretionary Range. The Exchange believes the proposed priority is consistent with the Act because it continues to provide priority to displayed orders on the Exchange and to orders that are designed to provide liquidity at a set price level, such as the mid-point of the NBBO. Lastly, the Exchange notes that the proposed priority is identical to the priority for MDOs on EDGA.[56]

The Exchange's proposed modification to the Super Aggressive instruction will ensure that the definition of such instruction is consistent with the proposed functionality of the MDO order type, as described above.

For the reasons set forth above, the Exchange believes the proposal removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest.

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

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

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[56]   See EDGA Rule 11.9(a)(2).

of the Act, as amended. On the contrary, the Exchange believes the proposed MDO

promotes inter-market competition because it will enable the Exchange to offer

functionality similar to that offered by NYSE Arca and IEX.[57] The proposed EDGX

MDO will improve competition because it provides enhanced execution opportunities at

prices equal to or more aggressive than the midpoint of the NBBO to incoming contra-

side orders, improving the overall competiveness of the Exchange. The Exchange also

believes the proposed rule change will not impact intra-market competition because it

will be available to all Users. Therefore, the Exchange does not believe the proposed rule

change will result in any burden on competition that is not necessary or appropriate in

furtherance of the purposes of the Act.

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

        No comments were solicited or received on the proposed rule change.

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 foregoing rule change has become effective pursuant to Section 19(b)(3)(A)[58]

of the Act and Rule 19b-4(f)(6)[59] thereunder. The proposed rule change effects a change

that (A) does not significantly affect the protection of investors or the public interest; (B)

does not impose any significant burden on competition; and (C) by its terms, does not

become operative for thirty (30) days after the date of the filing, or such shorter time as

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[57]   See supra note 4.

[58]   15 U.S.C. 78s(b)(3)(A).

[59]   17 CFR 240.19b-4(f)(6).

the Commission may designate if consistent with the protection of investors and the

public interest; provided that the self-regulatory organization 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.[60]

The Exchange believes that the proposed rule change meets the criteria of

subparagraph (f)(6) of Rule 19b-4[61] because it would not significantly affect the

protection of investors or the public interest. The proposed MDO does not significantly

affect the protection of investors or the public interest because it simply adds an optional

order type that enhances order execution opportunities on the Exchange and provides

price improvement over the NBBO. The EDGX proposed MDO also operates identically

to EDGA's MDO,[62] except in two scenarios. These differences are: (i) the proposed

EDGX MDO would only execute upon entry against resting orders that include a Super

Aggressive instruction priced at the MDO's pegged price if the MDO also contains a

Displayed instruction and against orders with an NDS instruction priced at the MDO's

pegged price or within its discretionary range; and (ii) the proposed EDGX MDO would

not engage in liquidity swapping behavior as other orders with a Discretionary Range

instruction may do, including the EDGA MDO. These differences with the EDGA MDO

are non-controversial and are based on NYSE Arca's ALO order, MPL-ALO Order and

Discretionary Pegged Order as well as IEX's Discretionary Peg Order. They promote the

protection of investors and the public interest because they are designed to provide Users

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[60]   17 CFR 240.19b-4(f)(6)(iii).

[61]   17 CFR 240.19b-4(f)(6).

[62]   See EDGA Rule 11.8(e).

with additional control over their order as well as certainty that their order would act as a liquidity provider. In addition, including the proposed "Post Only" functionality of an MDO in these circumstances would make less sense on EDGA than it does on EDGX because EDGA currently operates with an inverted pricing model, meaning that liquidity providers pay to add liquidity and liquidity removers receive rebates to remove liquidity.[63] The proposed operation of the EDGX MDO promotes the public interest because it increases enhanced execution opportunities at prices equal to or more aggressive than the midpoint of the NBBO for incoming orders when the MDO is resting on the EDGX Book. In addition, the proposed MDO is similar to order types offered by NYSE Arca and IEX, both of which have been recently approved by the Commission and, therefore, present no novel issues that have not already been addressed.[64] The Exchange's MDO has the same core functionality as the NYSE Arca and IEX discretionary pegged order types which all are pegged to the NBBO with discretion to execute to the midpoint of the NBBO. However, unlike the NYSE Arca and IEX discretionary pegged order types, the Exchange's MDO does not include "crumbling quote" functionality, which, in turn, makes it less complex and controversial. In addition, the proposed MDO does not include any functionality that is not already available via those order types discussed above. In addition, the proposed rule change does not impose any significant burden on competition for the reasons set forth under Section 4 above. The Exchange has accordingly designated this rule filing as "non-controversial" under Section 19(b)(3)(A) of the Act[65] and paragraph (f)(6) of Rule 19b-4 thereunder.[66]

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[63]   See EDGA Fee Schedule.

[64]   See supra note 4. See also EDGA Rule 11.8(e).

[65]   15 U.S.C. 78s(b)(3)(A).

The Exchange respectfully requests that the Commission waive the 30-day

operative delay period after which a proposed rule change under Rule 19b-4(f)(6)

becomes effective. Waiver of the 30-day operative delay would benefit investors by

enabling the Exchange to implement the proposed rule change promptly after filing, thus

allowing the Exchange to make this functionality available to Users. The use of MDOs

on the Exchange is completely optional, and, as noted above, similar functionality is

available on multiple competitors to the Exchange. As such, waiver of the operative

delay would allow the Exchange to compete with such other exchanges more promptly

and would make such functionality promptly available to Users of the Exchange. Waiver

of the operative delay is, therefore, consistent with the protection of investors and the

public interest.

At any time within sixty (60) days of the filing of such proposed rule change, the

Commission may summarily 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.

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

The proposed MDO is based on EDGA Rule 11.8(d), defining MDOs on EDGA,

NYSE Arca Rule 7.31-E(h)(3), defining the Discretionary Pegged Orders, and IEX Rule

11.190(a)(3), defining Discretionary Peg Orders, all of which peg to the NBBO with

discretion to execute to the midpoint of the NBBO. MDOs operate similarly to NYSE

Arca's Discretionary Pegged Orders and IEX's Discretionary Peg order except that both

of these order types include "crumbling quote" functionality and neither order type is

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[66]   17 CFR 240.19b-4.

able to be displayed on the applicable exchange's order book.

While the proposed MDO would operate identical to EDGA's MDO[67] in nearly all respects, it will function differently in two respects. These differences are based on functionality included as part of NYSE Arca's Discretionary Pegged Order and MPL-ALO Order as well as IEX's Discretionary Pegged Order[68] and are designed to provide Users with increased control over whether the order acts as a liquidity adder upon entry. These differences are: (i) the proposed EDGX MDO would only execute upon entry against resting orders that include a Super Aggressive instruction priced at the MDO's pegged price if the MDO also contains a Displayed instruction and against orders with an NDS instruction priced at the MDO's pegged price or within its discretionary range; and (ii) the proposed EDGX MDO would not engage in liquidity swapping behavior as other orders with a Discretionary Range instruction may do, including the EDGA MDO. As noted above, once posted to the EDGX Book, the proposed MDO would share the same core functionality as EDGA's MDO, NYSE Arca's Discretionary Pegged Order and IEX's Discretionary Peg Order - executable at the NBB for an order to buy or the NBO for an order to sell, with discretion to execute at prices to and including the midpoint of the NBBO.

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.

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[67]   See EDGA Rule 11.8(e).

[68]   See supra note 4.

11.   <u>Exhibits</u>

Exhibit 1 – Form of Notice of Proposed Rule Change for <u>Federal</u> <u>Register</u>.

Exhibit 5 – Text of the Proposed Rule Change

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-_____; File No. SR-CboeEDGX-2018-041)

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and
Immediate Effectiveness of a Proposed Rule Change to Adopt a New Order Type Called
the MidPoint Discretionary Order ("MDO") Under Paragraph (g) of Exchange Rule 11.8
and to Amend the Definition of the Super Aggressive Instruction Under Paragraph (n)(2)
of Exchange Rule 11.6

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1]

and Rule 19b-4 thereunder,[2] notice is hereby given that on _____,

Cboe EDGX Exchange, Inc. (the "Exchange" or "EDGX") 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[3] and Rule 19b-4(f)(6)(iii) thereunder,[4] 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 is proposing to adopt a new order type called the MidPoint

Discretionary Order ("MDO") under paragraph (g) of Exchange Rule 11.8 and to amend

the definition of the Super Aggressive instruction under paragraph (n)(2) of Exchange

Rule 11.6.

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

[2]   17 CFR 240.19b-4.

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

[4]   17 CFR 240.19b-4(f)(6)(iii).

The text of the proposed rule change is available at the Exchange's website at

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

The Exchange proposes to adopt a new order type known as the MDO under new

paragraph (g) of Exchange Rule 11.8 and to amend the definition of the Super Aggressive

instruction under paragraph (n)(2) of Exchange Rule 11.6.

        Proposed MDOs on EDGX

MDOs are designed to exercise discretion to execute to the midpoint of the

NBBO and provide price improvement to contra-side orders over the NBBO. The

proposed MDO would function similarly to the MDO offered by EDGA,[5] but would also

include certain aspects that mirror functionality currently available through the

Discretionary Pegged Order and MPL-ALO Order offered by NYSE Arca, as well as the

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5   See EDGA Rule 11.8(e).

Discretionary Peg Order offered by IEX.[6] The core functionality of the proposed MDO,

EDGA's MDO, NYSE Arca's Discretionary Pegged Order, and IEX's Discretionary Peg

Order would be the same – being pegged to the NBBO, as applicable, with discretion to

execute to the midpoint of the NBBO.

Proposed Operation. An MDO would be defined as a Limit Order[7] that is

executable at the National Best Bid ("NBB") for an order to buy or the National Best

Offer ("NBO") for an order to sell while resting on the EDGX Book,[8] with discretion to

execute at prices to and including the midpoint of the NBBO. Upon entry, an MDO will

only execute against resting orders that include a Super Aggressive instruction[9] priced at

the MDO's pegged price if the MDO also contains a Displayed instruction[10] and against

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6   See NYSE Arca Rule 7.31-E(h)(3) (defining the Discretionary Pegged Order).
        See also Securities Exchange Act Release No. 78181 (June 28, 2016), 81 FR
        43297 (July 1, 2016) (order approving the Discretionary Pegged Order). See
        NYSE Arca Rule 7.31-E(d)(3)(F). See IEX Rule 11.190(a)(3) (defining Pegged
        Orders and a non-displayed order which may be pegged to the inside quote on the
        same side of the market with discretion to the midpoint of the NBBO, i.e.,
        Discretionary Peg orders). See also Securities Exchange Act Release No. 78101
        (June 17, 2016), 81 FR 41141 (June 23, 2016) (order approving the IEX exchange
        application, which included IEX's Discretionary Peg Orders and Discretionary
        Peg Order).

7   See Exchange Rule 11.8(b). In sum, a Limit Order is an order to buy or sell a
        stated amount of a security at a specified price or better.

8   See Exchange Rule 1.5(d).

9   See Exchange Rule 11.6(n)(2).

10   Pursuant to the terms of the Super Aggressive instruction, such orders execute
        against incoming orders with a Post Only instruction only when such orders also
        contain a Displayed instruction. See Exchange Rule 11.6(n)(7). As noted below,
        the Exchange also proposes to amend the definition of the Super Aggressive
        instruction to reflect the addition of the MDO order type. Further, although an
        order with a Super Aggressive instruction resting at the pegged price of an MDO
        should be a rare occurrence, because orders with a Super Aggressive instruction
        route to locking or crossing quotes at away Trading Centers and an MDO is

orders with a Non-Displayed Swap ("NDS") instruction[11] priced at the MDO's pegged

price or within its discretionary range. As a result, an MDO will not act as a liquidity

remover upon entry against resting orders at its pegged price or at any price within its

discretionary range. Should a resting contra-side order within the MDO's discretionary

range not include an NDS instruction, the incoming MDO will be placed on the EDGX

Book and its discretionary range shortened to equal the limit price of the contra-side

resting order. Likewise, where an incoming order with a Post Only instruction[12] does not

remove liquidity on entry against a resting MDO, the discretionary range of the resting

MDO will be shortened to equal the limit price of the incoming contra-side order with a

Post Only instruction. Shortening the MDO's discretionary range in such circumstances

is intended to avoid the discretionary range extending past the contra-side order's limit

price, which could create a price priority issue should a later order be entered and be

eligible to execute against the resting MDO within its discretionary range but at a price

that extends beyond the contra-side order with a Post Only instruction. Once resting on

the EDGX Book, an MDO will only act as a liquidity provider against all incoming

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pegged to the NBBO (i.e., the locking price), it is possible to have an order with a Super Aggressive instruction at such price based on the Exchange's matching and routing logic as well as the Exchange's calculation of the NBBO and processing of quote updates. See, e.g., Securities Exchange Act Release No. 74072 (January 15, 2015), 80 FR 3282 (January 22, 2015) (SR-EDGX-2015-02) (describing the Exchange's calculation of the NBBO, including router feedback and other details).

[11]   See Exchange Rule 11.6(n)(7).

[12]   See Exchange Rule 11.6(n)(4).

orders that are executable at the resting MDO's pegged price or at any price within the

resting MDO's discretionary range.[13]

An MDO's pegged price and discretionary range would be bound by its limit

price. For example, an MDO to buy or sell with a limit price that is less than the

prevailing NBB or higher than the prevailing NBO, respectively, would be posted to the

EDGX Book at its limit price. The pegged prices of an MDO are derived from the NBB

or NBO, and cannot independently establish or maintain the NBB or NBO. An MDO

will exercise the least amount of price discretion necessary from its pegged price to its

discretionary price. An MDO in a stock priced at $1.00 or more can only be executed in

sub-penny increments when it executes at the midpoint of the NBBO.

Notwithstanding that an MDO may be a Limit Order and include a discretionary

range, its operation and available modifiers would be limited to its description under

proposed Rule 11.8(g). Exchange rules describe Discretionary Range as an instruction

the User may attach to an order to buy (sell) a stated amount of a security at a specified,

displayed or non-displayed ranked price with discretion to execute up (down) to another

specified, non-displayed price.[14] The discretionary range of an MDO would not operate

like the Discretionary Range instruction in certain respects. For instance, orders that

include a Discretionary Range instruction may become a liquidity remover for fee

purposes despite being posted to the EDGX Book (i.e., a "liquidity swap") in certain

scenarios that are outlined in Exchange Rule 11.6(d).[15] The Exchange does not propose

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[13]   See infra note 15 and accompanying text.

[14]   See Exchange Rule 11.6(d).

[15]   The scenarios under Exchange Rule 11.6(d) in which an order with a

for MDOs executed within their discretionary range to engage in the liquidity swapping scenarios set forth under the description of the Discretionary Range instruction under Exchange Rule 11.6(d), including where an MDO's displayed or non-displayed ranked price is equal to an incoming order with a Post Only instruction that does not remove liquidity on entry pursuant to Exchange Rule 11.6(n)(4).[16]

While MDOs would function similarly to the MDO offered by EDGA,[17] it would also include certain aspects that mirror functionality currently available through the Discretionary Pegged Order and MPL-ALO Order offered by NYSE Arca, as well as the Discretionary Peg Order offered by IEX.[18] The core functionality of the proposed MDO, EDGA's MDO, NYSE Arca's Discretionary Pegged Order, and IEX's Discretionary Peg Order would be the same – being pegged to the NBBO, as applicable, with discretion to execute to the midpoint of the NBBO. The similarities and differences amongst these order types are explained below.

Similarities to the EDGA MDO. The following aspects of the proposed MDO's

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Discretionary Range may liquidity swap but the proposed MDO would not are: (i) to the extent an order with a Discretionary Range instruction's displayed or non-displayed ranked price is equal to an incoming order with a Post Only instruction that does not remove liquidity on entry pursuant to Exchange Rule 11.6(n)(4), the order with a Discretionary Range instruction will remove liquidity against such incoming order; and (ii) any contra-side order with a time-in-force other than Immediate-or-Cancel or Fill-or-Kill and a price in the discretionary range but not at the displayed or non-displayed ranked price will be posted to the EDGX Book and then the Discretionary Order will remove liquidity against such posted order.

[16]   Id.

[17]   See EDGA Rule 11.8(e).

[18]   See supra note 6.

functionality are identical to functionality of MDOs on EDGA.[19] The proposed EDGX

MDO's pegged price and discretionary range would be bound by its limit price. An

MDO to buy or sell with a limit price that is less than the prevailing NBB or higher than

the prevailing NBO, respectively, would be posted to the EDGX Book at its limit price.

The pegged prices of an MDO would be derived from the NBB or NBO, and cannot

independently establish or maintain the NBB or NBO. An MDO in a stock priced at

$1.00 or more would only be executed in sub-penny increments when it executes at the

midpoint of the NBBO.[20]

Also like EDGA's MDO,[21] the proposed EDGX MDO may only contain the

following time-in-force terms: Day, RHO, GTX, GTD, PRE, PTX, or PTD.[22] Proposed

paragraph (2) of Rule 11.8(g) would state that MDOs may be entered as a Round Lot or

Mixed Lot.[23] A User may include a Minimum Execution Quantity instruction on a MDO

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[19]   See EDGA Rule 11.8(e).

[20]   Unlike the EDGA MDO, the proposed EDGX MDO would not execute upon
        entry at sub-penny prices pursuant to Exchange Rule 11.10(a)(4)(D) because
        EDGX MDOs will only be eligible for execution upon entry against orders with a
        Super Aggressive instruction at its pegged price or against orders with an NDS
        instruction priced at its pegged price or within its discretionary range. Such
        execution will occur at the price of the contra-side order and not at a sub-penny
        increment. See, e.g., Securities Exchange Act Release No. 82087 (November 15,
        2017), 82 FR 55472 (November 21, 2017) (Notice of Filing and Immediate
        Effectiveness of SR-BatsEDGA-2017-29) (describing, among other things, when
        an MDO on EDGA may execute at a non-midpoint or sub-penny midpoint).

[21]   See EDGA Rule 11.8(e)(1).

[22]   Each of these time-in-force instructions are defined in Exchange Rule 11.6(q).

[23]   The terms Round Lot and Mixed Lot are defined in Exchange Rule 11.6(s).
        However, unlike on EDGA, MDOs may not be entered on EDGX as an Odd Lot.
        See EDGA Rule 11.8(e)(2). The term Odd Lot is defined in Exchange Rule
        11.6(s).

with a Non-Displayed instruction.[24] Proposed paragraph (3) of Rule 11.8(g) would state

that MDOs may be executed during the Early Trading Session, Pre-Opening Session,

Regular Session, and Post-Closing Session.[25] An MDO would default to a Displayed

instruction unless the User[26] includes a Non-Displayed instruction on the order.[27]

Proposed paragraph (4) of Rule 11.8(g) would also specify that a User may elect for an

MDO that is displayed on the EDGX Book to include the User's market participant

identifier ("MPID") by selecting the Attributable instruction.[28] Otherwise, an MDO with

a Displayed instruction will automatically default to a Non-Attributable[29] instruction.

This is also consistent with the current operation of orders that are to be displayed on the

EDGX Book.[30] Under proposed paragraph (5) of Rule 11.8(g), MDOs would not be

eligible for routing pursuant to Exchange Rule 11.11, Routing to Away Trading

Centers.[31]

Proposed paragraph (6) of Rule 11.8(g) would describe the operation of MDOs

under the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of

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[24]   See Exchange Rule 11.6(h) for a description of the Minimum Execution Quantity instruction. The Exchange understands that EDGA plans to submit a proposed rule filing to allow non-displayed EDGA MDOs to also include a Minimum Execution Quantity instruction.

[25]   The terms Early Trading Session, Pre-Opening Session, Regular Session, and Post-Closing Session are defined in Exchange Rule 1.5(ii), (s), (hh), and (r), respectively. See also EDGA Rule 11.8(e)(3).

[26]   See Exchange Rule 1.5(ee).

[27]   The terms Displayed and Non-Displayed are defined in Exchange Rule 11.6(e). See also EDGA Rule 11.8(e)(4).

[28]   See Exchange Rule 11.6(a). See also EDGA Rule 11.8(e)(4).

[29]   See Exchange Rule 11.6(a)(1).

[30]   See, e.g, Exchange Rule 11.8(b)(4).

[31]   See EDGA Rule 11.8(e)(5).

Regulation NMS under the Act (the "Limit Up-Limit Down Plan").[32] Pursuant to

Exchange Rule 11.10(a)(3), an MDO to buy would be re-priced to the Upper Price

Band[33] where the price of the Upper Price Band moves below an existing Protected

Bid.[34] An MDO to sell will be re-priced to the Lower Price Band[35] where the price of the

Lower Price Band moves above an existing Protected Offer.[36] MDOs will only execute

at their pegged prices and not within their Discretionary Ranges when: (i) the price of the

Upper Price Band equals or moves below an existing Protected Bid; or (ii) the price of

the Lower Price Band equals or moves above an existing Protected Offer. When the

conditions in (i) or (ii) of the preceding sentence no longer exist, MDOs will resume

trading against other orders in their Discretionary Range and being pegged to the NBBO.

Pursuant to proposed paragraph (7) of Rule 11.8(g), any unexecuted portion of an

MDO that is resting on the EDGX Book would receive a new time stamp each time its

pegged price is automatically adjusted in response to changes in the NBBO.[37]

Proposed paragraph (8) of Rule 11.8(g) would describe the operation of MDOs

during a locked or crossed market.[38] With respect to an MDO with either a Displayed

instruction or a Non-Displayed instruction, when the EDGX Book is crossed by another

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32   See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498
      (June 6, 2012) (the "Limit Up-Limit Down Release"). See also EDGA Rule
      11.8(e)(6).

33   As defined in the Limit Up-Limit Down Plan.

34   Id.

35   Id.

36   Id.

37   See EDGA Rule 11.8(e)(7).

38   See EDGA Rule 11.8(e)(8).

market, the MDO's pegged price will be automatically adjusted to the current NBO (for

bids) or the current NBB (for offers) with no discretion to the midpoint of the NBBO. If

an MDO displayed on the Exchange would be a Locking Quotation or Crossing

Quotation,[39] the displayed price of the order will be automatically adjusted by the System

to one Minimum Price Variation below the current NBO (for bids) or to one Minimum

Price Variation above the current NBB (for offers) with no discretion to execute to the

midpoint of the NBBO.

Differences with the EDGA MDO. As highlighted above, the proposed MDO

would operate identically to EDGA's MDO[40] in nearly all respects, however, as

proposed, it will function differently in two areas. These differences are based on

functionality included as part of NYSE Arca's Discretionary Pegged Order and MPL-

ALO Order as well as IEX's Discretionary Pegged Order[41] and are designed to provide

Users with increased control over which price points their order may execute upon entry

as well as when the order would act as a liquidity provider or remover once resting on the

EDGX Book. These differences are: (i) the proposed EDGX MDO would only execute

upon entry against resting orders that include a Super Aggressive instruction priced at the

MDO's pegged price (if the MDO also contained a Displayed instruction) and against

orders with an NDS instruction priced at the MDO's pegged price or within its

discretionary range; and (ii) the proposed EDGX MDO would not engage in liquidity

swapping behavior once resting on the EDGX Book as other orders with a Discretionary

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[39]   The terms Locking Quotation or Crossing Quotation are defined in Exchange
        Rule 11.6(g) and (c), respectively.

[40]   See EDGA Rule 11.8(e).

[41]   See supra note 6.

Range instruction may do, including the EDGA MDO. As a preliminary note, once

posted to the EDGX Book, the proposed MDO would share the same core functionality

as EDGA's MDO, NYSE Arca's Discretionary Pegged Order and IEX's Discretionary

Peg Order - executable at the NBB for an order to buy or the NBO for an order to sell,

with discretion to execute at prices to and including the midpoint of the NBBO.

Additional similarities with NYSE Arca's Discretionary Pegged Order and MPL-ALO

Order as well as IEX's Discretionary Pegged Order are explained below.

First, an EDGX MDO would only execute upon entry against resting orders that

include a Super Aggressive instruction priced at the MDO's pegged price if the MDO

also contains a Displayed instruction and against orders with an NDS instruction priced at

the MDO's pegged price or within its discretionary range. This would allow the MDO to

ensure it would act as a liquidity adder even when executing upon entry. Orders with

either a Super Aggressive instruction or NDS instruction are willing to engage in a

liquidity swap with an incoming order priced at its limit price.[42] In such case, an

incoming MDO to buy (sell) would execute against an order to sell (buy) with either a

Super Aggressive instruction or NDS instruction priced at the NBB (NBO). Similarly, an

incoming MDO to buy (sell) would execute against an order to sell (buy) with an NDS

instruction priced within its discretionary range. In both cases, the incoming MDO

would act as the liquidity adder and the resting order with either a Super Aggressive or

NDS instruction would act as the liquidity remover. In contrast, on EDGA an incoming

MDO with a Displayed instruction will also execute on entry within its discretionary

range against an order with a Super Aggressive instruction, not just at the price of the

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[42]   See paragraphs (n)(2) and (7) of Exchange Rule 11.6.

NBB (for a sell MDO) or NBO (for a buy MDO).

The Exchange believes it is reasonable to execute resting orders with an NDS instruction within the incoming MDO's discretionary range but not execute orders with a Super Aggressive instruction within the incoming MDO's discretionary range due to the different purposes of each order instruction. Orders including the Super Aggressive instruction will route to an away Trading Center that displays an order that either locks or crosses the limit price of the Super Aggressive order. Pursuant to Rule 11.6(n)(2), orders with a Super Aggressive instruction will likewise execute against incoming orders with a Post Only instruction and a Displayed instruction that are priced equal to its limit price. In general, Users of the Super Aggressive instruction tend to use it for best execution purposes because the order instruction enables the order to be routed away or executed locally when an order is displayed at a price equal to or better than the order's limit price. Furthermore, a User submitting an order with a Super Aggressive instruction wishes to execute against displayed liquidity either at its price or better, and if priced within the discretionary range of an incoming MDO order, that MDO would be displayed not at the price of the order with a Super Aggressive instruction, but rather the NBB/NBO to which it is pegged. For best execution, the intention of a User submitting an order with a Super Aggressive instruction is to ensure an execution at the best available price of a displayed order on another Trading Center or against an incoming order that would have been displayed on the EDGX Book but for the execution and is willing to engage in a liquidity swap on the Exchange to ensure an execution. Conversely, an order with an NDS instruction is not routable and engages in a liquidity swap only to execute against an incoming order that would lock it. Orders with an NDS instruction and Super Aggressive

instruction differ on how they interact with contra-side orders – orders with a Super

Aggressive instruction execute against displayed liquidity only while an order with an

NDS instruction will execute against an order that locks it, regardless of whether the

contra-side order would have been displayed. Therefore, the Exchange believes it is

reasonable to execute an incoming MDO against a resting order with an NDS instruction

priced within its discretionary range as the NDS order is aggressively seeking to execute

against incoming orders at its limit price and is willing to act as a liquidity remover to do

so.

The above-proposed behavior is similar to the operation of NYSE Arca's MPL-

ALO order, which also does not act as a liquidity remover upon entry.[43] Specifically,

NYSE Arca's MPL-ALO order will only execute upon entry against a resting order that

includes a Non-Display Remove modifier which, like the NDS and Super Aggressive

instructions, enables that order to switch from a liquidity adder to a remover. This is also

similar to NYSE Arca's ALO Order which will also only trade with resting contra-side

orders that include a Non-Display Remove Modifier.[44]

Second, EDGA's MDO would perform a liquidity swap when executed within its

Discretionary Range as set forth in EDGA Rule 11.6(d). The proposed EDGX MDO

would not. However, not performing a liquidity swap within the discretionary range is

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[43]   See NYSE Arca Rule 7.31-E(d)(3)(F) and (e)(2)(B)(iv) (stating that, unless the
         resting order includes a Non-Display Remove modifier which enable that order to
         switch from a liquidity adder to a remover, an ALO order will only trade with
         arriving contra-side interest).

[44]   See NYSE Arca Rule 7.31-E(e)(2). The only time an ALO Order will execute
         upon entry is when the resting order includes the Non-Display Remove Modifier.

identical to the operation of NYSE Arca's Discretionary Pegged Order.[45] The proposed

MDO would also not liquidity swap at its pegged price once resting on the EDGX Book.

This is similar to NYSE Arca's ALO Order.[46]

Order Priority. The Exchange also proposes to amend Exchange Rule 11.9 to

describe the execution priority of the proposed MDO when it is resting on the EDGX

Book. The proposed priority of MDOs on EDGX would be identical to the priority of

MDOs on EDGA.[47] In general, where orders to buy (sell) are entered into the System at

the same price, the order clearly established as the first entered into the System at such

particular price shall have precedence at that price, up to the number of shares of stock

specified in the order. Under paragraph (a)(2)(A) of Rule 11.9, the System currently

ranks equally priced trading interest resting on the EDGX Book in time priority in the

following order: the portion of a Limit Order with a Displayed instruction; Limit Orders

with a Non-Displayed instruction; orders with a Pegged and Non-Displayed instruction;

the Reserve Quantity of Limit Orders; Limit Orders executed within their Discretionary

Range; and Supplemental Peg Orders. For purposes of MDO priority, the Exchange

proposes that the pegged price of an MDO, whether displayed or non-displayed, be

treated like a Limit Order that is resting on the EDGX Book. Accordingly, the pegged

prices of MDOs displayed on the EDGX Book will have the same priority as displayed

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[45]   See NYSE Arca Rule 7.31-E(h)(3) (the rule does not provide for a liquidity swap
to occur within the order's discretionary range).

[46]   See NYSE Arca Rule 7.31-E(e)(2) (stating that an ALO order will not remove
liquidity from the NYSE Arca Book, and will be re-priced to avoid a locked or
crossed market). An ALO order will only act as a liquidity taker where it crosses
an order resting on the NYSE Arca Book. Because it is pegged to the NBBO, the
proposed MDO would never cross an order resting on the EDGX Book.

[47]   See generally EDGA Rule 11.9(a).

Limit Orders. Likewise, the pegged price of an MDO that is not displayed will have the

same priority as Limit Orders with a Non-Displayed instruction, and therefore will not be

treated for priority purposes like other orders with a Pegged and Non-Displayed

instruction. As such, the Exchange proposes to amend paragraph (a)(2)(D)(i) of Rule

11.9 to specify that the pegged prices of an MDO will be treated as a Limit Order for

purposes of order priority under Exchange Rule 11.9(a)(2)(A). The Exchange proposes

to amend paragraph (a)(2)(A)(v) of Rule 11.9 to specify that MDOs executed within their

Discretionary Range maintain the same priority as Limit Orders executed within their

Discretionary Range. The above proposed priority sequence is consistent with the

priority of MDOs on EDGA.[48]

Paragraph (a)(2)(B) of Rule 11.9 sets forth separate priority for orders executed at

the midpoint of the NBBO. Where orders to buy (sell) are priced at the midpoint of the

NBBO, the order clearly established as the first shall have precedence at the mid-point of

the NBBO, up to the number of shares of stock specified in the order. Orders at the

midpoint of the NBBO resting on the EDGX Book are executed in following order: Limit

Orders to which the Display-Price Sliding instruction has been applied; Limit Orders with

a Non-Displayed instruction; Orders with a Pegged instruction; MidPoint Peg Orders; the

Reserve Quantity of Limit Orders; and Limit Orders executed within their Discretionary

Range. Like proposed above for the general priority of orders, the Exchange proposes to

amend paragraph (a)(2)(B)(vi) of Rule 11.9 to specify that MDOs executed within their

Discretionary Range at the midpoint of the NBBO shall have the same priority as Limit

Orders executed within their Discretionary Range.

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[48]   See EDGA Rule 11.9(a)(2)(A)(vi) and (a)(2)(C)(i).

Examples. The following examples illustrate the operation of the proposed MDO when resting on the EDGX Book. Assume the NBBO is $10.00 by $10.04. There is a displayed MDO to buy at $10.02 on the EDGX Book that is pegged to the NBB at $10.00 with discretion to execute to $10.02, the midpoint of the NBBO. A Limit Order to buy at $10.00 with a Displayed instruction is then entered. Next, a Limit Order to sell at $10.00 with a Non-Displayed instruction is entered. The Limit Order to sell would execute against the MDO to buy at $10.00, with the MDO exercising no discretion. The displayed MDO has time priority ahead of the displayed Limit order to buy. The pegged price of a displayed or non-displayed MDO has the same priority as displayed or non-displayed Limit Orders, respectively, that are resting on the EDGX Book at the same price.

Assume the same facts as above but that the MDO instead included a Non-Displayed instruction. In that case, the Limit Order to sell would execute as a liquidity remover against the displayed Limit Order to buy at $10.00 because displayed orders always have priority over non-displayed orders at the same price.

The following example illustrates the operation of a resting MDO on the EDGX Book and an incoming Limit Order that also includes a Post Only instruction. Assume again the NBBO is $10.00 by $10.04 resulting in a midpoint of $10.02. There is a resting MDO to buy at $10.02 displayed on the EDGX Book that is pegged to the NBB at $10.00 with discretion to execute to $10.02, the midpoint of the NBBO. A Limit Order to sell at $10.01 with a Non-Displayed instruction and Post Only instruction is then entered. No execution occurs. The MDO to buy resting on the EDGX Book would only act as a liquidity provider and the incoming order to sell with Post Only instruction will not

remove liquidity. Therefore, the MDO to buy resting on the EDGX Book would have its discretionary range shortened from $10.02 to $10.01, which is the price of the incoming Limit Order to sell. The Limit Order with a Non-Displayed instruction to sell will be posted to the EDGX Book at $10.01, its limit price.

The MDO's discretionary range is shortened to avoid the following priority issue that may result from an internally crossed market issue. Assume a Limit Order to sell at $10.02 with a Non-Displayed instruction is subsequently entered. Absent the shortening of the buy MDO's discretionary range to $10.01, the sell Limit Order at $10.02 would have executed against the resting buy MDO with discretion to $10.02, creating a priority issue for the first sell Limit Order that is ranked at $10.01.

Assume the same facts as the preceding example, but that the first sell Limit Order with a Post Only instruction to sell was priced at $9.99. In that case, the Limit Order to sell would execute against the resting MDO to buy at $10.00 in accordance with Exchange Rule 11.6(n)(4), receiving one cent of price improvement. The MDO would remain the liquidity provider and the Limit Order to sell would act as the liquidity remover.

The following examples illustrate the operation of the proposed MDO upon entry. Assume again the NBBO is $10.00 by $10.04 resulting in a midpoint of $10.02. There is a non-displayed order with an NDS instruction to sell at $10.00 resting on the EDGX Book. An MDO to buy with a Displayed instruction is entered that, if posted to the EDGX Book, would be pegged to the NBB at $10.00 with discretion to execute to $10.02, the midpoint of the NBBO. In such case, the MDO to buy would execute against the resting order with an NDS instruction to sell at $10.00 because the MDO's pegged

price equals the limit price of the order with an NDS instruction. The incoming MDO would act as the liquidity adder and the order with an NDS instruction would act as the liquidity remover. The same result would occur if the order to sell resting on the EDGX Book included a Super Aggressive instruction rather than an NDS instruction. However, if the order to sell resting on the EDGX book did not include either a Super Aggressive instruction or NDS instruction, no execution would occur and the MDO order to buy would be posted to the EDGX Book at $10.00 with its discretionary range shortened from $10.02 to $10.00, which is the price of the resting non-displayed order to sell.

Assume the same facts as the preceding example but that the non-displayed order with an NDS instruction to sell resting on the EDGX Book is priced at $10.01 rather than $10.00. The resting order with an NDS instruction to sell is priced within the discretionary range of the incoming MDO to buy. The MDO to buy would execute against the resting order with an NDS instruction to sell at $10.01 because the MDO's discretionary range includes a price equal to the limit price of the order with an NDS instruction. The incoming MDO would act as the liquidity adder and the order with an NDS instruction would act as the liquidity remover.

Assume instead that the non-displayed order to sell resting on the EDGX Book did not include an NDS instruction. No execution would occur and the order to sell would remain on the EDGX Book. The incoming MDO to buy would be posted to the EDGX Book at $10.00 with its discretionary range shortened from $10.02 to $10.01, which is the price of the resting non-displayed order to sell. Like in an above example, the MDO's discretionary range is shortened to avoid the following priority issue that may result from an internally crossed market issue. Assume a Limit Order to sell at $10.02

with a Non-Displayed instruction is subsequently entered. Absent the shortening of the buy MDO's discretionary range to $10.01, the sell Limit Order at $10.02 would have executed against the resting buy MDO with discretion to $10.02, creating a priority issue for the first sell Limit Order that is ranked at $10.01.

Assume instead that the order to sell at $10.01 resting on the EDGX Book included a Super Aggressive instruction rather than an NDS instruction. No execution would occur because the order with a Super Aggressive instruction is priced within the discretionary range of the incoming MDO. The order with a Super Aggressive instruction would remain on the EDGX Book until it is eligible to be routed away or executed. The incoming MDO would be posted to the EDGX Book at $10.00 with its discretionary range shortened from $10.02 to $10.01, which is the price of the resting non-displayed order to sell with a Super Aggressive instruction.

Proposed Amendment to Super Aggressive Instruction

In addition to the adoption of MDOs, the Exchange proposes to amend Rule 11.6(n)(2), which defines the Super Aggressive instruction. Specifically, the current definition states that when any order with a Super Aggressive instruction is locked by an incoming order with a Post Only instruction and a Displayed instruction that does not remove liquidity pursuant to Rule 11.6(n)(4), the order with a Super Aggressive instruction is converted to an executable order and will remove liquidity against such incoming order. Consistent with the proposed operation of MDOs, the Exchange proposes to add reference to MDOs with a Displayed instruction as another order against which a resting order with a Super Aggressive instruction will interact, converting to an executable order and removing liquidity against such order.

2.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the

Act[49] in general, and furthers the objectives of Section 6(b)(5) of the Act[50] in particular,

in that it is designed to promote just and equitable principles of trade, to foster

cooperation and coordination with persons engaged in 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.

The proposed MDO would remove impediments to and promote just and

equitable principles of trade because it would provide Users with an optional order type

that is designed to exercise discretion to execute to the midpoint of the NBBO, enhancing

order execution opportunities at the Exchange that provide price improvement

opportunities over the NBBO. The proposed rule change would also remove

impediments to and perfect the mechanism of a free and open market and a national

market system by potentially increasing liquidity at the NBBO and to midpoint of the

NBBO on the Exchange, thereby improving execution opportunities for market

participants at these price points and enhancing the quality of the EDGX Book. The

Exchange designed the proposed order type to include functionality that is included as

part of similar order types offered by other exchanges to provide Users with increased

control over which price points their order may execute upon entry as well as when the

order would act as a liquidity provider or remover once resting on the EDGX Book.

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[49]   15 U.S.C. 78f(b).

[50]   15 U.S.C. 78f(b)(5).

As proposed, MDOs on the Exchange would operate similarly to NYSE Arca's Discretionary Pegged Orders and IEX's Discretionary Peg Order, except that both of the IEX and NYSE Arca order types include "crumbling quote" functionality and neither order type is able to be displayed on the applicable exchange's order book. [51]

The EDGX proposed MDO also operates identically to EDGA's MDO,[52] except in two scenarios. These differences are: (i) the proposed EDGX MDO would only execute upon entry against resting orders that include a Super Aggressive instruction priced at the MDO's pegged price if the MDO also contains a Displayed instruction and against orders with an NDS instruction priced at the MDO's pegged price or within its discretionary range; and (ii) the proposed EDGX MDO would not engage in liquidity swapping behavior as other orders with a Discretionary Range instruction may do, including the EDGA MDO. Ensuring that an EDGX MDO will act as a liquidity adder even upon entry promotes just and equitable principles of trade because Users of the proposed EDGX MDO would have greater control over their orders in exchange for providing enhanced execution opportunities at prices more aggressive than the midpoint of the NBBO to incoming contra-side orders when the MDO is posted to the EDGX Book. The proposed MDO would share the same core functionality as EDGA's MDO, NYSE Arca's Discretionary Pegged Order and IEX's Discretionary Peg Order - executable at the NBB for an order to buy or the NBO for an order to sell, with discretion to execute at prices to and including the midpoint of the NBBO.

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[51]   See supra note 6.

[52]   See EDGA Rule 11.8(e).

The proposed differences with the EDGA MDO are based on NYSE Arca's ALO Order, MPL-ALO order and Discretionary Pegged order as well as IEX's Discretionary Peg Order and are designed to provide Users with additional control over their order upon entry as well as certainty that their order would act as a liquidity provider. Specifically, the proposed behavior is similar to the operation of NYSE Arca's MPL-ALO order which will also not act as a liquidity remover upon entry.[53] NYSE Arca's MPL-ALO order will only execute upon entry against a resting order that includes a Non-Display Remove modifier which, like the NDS and Super Aggressive instructions, enables that order to switch from a liquidity adder to a remover. This is also similar to NYSE Arca's ALO Order which will only execute upon entry when the resting order includes the Non-Display Remove Modifier.[54]

The proposed operation of the EDGX MDO enables it to act as a liquidity provider while increasing its opportunities to rest on the EDGX Book and seek to execute against incoming orders at prices equal to or more aggressive than the midpoint of the NBBO. Therefore, the EDGX MDO promotes just and equitable principles of trade by increasing the potential price improvement opportunities for incoming orders that may execute against a resting MDO within its discretionary range. The proposed rule change would facilitate transactions in securities and improve trading within the national market system.

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[53]   See NYSE Arca Rule 7.31-E(d)(3)(F) and (e)(2)(B)(iv) (stating that, unless the resting order includes a Non-Display Remove modifier which enables that order to switch from a liquidity adder to a remover, an ALO order will only trade with arriving contra-side interest).

[54]   See NYSE Arca Rule 7.31-E(e)(2).

The Exchange believes it is reasonable to execute resting orders with an NDS instruction within the incoming MDO's discretionary range but not execute orders with a Super Aggressive instruction within the incoming MDO's discretionary range due to the different purposes of each order instruction. As stated above, Users of the Super Aggressive instruction tend to use it for best execution purposes because the order instruction enables the order to be routed away or executed locally when an order is displayed at a price equal to or better than the order's limit price. Conversely, an order with an NDS instruction is not routable and only executes against an incoming order that would lock it. The User of the NDS instruction is generally agnostic to whether the order is displayed on an away Trading Center or priced at the NBBO. It simply seeks to execute against an order that is priced at its limit price and engages in a liquidity swap to do so, even if the contra-side interest contains a Non-Displayed instruction.

Under the proposal and in accordance with Exchange Rule 11.9(a)(2)(A), when MDOs execute at their pegged displayed price, they would have the same priority as that of displayed Limit Orders. Similarly, when MDOs execute at their non-displayed pegged price, they would have the same priority as that of non-displayed Limit Orders. When MDOs execute within their Discretionary Range in general or at the midpoint of the NBBO, the Exchange proposes that they maintain the same priority as a Limit Order executed within its Discretionary Range. The Exchange believes the proposed priority is consistent with the Act because it continues to provide priority to displayed orders on the Exchange and to orders that are designed to provide liquidity at a set price level, such as

the mid-point of the NBBO. Lastly, the Exchange notes that the proposed priority is identical to the priority for MDOs on EDGA.[55]

The Exchange's proposed modification to the Super Aggressive instruction will ensure that the definition of such instruction is consistent with the proposed functionality of the MDO order type, as described above.

For the reasons set forth above, the Exchange believes the proposal removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest.

(B)   Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. On the contrary, the Exchange believes the proposed MDO promotes inter-market competition because it will enable the Exchange to offer functionality similar to that offered by NYSE Arca and IEX.[56] The proposed EDGX MDO will improve competition because it provides enhanced execution opportunities at prices equal to or more aggressive than the midpoint of the NBBO to incoming contra-side orders, improving the overall competiveness of the Exchange. The Exchange also believes the proposed rule change will not impact intra-market competition because it will be available to all Users. Therefore, the Exchange does not believe the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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[55]   See EDGA Rule 11.9(a)(2).

[56]   See supra note 6.

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

No comments were solicited or received 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) 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[57] and paragraph (f)(6) of Rule 19b-4

thereunder,[58] the Exchange has designated this rule filing as non-controversial. 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.

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

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57   15 U.S.C. 78s(b)(3)(A).

58   17 CFR 240.19b-4.

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. Please include File No. SR-
  CboeEDGX-2018-041 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-2018-041. 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-2018-041 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.[59]

Robert W. Errett
Deputy Secretary

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[59]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

Proposed new language is <u>underlined</u>; proposed deletions are marked by [brackets].

CHAPTER XI. TRADING RULES

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Rule 11.6. Definitions

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(a) – (m)   (No change).

(n)   Routing/Posting Instructions

        (1)   (No change).

        (2)   Super Aggressive. An order instruction that directs the System to route the order if an away Trading Center locks or crosses the limit price of the order resting on the EDGX Book. A User may instruct the Exchange to apply the Super Aggressive instruction to routable orders posted to the EDGX Book with remaining size of an Odd Lot. When any order with a Super Aggressive instruction is locked by an <u>MDO with a Displayed instruction or an </u>incoming order with a Post Only instruction and a Displayed instruction that does not remove liquidity pursuant to Rule 11.6(n)(4) below, the order with a Super Aggressive instruction is converted to an executable order and will remove liquidity against such incoming order.

        (3) – (7)   (No change).

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Rule 11.8. Order Types

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        (a) – (f)   (No change).

        <u>(g)   MidPoint Discretionary Order ("MDO"). An MDO is a Limit Order that is executable at the NBB for an order to buy or the NBO for an order to sell while resting on the EDGX Book, with discretion to execute at prices to and including the midpoint of the NBBO. Upon entry, an MDO will only execute against resting orders that include a Super Aggressive instruction priced at the MDO's pegged price if the MDO also contains a Displayed instruction and against orders with an NDS instruction priced at the MDO's pegged price or within its discretionary range. Should a resting contra-side order within the MDO's discretionary range not include an NDS instruction, the incoming MDO will be placed on the EDGX Book and its discretionary range shortened to equal the limit price of the contra-side resting order. Likewise,</u>

where an incoming order with a Post Only instruction does not remove liquidity on entry pursuant to Rule 11.6(n)(4) against a resting MDO, the discretionary range of the resting MDO will be shortened to equal the limit price of the incoming contra-side order with a Post Only instruction. Once resting on the EDGX Book, an MDO will only act as a liquidity provider against all incoming orders that are executable at the resting MDO's pegged price or at any price within the resting MDO's discretionary range. An MDO's pegged price and discretionary range are bound by its limit price. An MDO to buy or sell with a limit price that is less than the prevailing NBB or higher than the prevailing NBO, respectively, is posted to the EDGX Book at its limit price. The pegged prices of an MDO are derived from the NBB or NBO, and cannot independently establish or maintain the NBB or NBO. An MDO will exercise the least amount of price discretion necessary from its pegged price to its discretionary price. An MDO in a stock priced at $1.00 or more can only be executed in sub-penny increments when it executes at the midpoint of the NBBO. Notwithstanding that an MDO may be a Limit Order and include a discretionary range, its operation and available modifiers are limited to this Rule 11.8(g).

(1) Time-in-Force. An MDO may only contain the following time-in-force terms: Day, RHO, GTX, GTD, PRE, PTX, or PTD.

(2) Size. MDOs may be entered as a Round Lot or Mixed Lot only. A User may include a Minimum Execution Quantity instruction on a MDO with a Non-Displayed instruction.

(3) Session. MDOs may be executed during the Early Trading Session, Pre-Opening Session, Regular Session, and Post-Closing Session.

(4) Display. An MDO will default to a Displayed instruction unless the User includes a Non-Displayed instruction on the order and will be Displayed or Non-Displayed on the EDGX Book at its pegged or limit price in accordance with paragraph (g) above. An MDO with a Displayed instruction will default to a Non-Attributable instruction, unless the User selects the Attributable instruction.

(5) Routing/Posting. MDOs are not eligible for routing pursuant to Rule 11.11.

(6) Limit-Up/Limit Down. Pursuant to Rule 11.10(a)(3), an MDO to buy will be re-priced to the Upper Price Band where the price of the Upper Price Band moves below an existing Protected Bid. An MDO to sell will be re-priced to the Lower Price Band where the price of the Lower Price Band moves above an existing Protected Offer. MDOs will only execute at their pegged prices and not within their Discretionary Ranges when: (i) the price of the Upper Price Band equals or moves below an existing Protected Bid; or (ii) the price of the Lower Price Band equals or moves above an existing Protected Offer. When the conditions in (i) or (ii) of the preceding sentence no longer exist, MDOs will resume trading against other orders in their Discretionary Range and being pegged to the NBBO.

(7)   Any unexecuted portion of an MDO that is resting on the EDGX Book will receive a new time stamp each time its pegged price is automatically adjusted in response to changes in the NBBO.

(8)   Locked or Crossed Market. With respect to an MDO with either a Displayed instruction or a Non-Displayed instruction, when the EDGX Book is crossed by another market, the MDO's pegged price will be automatically adjusted to the current NBO (for bids) or the current NBB (for offers) with no discretion to the midpoint of the NBBO. If an MDO displayed on the Exchange would be a Locking Quotation or Crossing Quotation, the displayed price of the order will be automatically adjusted by the System to one Minimum Price Variation below the current NBO (for bids) or to one Minimum Price Variation above the current NBB (for offers) with no discretion to execute to the midpoint of the NBBO.

11.9. Priority of Orders

(a)   Ranking. Orders of Users shall be ranked and maintained in the EDGX Book based on the following priority:

(1)   (No change).

(2)   Time. Subject to the execution process described in Rule 11.10(a), the following priority rules shall apply:

(A)   Where orders to buy (sell) are entered into the System at the same price, the order clearly established as the first entered into the System at such particular price shall have precedence at that price, up to the number of shares of stock specified in the order. Except as provided in paragraphs (B) and (C) below, the System shall rank equally priced trading interest within the System in time priority in the following order:

(i)   The portion of a Limit Order with a Displayed instruction;

(ii)   Limit Orders with a Non-Displayed instruction;

(iii)   Orders with a Pegged and Non-Displayed instruction;

(iv)   Reserve Quantity of Limit Orders;

(v)   MidPoint Discretionary Orders executed within their Discretionary Range and Limit Orders executed within their Discretionary Range; and

(vi)   Supplemental Peg Orders.

(B)   At the Midpoint of the NBBO. Where orders to buy (sell) are priced at the midpoint of the NBBO, the order clearly established as the first priced at the midpoint of the NBBO within each sub-paragraph below shall have precedence at the mid-point of the NBBO, up to the number of shares of stock specified in the order. The System shall rank trading interest priced at the midpoint of the NBBO within the System in time priority in the following order:

(i)   Limit Orders to which the Display-Price Sliding instruction has been applied;

(ii)   Limit Orders with a Non-Displayed instruction;

(iii)   Orders with a Pegged instruction;

(iv)   MidPoint Peg Orders;

(v)   Reserve Quantity of Limit Orders; and

(vi)   MidPoint Discretionary Orders executed within their Discretionary Range and Limit Orders executed within their Discretionary Range.

(C)   (No change).

(D)   For purposes of paragraph (A) above:

(i)   ISOs, as defined in Rule 11.8(c), the pegged price of a MidPoint Discretionary Order, as defined in Rule 11.8(g), and Market Maker Peg Orders, as defined in Rule 11.8(f), are to be treated as Limit Orders, as defined in Rule 11.8(b); and

(ii)   (No change).

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