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

File No.* SR - 2018 - * 060
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) *
☑	☐	☐	☐	☑	☐

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

Rule

☐ 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 proposed rule change discontinues bulk order functionality and implements bulk message functionality (i.e. a quoting interface) on EDGX Options.

Contact Information

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

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

Signature

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

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

Date 12/13/2018

By Laura G. Dickman
(Name *)

(Title *)
Vice President, Associate 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.

kmurray@cboe.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information * Add Remove View	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 * Add Remove View	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 * Add Remove View	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 Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View 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 Add Remove View	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 Add Remove View	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 Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

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

(a) Cboe EDGX Exchange, Inc. (the "Exchange" or "EDGX Options") proposes to discontinue bulk order functionality and implement bulk message functionality, and make other nonsubstantive changes. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

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

(a) The Exchange's President (or designee) pursuant to delegated authority approved the proposed rule change on December 13, 2018. The Exchange intends to implement the proposed rule change on January 17, 2019.

(b) Please refer questions and comments on the proposed rule change to Pat Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7467, or Laura G. Dickman, (312) 786-7572, Cboe EDGX Exchange, Inc., 400 South LaSalle, Chicago, Illinois 60605.

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

(a) Purpose

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. ("Cboe Global"), which is the parent company of Cboe Exchange, Inc. ("Cboe Options") and Cboe C2 Exchange, Inc. ("C2"), acquired the Exchange, Cboe EDGA Exchange, Inc. ("EDGA"), Cboe BZX Exchange, Inc. ("BZX or BZX Options"), and Cboe BYX Exchange, Inc. ("BYX" and, together with C2, Cboe Options, the Exchange, EDGA, and BZX, the "Cboe Affiliated Exchanges"). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of a technology migration. Cboe Options intends to migrate its technology to the same trading platform used by the Exchange, C2, and BZX Options in the fourth quarter of 2019. The proposal set forth below is intended to add certain functionality to the Exchange's System that is more similar to functionality offered by Cboe Options in order to ultimately provide a consistent technology offering for market participants who interact with the Cboe Affiliated Exchanges. Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent practicable will reduce potential confusion for Users.

Cboe Options currently offers quoting functionality to Market-Makers, which permits Market-Makers to update their electronic quotes in block quantities.[1] Quotes on Cboe Options do not route to other exchanges,[2] and Market-Makers generally enter new quotes at the beginning of the trading day based on-then current market conditions.[3] The Exchange currently offers bulk order functionality, which is intended to provide Users, and Market-Makers in particular, with a way to submit orders that simulate quoting

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1 See Cboe Options Rule 1.1(ppp).

2 See Cboe Options Rule 6.14B (which describes how the Exchange routes orders (specifically intermarket sweep orders) but not quotes route to other exchanges); see also Nyse Arca, LLC ("Arca") Rule 6.37-O(a)(3)(D) (which states quotes do not route).

3 The Exchange understands this is common practice by Market-Makers throughout the industry, and is consistent with Cboe Options functionality, which cancels all unexecuted resting Market-Maker quotes at the close of each trading day. Additionally, it is consistent with Market-Makers' obligation to update market quotations in response to changed market conditions. See Rule 22.5(a)(5); see also Cboe Options Rule 8.7(b)(iii).

functionality.[4] However, while bulk order functionality simulates quoting functionality, bulk order functionality provides Users with a less efficient way to update multiple bids and offers. To update multiple bids and offers, a User must submit multiple messages at the same time, compared to quoting functionality, which generally permits a market participant to update multiple bids and offers in a single quote message. Specifically, a bulk order port is a dedicated logical port that provides Users with the ability to submit single and bulk order messages to enter, modify, or cancel orders designated as Post Only Orders[5] with a Time-in-Force of Day[6] or Good-til-Date ("GTD")[7] with an expiration time on that trading day.[8] Like quotes, bulk order messages do not route to other exchanges because they include a Post Only instruction.[9] Use of the Day or GTD Time-in-Force is consistent with Market-Maker's entry of new quotes at the beginning of each trading day.[10] Unlike current Cboe Options quoting functionality, bulk order ports on the Exchange are available to all Users, not just Market-Makers. The Exchange makes bulk order ports available to all Users to encourage them to provide liquidity to the Exchange's market.

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4 See Securities Exchange Act Release No. 82741 (February 20, 2018), 83 FR 8306 (February 26, 2018) (SR-CboeEDGX-2018-005).

5 See Rule 21.1(d)(8) for the definition of "Post Only Orders."

6 See Rule 21.1(f)(3) for the definition of the "Day" Time-in-Force.

7 See Rule 21.1(f)(1) for the definition of the GTD Time-in-Force.

8 See current Rule 21.1(j)(3) for the current definition of "bulk order ports." Pursuant to Rule 21.1(j)(3)(C), Users may also submit auction responses through bulk order ports, and will continue to be able to submit auction responses through bulk ports.

9 See Rule 21.1(d)(8), which provides that an order with a Post Only instruction may not route away to another exchange.

10 See supra note 3.

The Exchange proposes to replace bulk order functionality with bulk message functionality substantially similar to the quoting functionality available on Cboe Options. The proposed bulk message functionality is similar to but more efficient than currently available bulk order functionality.[11] A "bulk port" is a dedicated logical port that, as proposed, would provide Users with the ability to submit:

(1) bulk messages,[12] subject to the following:

(a) a bulk message has a Time-in-Force of Day;

(b) a Market-Maker with an appointment in a series may designate a bulk message for that series as Post Only or Book Only (which Post Only or Book Only designation, as applicable, applies to all bulk message bids and offers

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11 See supra note 4 (the Exchange adopted bulk order functionality to simulate quoting functionality).

12 Proposed Rule 16.1(a)(4) defines a bulk message as a bid or offer included in a single electronic message a User submits to the Exchange in which the User may enter, modify, or cancel up to an Exchange-specified number of bids and offers (which number the Exchange will announce via Exchange notice or publicly available technical specifications). This is similar to Cboe Options Rule 1.1(ppp), which provides that electronic quotes may be updated in block quantities. The limit on bids and offers per message is a reasonable measure for the Exchange to use to manage message traffic and activity to protect the integrity of the System. Proposed Rule 16.1(a)(4) also states that a User may submit a bulk message through a bulk port as set forth in proposed Rule 21.1(j)(3), and that the System handles a bulk messages in the same manner as it handles an order or quote, unless the Rules specify otherwise. In other words, a bulk message will be treated as an order (or quote if submitted by a Market-Maker) pursuant to the Rules, including with respect to priority and allocation. The proposed rule change identifies the rule provisions pursuant to which bulk messages will be handled in a different manner. The proposed rule change also amends the paragraph numbering in Rule 16.1(a) to account for the addition of bulk messages in subparagraph (a)(4).

within a single message)[13], and other Users must designate a bulk message for that series as Post Only; and

(c) a User may establish a default Match Trade Prevention ("MTP") Modifier of MTP Cancel Newest ("MCN"), MTP Cancel Oldest ("MCO"), or MTP Cancel Both ("MCB"), and a default value of Attributable or Non-Attributable, for a bulk port, each of which applies to all bulk messages submitted to the Exchange through that bulk port;

(2) single orders in the same manner as Users may submit orders to the Exchange through any type of port,[14] including designated with any Order Type and any Time-in-Force in Rule 21.1(d) and (f), respectively, except a Market-Maker with an appointment in a series may designate an order for that series submitted through a bulk port only as Post Only or Book Only, and other Users must designate an order for that series submitted through a bulk port as Post Only; and

(3) auction responses.[15]

Proposed Rule 21.1(j)(3)(A)(i) states that bulk messages have a Time-in-Force of Day. As discussed above, this is consistent with current Cboe Options quoting

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13 In other words, a Market-Maker cannot designate one bulk message bid within a single message as Post Only and designate another bulk message bid within the same message as Book Only.

14 The proposed rule change also specifies that, subject to the restrictions in the proposed rule, Users may submit single orders through bulk ports in the same manner as they may submit single orders through any other type port, which is consistent with how Users may submit single orders to the Exchange through bulk order ports today.

15 See proposed Rule 21.1(j)(3)(C). The proposed rule change has no impact on the ability of Users to submit auction responses through bulk ports, and clarifies that Users may submit auction responses through bulk ports in the same manner as they may submit auction responses through any other type of port.

functionality, which cancels all resting quotes at the close of the trading day. This is also consistent with a Market-Maker's obligation to update its quotations in response to changed market conditions in its appointed classes.[16] Unlike current bulk orders, the GTD Time-in-Force with an expiration time on that trading day will not be available for bulk messages. Users will continue to have the ability to manually cancel bulk messages at any time during the trading day, they will just not be able to have bulk messages automatically cancel at a specific time on that trading day. Additionally, Users may apply the GTD Order Type to orders submitted through a bulk port (as further discussed below) or other type of port.

Unlike Cboe Options quoting functionality, which is only available to Cboe Options market-makers, the proposed bulk messages will be available to all Users (as bulk orders are today). While all Users will be able to use bulk messages (and may currently use bulk orders), the primary purpose of bulk orders and the proposed bulk messages has always been to encourage market-maker quoting on exchanges.[17] The proposed rule change provides that a Market-Maker with an appointment in a series may designate a bulk message for that series as "Post Only" or "Book Only." This will provide Exchange Market-Makers with functionality substantially similar to Cboe Options quoting functionality currently available to Cboe Options market-makers, which permits Market-Makers' incoming quotes to execute against resting orders and quotes, except against the resting quote of another Market-Maker (see discussion below).[18] The Exchange believes permitting Market-Makers

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16 See Rule 22.5(a)(5).

17 See supra notes 4 and 11.

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

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

The proposed rule change provides that other Users (*i.e.*, non-Market-Makers or Market-Makers without an appointment in a series) must designate a bulk message for that series as "Post Only." This is consistent with current bulk orders available to these Users, and will continue to provide Users with flexibility to avoid incurring a take fee if their intent is to add liquidity to the Book. The Exchange notes these Users may apply the Book Only instruction to orders submitted to the Exchange through other ports. The proposed rule change also amends Rule 21.9 to make clear that bulk messages (like current bulk orders) are not eligible for routing (which is consistent with the Order Types of Post Only and Book Only, which do not route to other options markets).[19]

The proposed rule change also permits Users to establish a default MTP Modifier of MCN, MCO, or MCB that would apply to all bulk messages submitted through a bulk port. Cboe Options currently offers a Market-Maker Trade Prevention Order, which would be cancelled if it would trade against a resting quote or order for the same Market-Maker, and

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19 See also Cboe Options Rule 6.14B; and Arca Rule 6.37A-O(a)(3)(D).

also cancel the resting order or quote.[20] This is equivalent to the MCB Modifier (except the MCB Modifier may be used by all Users rather than just Market-Makers). The proposed rule change provides Users with the ability to apply same trade prevention designation that is available for quotes on Cboe Options to bulk messages (MCB), as well as two additional MTP options (MCN and MCO) (the Exchange notes there is currently no trade prevention functionality equivalent to MCN or MCO available on Cboe Options for quotes). Allowing three MTP designations for bulk messages will provide Users with additional control over the circumstances in which their bulk messages (and resting orders (including bulk messages)) will interact with each other. The Exchange does not believe there is demand by Users for the MDC and MCS modifies (which are available on the Exchange for orders) for bulk messages (the Exchange notes there is currently no trade prevention functionality equivalent to MDC or MCS available on Cboe Options for quotes). The Exchange notes all Users may continue to apply all MTP Modifiers to orders submitted through a bulk port (as further discussed below) or any other type of port.

Generally, the System will handle bulk messages in the same manner as it handles orders with the same Order Types and Times-in-Force that will be available for bulk messages, including prioritizing, displaying, and executing them pursuant to Rule 21.8. Proposed Rule 21.1(j)(3)(A)(iv) through (vi) adds detail regarding how the System will handle bulk messages and orders submitted through bulk ports. Specifically, proposed subparagraph (A)(iv) states the System will cancel or reject a Post Only bulk message bid (offer) with a price that locks or crosses the Exchange best offer (bid) or the ABO (ABB).[21] This is consistent with how the System would handle a Post Only order not subject to the

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[20] See Cboe Options Rule 6.53(v).

[21] The ABBO means the best bid (offer) disseminated by other exchanges.

Price Adjust process.[22] Pursuant to the Post Only instruction, an order (or bulk message as proposed) may not remove liquidity from the Book or route away to another Exchange. If a Post Only bulk message locked or crossed the best contra-side interest on the Exchange, the System would cancel it to prevent execution of the bulk message against the interest on the Exchange in accordance with the User's instructions and to prevent the Exchange from displaying a locked or crossed market.[23] Similarly, if a Post Only bulk message locked or crossed an away market, the System would cancel it since it cannot route in accordance with the User's instructions and to prevent the Exchange's dissemination of a locked or crossed market.[24]

Similarly, proposed subparagraph (A)(v) states the System will execute a Book Only bulk message bid (offer) that locks or crosses the ABO (ABB) against offers (bids) resting in the Book at prices the same as or better than the ABO (ABB) and then cancels the unexecuted portion. This is consistent with how the System would handle a Book Only order not subject to the Price Adjust process. Pursuant to the Book Only instruction, an order (or bulk message as proposed) may not route away to another Exchange. If a Book

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22 See Rule 21.1(i). Pursuant to the Price Adjust process, the System ranks and displays a buy (sell) order that, at the time of entry, would lock a Protected Quotation of the Exchange or another Exchange at one minimum price increment below (above) the current NBO (NBB). The System executes a Book Only order against orders and quotes and cancels any unexecuted portion if displaying the order on the Book would create a violation of Rule 27.3, and the System rejects a Post Only order that locks or crosses the opposite side Exchange best bid or offer ("BBO") or if displaying the order on the Book would create a violation of Rule 27.3). Bulk messages will not be eligible for the Price Adjust process, and thus will be handled similar to an order not subject to the Price Adjust process. See proposed Rule 21.1(i) (which clarifies that the Price Adjust Process will not apply to bulk messages).

23 See Chapter XXVII of the Rules; see also Options Order Protection and Locked/Crossed Market Plan (the "Linkage Plan").

24 See id.

Only bulk message locked or crossed an away market, the System would execute it to the extent it could against contra-side interest on the Exchange and then cancel it since it cannot route in accordance with the User's instructions and to prevent the Exchange's dissemination of a locked or crossed market.[25] In addition to being similar to current Exchange Rules regarding the handling of Post Only and Book Only Orders not subject to the Price Adjust process, the Exchange notes that proposed subparagraphs (A)(iv) and (v) are substantially the same as another exchange's handling rules applicable to quotes.[26]

Proposed subparagraph (A)(vi) states the System will cancel or reject a Book Only bulk message bid (offer) (or unexecuted portion) submitted by a Market-Maker with an appointment in the series through a bulk port if it would execute against a resting offer (bid) with a Capacity of M (Market-Maker). The options market is driven by Market-Maker quotes, and thus Market-Maker quotes are critical to provide liquidity to the market and contribute to price discovery for investors. The Exchange expects Market-Makers regularly to use bulk messages to input and update prices on multiple series of options at the same time. Market-Maker quotes are generally based on pricing models that rely on various factors, including the price of the underlying security and that security's volatility. As these variables change, a Market-Maker's pricing model automatically will enter updates to its bids and offers with bulk messages for some or all of an option's series. Because Market-

25 See id.

26 See Cboe Options Rule 6.14(b) (if Cboe Options is not at the NBBO, the System rejects a quote back to a Market-Maker if the quote locks or crosses the NBBO, which is the ABBO) and (c) (if the Cboe Options System accepts a quote that locks or crosses the NBBO, it executes the quote against quotes and orders in the Cboe Options Book at the price(s) that is the same or better than the best price disseminated by an away exchange(s) up to the size available on the Exchange and cancels the remaining size if the quote's price locks or crosses the ABBO or books any remaining size); see also Rule 6.37A-O(a)(3).

Makers may update bids and offers using bulk messages in multiple series at the same time, there can be a multitude of instances in which their bids and offers inadvertently interact with each other, which can lead to significant risk and exposure. This may occur, for example, when one Market-Maker's price update system is faster than systems used by other Market-Makers. In this respect, a Market-Maker's system that updates options prices microseconds faster than another Market-Maker's system may lock or cross its bids (offers) against the other Market-Maker's offers (bids) every time its bid (offer) adjusts to the offer (bid) of the second Market-Maker even if the second Market-Maker's system was also in the process of updating that offer (bid). For example, assume Market-Makers A and B are both quoting \$1.10 – 1.20 when the underlying moves, causing both each Market-Maker's system to update its quotes to \$1.20 – 1.30. By being microseconds faster, Market-Maker A's system will send a bid of \$1.20, which locks Market-Maker B's offer prior to Market-Maker B's offer updating, even though its system was also in the process of updating its offer. This could happen contemporaneously in a large number of series within the class, such that instead of locking one quote, Market-Maker A may lock 20 of Market-Maker B's quotes. This may expose each Market-Maker to significant risk due to these unintended executions.

The proposed rule change will protect Market-Makers from executions that occur due to technology disparities rather than the intention of Market-Makers to trade with one another at a particular price. As a result, Market-Maker quotes will continue to provide liquidity on the Book. This proposed functionality is similar to the quote-lock functionality available on Cboe Options.[27] While that functionality permits locked quotes to execute

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27 See Cboe Options Rule 6.45(c).

against each other after a specified amount of time, it also provides market-makers with an opportunity to update their resting quotes, which would prevent execution of an incoming market-maker quote against a resting market-maker quote. As proposed, a Market-Maker bulk message (or order) will be rejected if it would execute against resting Market-Maker interest. The Market-Maker may resubmit its bulk message (or order) after being rejected, which would be able to rest in the Book if the Market-Maker repriced its resting bid or offer in the interim. Additionally, a Market-Maker may interact with resting Market-Maker interest by submitting an order to the Exchange through a different type of port.

Proposed Rule 21.6(a) provides that a User may only enter one bid and one offer for a series per Executing Firm ID ("EFID") per bulk port. The Exchange believes this will encourage Users to submit their best bids and offers in series, and thus provide displayed liquidity to the market and contribute to public price discovery. Note firms may have multiple EFIDs and multiple bulk ports, and thus will have the ability through separate ports or EFIDs to submit additional bids and offers using bulk messages in the same series if they choose. This provision is consistent with the rule interpretation of another exchange.[28]

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28 See Cboe Options Regulatory Circular RG18-008 (March 6, 2018), which provides that each market-maker acronym may only have one quote (which is considered to be a two-sided quote) in each series at a time. An EFID is comparable to an acronym. Under Cboe Options rules, the term Market-Maker generally refers to an individual (and thus a person with a specific acronym), except as otherwise provided in the Rules. See, e.g., Cboe Options Rule 8.7(d)(ii)(B) (which provides that market-maker continuous electronic quoting obligations may be satisfied by market-makers either individually or collectively with market-makers of the same TPH organization). The interpretation in the circular referenced above is consistent with this term and a Market-Maker's obligations set forth in Rule 8.7 (e.g. market-Makers must contribute to the maintenance of a fair and orderly market, including by competing to improve markets, update quotes in response to changed market conditions, and price options contracts fairly).

In addition to permitting Users to submit bulk orders (which functionality the Exchange will discontinue and replace with bulk message functionality), current bulk order ports permit Users to submit single orders to the Exchange. To encourage Users that may not have quoting systems to provide liquidity to the Exchange, the proposed rule change will permit Users to continue to submit single orders to the Exchange through these ports, which are proposed to be renamed as bulk ports. Proposed Rule 21.1(j)(3)(B)(i) will permit Users to designate these orders with any Order Type and any Time-in-Force in Rule 21.1(d) and (f), respectively, subject to the Book Only and Post Only restrictions described below. This will provide Users with additional functionality that is available for single orders submitted through bulk ports today, and allow their liquidity to rest on the Exchange for multiple trading days, if Users so choose. This will also provide Users with additional control over the orders they use to provide liquidity to the Exchange through bulk ports. Proposed subparagraph (B)(i) imposes the same restrictions on the use of Book Only and Post Only for orders submitted through a bulk port that apply to bulk messages, as described above. Additionally, proposed subparagraph (B)(ii) imposes the same prohibition on Market-Maker orders submitted through bulk ports from removing resting Market-Maker interest that applies to bulk messages, as described above. The Exchange believes it is appropriate for orders submitted through bulk ports be subject to the same restrictions on adding and removing liquidity as bulk messages submitted through bulk ports, so that orders submitted through bulk ports do not have an advantage over bulk messages, and vice versa.

While liquidity providers are most commonly registered market-makers, other professional traders also provide liquidity to the options market, which contributes to price discovery. As a result, unlike other exchanges that restrict quoting functionality to market-makers, the Exchange believes it is appropriate to make bulk messages available to all Users to encourage them to provide liquidity, which is critical to the Exchange's market. Additionally, permitting orders to be submitted through bulk ports will continue to provide all liquidity providers with this functionality that is available today, as well as additional flexibility with respect to this functionality they may use to provide liquidity to the Exchange.

The proposed rule change adds a price protection mechanism for bulk messages similar to the fat finger check the Exchange currently provides for orders. Proposed Rule 21.17(f) states the System cancels or rejects any bulk message bid (offer) above (below) the NBO (NBB) by more than a specified amount determined by the Exchange. This is similar to the fat finger check currently applicable to limit orders.[29] Bulk messages that cross the NBBO by more than a specified amount are rejected as presumptively erroneous. This proposed check will not apply to bulk messages submitted prior to the conclusion of the Opening Process or when no NBBO is available. The Exchange believes it is appropriate to have the ability to not apply this check during the pre-open or opening rotation so that the check does not impact the determination of the opening price. The Exchange also believes it is appropriate to not apply this check when there is no NBBO, as the Exchange believes that is the most reliable measure against which to compare the price of the bulk message to

29 See Rule 21.17(b). Orders submitted through bulk ports will be subject to the current order price protection mechanisms, such as limit fat finger check in Rule 21.17. The proposed rule change amends Rule 21.17(a) through (e) (and the introductory language to that rule) to make clear that the price protections and risk controls in those paragraphs will not be applicable to bulk messages.

determine its reasonability. The proposed change is similar to a quote price protection mechanism available at other options exchanges.[30]

Proposed Rule 21.17(g) states if, pursuant to the Rules, the System cancels or rejects a bulk message bid (offer) to update a resting bulk message bid (offer) submitted for the same EFID and bulk port, the System also cancels the resting bulk message bid (offer). The Exchange currently offers Users similar functionality for orders, which is optional.[31] Pursuant to the proposed rule change, the System will always apply this protection to bulk messages. The Exchange believes this will operate as an additional safeguard that causes liquidity providers to re-evaluate their bids and offers in a series before attempting to update them again. Additionally, when a User submits a new bulk message, it is implicitly instructing the Exchange to cancel any resting bulk message in the same series. Thus, even if the new bulk message is rejected as a result of this proposed check, the implicit instruction to cancel the resting bulk message remains valid nonetheless. The proposed rule change is substantially similar to a risk control applicable to quotes available at another options exchange.[32]

The proposed rule change amends Rule 21.1(d), (f), and (g) to provide that eligible Order Types, Times in Force, and MTP Modifiers, respectively, are subject to the proposed restrictions in Rule 21.1(j) with respect to orders and bulk messages submitted through bulk ports, and clarify which Order Types, Times in Force, and MTP Modifiers are available and not available for bulk messages, as described above. The proposed rule change also amends

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30 See, e.g., Cboe Options Rule 6.14(a) and (b); Arca Rule 6.37A-O(a)(3).

31 See "cancel on reject" functionality in technical specifications available at http://markets.cboe.com/us/options/support/technical/.

32 See, e.g., Cboe Options Rule 6.14(b); Arca Rule 6.37A-O(a)(3)(C).

the definitions of Orders, Order Types, Time in Force, and MTP Modifiers in Rule 21.1(c), (d), (f), and (g), respectively, in accordance with proposed Rule 21.1(j)(3)(A).

Additionally, the proposed rule change amends Rule 21.20 to make clear that Users may not submit complex orders through bulk ports.[33] The proposed rule change also amends Rules 21.18 and 21.19 to clarify that bulk messages are not eligible for the Step Up Mechanism for Bats Auction Mechanism, respectively. Quotes are not eligible for submission in corresponding auction mechanisms on Cboe Options.[34]

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[35] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[36] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with

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33 The Exchange notes that Market-Makers are not required to quote on the COB, and that complex quoting functionality is not currently available on Cboe Options.

34 See Cboe Options Rules 6.14A (describing the Hybrid Agency Liaison, which is similar to the Step Up Mechanism) and 6.74A (describing the Automated Improvement Mechanism, which is similar to the Bats Auction Mechanism).

35 15 U.S.C. 78f(b).

36 15 U.S.C. 78f(b)(5).

the Section 6(b)(5)[37] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change will remove impediments to and perfect the mechanism of a free and open market because it provides Users, including Market-Makers and other liquidity providers, with enhanced functionality to allow them to provide liquidity to the market and update bids and offers in response to changed market conditions. While current bulk orders simulate quotes, Users must submit multiple messages in bulk to update bids and offers in multiple series. The proposed bulk messages will permit Users to update multiple bids and offers in block quantities in a single message, which will permit them to update bids and offers (for example, in response to changing market conditions) in a more efficient manner. The proposed ability to update bids and offers in block quantities is similar to that available on another options exchange.[38]

With respect to all Users, the proposed bulk messages are substantially similar to the current bulk orders available through bulk order ports – Users will be able to submit bulk messages that are Day and Post Only. However, the proposed rule change will permit them to do so in a single bulk message rather than in multiple messages. While the use of the GTD Time-in-Force will not be permitted for bulk messages as it currently is for bulk orders, Users may achieve the same result as GTD for their bulk messages by manually cancelling a bulk message at a specified time during the trading day – the proposed rule change merely does not provide a means for automatic cancellation of bulk

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37 Id.

38 See Cboe Options Rule 1.1(ppp), which provides that electronic quotes may be updated in block quantities.

messages at a specific time during the trading day. Additionally, Users may continue to apply GTD to orders submitted to the Exchange through bulk ports and other ports.

The Exchange believes the proposed rule change will permit liquidity providers to more efficiently update their resting bids and offers, which may help them manage their risk exposure when, for example, updating their bids and offers in response to changing market conditions. The Exchange believes this will continue to encourage all Users to provide liquidity on the Exchange and avoid incurring a taker fee if their intent is to submit bids and offers to add liquidity to the Book. As a result, this may increase liquidity, resulting in more trading opportunities and tighter spreads, which benefits all investors. The Exchange notes the proposed rule change provides Users with additional flexibility by permitting certain MTP Modifiers to be applied to bulk messages to prevent their orders and bulk messages from trading against each other. The MTP Modifiers not available for bulk messages will continue to be available for Users on orders submitted through bulk ports and other ports. Unlike other options exchanges that limit the use of quoting functionality to market-makers, the proposed rule change will permit all Users to submit bulk messages. Additionally, the proposed rule change to permit Users to continue to submit orders (subject to restrictions on the Post Only and Book Only instructions, as discussed above) through bulk ports will encourage Users that may not have quoting systems to provide liquidity to the Exchange by submitting single orders through bulk ports. This is also consistent with current bulk orders, which permits Users to submit both single and bulk orders through bulk order ports.

The proposed rule change further removes impediments to and perfects the mechanism of a free and open market and a national market system by providing appointed Market-Makers with the ability to submit Book Only bulk messages, because it will align functionality available to appointed Market-Makers on the Exchange with the quoting functionality available to market-makers on other options exchanges, including Cboe Options, which permit quotes to both add and remove liquidity.[39] Market-Makers are critical to providing liquidity and price discovery on the Exchange, and are subject to various obligations, as discussed above. The Exchange notes all other Users may continue to use the Book Only instruction (or other instructions that permit execution against resting orders on the Book) on orders submitted through other ports, as they may do today. The Exchange believes providing Market-Makers with flexibility to use the Post Only or Book Only instruction with respect to bulk messages will provide them with additional tools to meet their obligations in a manner they deem appropriate and is reasonable given the critical role Market-Makers plan in the options market. The Exchange believes this may also encourage liquidity providers to register as Market-Makers.

The proposed rule change provides Market-Makers with a combination of functionality available to market-makers on other exchanges, as some exchanges permit market-makers to remove liquidity and others only permit market-makers to post liquidity using quotes.[40] As a result, the Exchange believes the proposed rule change will provide Market-Makers with greater control over their interactions with contra-side liquidity and would increase opportunities for such interaction. The Exchange believes this will provide Market-Makers with a greater level of determinism, in terms of

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[39] Other options exchanges only permit market-makers to submit quotes. See, e.g., Cboe Options Rules 1.1(ppp) and 8.3(c); Arca Rule 6.37A-O(a)(1).

[40] See id. and Box Options Exchange, LLC ("BOX") Rule 8050, IM-8050-3.

managing their exposure, which may encourage them to be more aggressive when providing liquidity. The Exchange believes this may result in more trading opportunities and tighter spreads, which contributes to price discovery. Ultimately, this may improve overall market quality and enhance competition on the Exchange, which benefits all investors.

Similarly, the proposed rule change to prevent Market-Maker bulk messages from removing Market-Maker orders or bulk messages resting on the Book removes impediments to and perfects the mechanism of a national market system by eliminating trades that may be unintended (potentially the result of technological disparities between Market-Makers) and thus not beneficial to customers, and that may impede certain liquidity providers' ability to competitively price their bids and offers. The Exchange believes the proposed rule change will increase availability of liquidity in the market and will enhance competition, because Market-Makers will be better able to quote aggressively with fewer concerns over technological disparities in their quoting systems, which ultimately benefits all investors. The Exchange notes this proposed rule change is similar to functionality available on another options exchange.[41]

The proposed handling of bulk messages to prevent the display of a locked or crossed market will perfect the mechanism of a free and open market and national market system, as it is consistent with the Linkage Plan and the Exchange's handling of orders with similar instructions. This proposed handling of bulk messages is also consistent with handling of quotes on other options exchanges.[42] The proposed risk controls and price protection mechanisms that will apply to bulk messages promote just and equitable

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41 See Cboe Options Rule 6.45(c).

42 See Cboe Options Rule 6.14(b) and (c); see also Rule 6.37A-O(a)(3).

principles of trade and will protect investors by mitigating potential risks associated with Users submitting bulk messages at clearly unintended prices and trading at extreme and potentially erroneous prices. Additionally, the proposed rule change to cancel a User's resting bulk message when the System rejects a bulk message intended to update that resting bulk message provides Users with an additional safeguard that causes Users to reevaluate their bids and offers in the series before attempting to update them again. Additionally, when a User submits a new bulk message, it is implicitly instructing the Exchange to cancel any resting bulk message. Thus, even if the new bulk message is rejected, the Market-Maker's implicit instruction to cancel the resting bulk message remains valid nonetheless.

The options markets are quote driven markets and thus dependent on liquidity providers, which are most commonly registered market-makers but also other professional traders, for liquidity and price discovery. The Exchange believes the proposed enhanced functionality, including the additional flexibility for Market-Makers to manage their risk exposure and provide additional control over interactions with contra-side liquidity, for these liquidity providers to more efficiently enter and update bids and offers. This may encourage the provision of more aggressive liquidity, which may result in more trading opportunities and tighter spreads, which contributes to price discovery. This may improve overall market quality and enhance competition on the Exchange, which benefits all investors.

The proposed rule change is generally intended to align system functionality currently offered by the Exchange with Cboe Options functionality in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes, and maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges. The proposed rule change would also provide Users with access to functionality that is generally available on markets other than the Cboe Affiliated Exchanges, which may result in the efficient execution of quotes and orders and provide Users with additional flexibility and increased functionality on the Exchange's System.

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

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as the proposed bulk messages, like the current bulk orders, are optional for all Users. While only Market-Makers may submit Book Only bulk messages, the Exchange believes this is appropriate given the various obligations Market-Makers must satisfy under the Rules and the unique and critical role Market-Makers play in the options market, as discussed above. The Exchange believes providing Market-Makers with flexibility to use the Post Only or Book Only instruction with respect to bulk messages will provide Market-Makers with additional tools to meet their obligations in a manner they deem appropriate. The Exchange believes the proposed functionality for Market-Makers adds value to market-making on the Exchange and provides them with greater control over how their quotes interact with contra-side liquidity both on the Exchange. The Exchange notes all other Users may continue to use the Book Only instruction on orders submitted to the Exchange through other types of ports. The Post Only instruction for bulk messages will be available to all Users, and is substantially similar to the bulk orders currently available to all Users. Additionally, all Users may submit single orders with all other Times-in-Force and Order Types (subject to the same Post Only and Book Only restrictions applicable to bulk messages) not available for bulk messages through bulk ports, which may encourage Users that may not have quoting systems to provide liquidity to the Exchange.

The proposed rule change to prevent Market-Maker bulk message executions against other resting Market-Maker interest is intended to protect Market-Makers from executions due to technology disparities rather than the intention of Market-Makers to trade with one another at that price. The Exchange believes this functionality and protection for Market-Makers may encourage Market-Makers to quote tighter and deeper markets, which will increase liquidity and enhance competition. The proposed price protection mechanisms and risk controls applicable to bulk messages will apply in the same manner to all bulk messages submitted by market participants. The Exchange believes this protection for bulk messages provides liquidity providers with additional protection from anomalous or erroneous executions. Generally, once bulk messages are resting on the Book, the System will handle them no differently than resting orders – this includes how the System prioritizes orders and quotes when executing them against incoming orders or quotes. Bulk messages that are available to all Users will work in the same manner for all Users, and the additional bulk message functionality available to appointed Market-Makers will work in the same manner for all such Market-Makers. The Exchange believes it is reasonable to provide additional functionality to Market-Makers given their unique and critical role in the options market and the various obligations that Market-Makers must satisfy.

The Exchange does not believe the propose rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because it will provide Market-Makers with bulk message functionality that is similar to that quoting available to market-makers on other options exchanges. The Exchange believes the proposed functionality will permit the Exchange to operate on an even playing field relative to other exchanges that have similar functionality. As discussed above, the options markets are quote driven markets and thus dependent on liquidity providers, which are most commonly registered market-makers but also other professional traders, for liquidity and price discovery. The Exchange believes the proposed enhanced functionality, including the additional flexibility for Market-Makers to manage their risk exposure and provide additional control over interactions with contra-side liquidity, for these liquidity providers to more efficiently enter and update bids and offers. This may encourage the provision of more aggressive liquidity, which may result in more trading opportunities and tighter spreads, which contributes to price discovery. This may improve overall market quality and enhance competition on the Exchange, which benefits all investors.

The Exchange reiterates that the proposed rule change is being proposed in the context of the technology integration of the Cboe Affiliated Exchanges. Thus, the Exchange believes this proposed rule change permits fair competition among national securities exchanges. In addition, the Exchange believes the proposed rule change will benefit Exchange participants in that it will provide a consistent technology offering for Users by the Cboe Affiliated Exchanges.

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

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

Item 6. Extension of Time Period for Commission Action

Not applicable.

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

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act[43] and Rule 19b-4(f)(6)[44] thereunder.

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

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43 15 U.S.C. 78s(b)(3)(A).

44 17 CFR 240.19b-4(f)(6).

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

The proposed rule change does not significantly affect the protection of investors or the public interest. The proposed rule change provides liquidity providers with enhanced functionality to provide liquidity to the market and more efficiently update resting bids and offers in response to changed market conditions, and ultimately help them manage their risk exposure. The Exchange believes this will continue to encourage all Users to provide liquidity on the Exchange, and avoid incurring a taker fee if their intent is to submit bids and offers to add liquidity to the Book. With respect to Market-Makers, the proposed rule change aligns bulk message functionality available to appointed Market-Makers on the Exchange with the quoting functionality available to market-makers on other options exchanges, including Cboe Options, which permit quotes to both add and remove liquidity.[45] Market-Makers are critical to providing liquidity and price discovery on the Exchange, and are subject to various obligations, as discussed above. The proposed rule change provides Market-Makers with a combination of functionality available to market-makers on other exchanges, as some exchanges permit market-maker quotes to remove liquidity and others only permit market-maker quotes to post liquidity.[46] As a result, the Exchange believes the proposed rule change will provide Market-Makers with greater control over the interaction of their bids and offers with contra-side liquidity and would increase opportunities for such interaction. The

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45 Other options exchanges only permit market-makers to submit quotes. See, e.g., Cboe Options Rules 1.1(ppp) and 8.3(c); Arca Rule 6.37A-O(a)(1).

46 See id. and Box Rule 8050, IM-8050-3.

Exchange believes the proposed bulk messages may encourage more aggressive quoting by Market-Makers and other liquidity providers, resulting in more trading opportunities and tighter spreads, which contributes to price discovery. This may improve overall market quality and enhance competition on the Exchange, which benefits all investors.

The proposed risk controls and price protection mechanisms applicable to bulk messages protect investors by mitigating potential risks associated with Users submitting bulk messages at clearly unintended prices and trading at extreme and potentially erroneous prices. Additionally, the proposed rule change to cancel a User's resting bulk message when the System rejects a bulk message intended to update that resting bulk message provides Users with an additional safeguard that causes Users to reevaluate their bids and offers in the series before attempting to update their bulk messages again and is consistent with the User's intention to cancel the resting bulk message. The Exchange believes the proposed functionality to prevent executions of Market-Maker bulk messages against resting Market-Maker interest protects Market-Makers and is appropriate given their unique role in the market and may encourage Market-Makers to quote tighter and deeper markets, which will increase liquidity and enhance competition and ultimately benefit investors.

The proposed rule change does not impose any significant burden on competition. The options markets are quote driven markets and thus dependent on liquidity providers, which are most commonly registered market-makers but also other professional traders, for liquidity and price discovery. The Exchange believes the proposed enhanced functionality will permit these liquidity providers to more efficiently enter and update bids and offers. This may encourage the provision of more aggressive liquidity, which may result in more trading opportunities and tighter spreads, which contributes to price discovery. This may improve overall market quality and enhance competition on the Exchange.

The Exchange believes it is reasonable to provide Market-Makers with additional flexibility with respect to bulk messages given the unique and critical role Market-Makers play in the options market, as well as the various obligations to which Market-Makers are subject. Additionally, all Users may submit orders with other Times-in-Force and Order Types (subject to the same Post Only and Book Only restrictions applicable to bulk messages) through bulk ports, which may encourage Users that may not have quoting systems to provide liquidity to the Exchange. The Exchange notes all other Users may submit Post Only bulk messages and continue to apply the Book Only instruction and all other Order Types and Times-in-Force not available to them for bulk messages on orders submitted to the Exchange through other types of ports.

The proposed rule change does not raise any novel or unique issues. With respect to all Users, the proposed functionality is substantially similar to the current bulk orders available through bulk order ports – they may submit messages that are Day and Post Only that update bids and offers in multiple series. However, the proposed functionality will permit them to do so in a single message rather than in multiple messages. The proposed rule change also provides Market-Makers with functionality similar to quoting functionality available to market-makers on other options exchanges.[47] The Exchange believes the proposed functionality will permit the Exchange to operate on an even playing field relative to other exchanges that have similar functionality. The proposed

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[47] See, e.g., Cboe Options Rules 1.1(ppp) and 8.3(c); Arca Rule 6.37A-O(a)(1).

rule change provides Market-Makers with a combination of functionality available to market-makers on other exchanges, as some exchanges permit market-maker quotes to remove liquidity and others only permit market-maker quotes to post liquidity.[48] As a result, the Exchange believes the proposed rule change will provide Market-Makers with greater control over the interactions of their bids and offers with contra-side liquidity and would increase opportunities for such interaction.

The Exchange notes while these other exchanges limit quoting functionality to market-makers, the Exchange will provide all Users with the ability to submit bulk messages and thus encourage all Users to provide liquidity to the Exchange, including Users that do not have quoting systems. The proposed bulk message handling rules are consistent with the Linkage Plan, as they prevent the Exchange's display of locked or crossed markets, and the rules of other options exchanges.[49] The proposed risk controls and price protection mechanisms applicable to bulk messages are substantially similar to those available for quotes on other exchanges.[50] The proposed rule change that prevents Market-Maker bulk messages from executing against resting Market-Maker interest is similar quote-lock functionality available on Cboe Options.[51] While that functionality permits locked quotes to execute against each other after a specified amount of time, it also provides market-makers with an opportunity to update their resting quotes, which would prevent this execution. As proposed, a Market-Maker bulk message will be rejected if it would execute against resting Market-Maker interest. The Market-Maker

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48 See id. and Box Options Exchange, LLC ("BOX") Rule 8050, IM-8050-3.

49 See Cboe Options Rule 6.14(b) and (c); see also Rule 6.37A-O(a)(3).

50 See Cboe Options Rules 6.14(b) and (c); see also Arca Rule 6.37A-O(a).

51 See Cboe Options Rule 6.45(c).

may resubmit its bulk message, which, if the Market-Maker resting interest were repriced in the interim, would then be able to rest in the Book. Additionally, Market-Makers may interact with resting Market-Maker interest by submitting an order through a different port.

As discussed above, the options markets are quote driven markets and thus dependent on liquidity providers, which are most commonly registered market-makers but also other professional traders, for liquidity and price discovery. The Exchange believes the proposed enhanced functionality, including the additional flexibility for Market-Makers to manage their risk exposure and provide additional control over interactions with contra-side liquidity, for these liquidity providers to more efficiently enter and update bids and offers. This may encourage the provision of more aggressive liquidity, which may result in more trading opportunities and tighter spreads, which contributes to price discovery. This may improve overall market quality and enhance competition on the Exchange, which benefits all investors.

The Exchange reiterates that the proposed rule change is being proposed in the context of the technology integration of the Cboe Affiliated Exchanges. Thus, the Exchange believes this proposed rule change permits fair competition among national securities exchanges. In addition, the Exchange believes the proposed rule change will benefit Exchange participants in that it will provide a consistent technology offering for Users by the Cboe Affiliated Exchanges. Once bulk messages are resting on the Book, the System will handle them no differently than resting orders – this includes how the System prioritizes orders and quotes when executing them against incoming orders or quotes. Additionally, bulk messages are optional for all Users and all Market-Makers.

Bulk messages available to all Users will work in the same manner for all Users, and bulk messages available to appointed Market-Makers will work in the same manner for all such Market-Makers. The proposed rule change will become operative on January 17, 2019.

For the foregoing reasons, this rule filing qualifies as a "non-controversial" rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

(c) Not applicable.

(d) Not applicable.

Item 8. <u>Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission</u>

The proposed bulk messages for Market-Makers is substantially similar to quoting functionality available on Cboe Options. Cboe Options Rule 1.1(ppp) provides that Market-Makers may update their electronic bids and offers in block quantities. Unlike other options exchanges, the proposed rule change specifies that Users may submit orders through bulk ports, and does not limit the use of bulk messages to Market-Makers. The Exchange believes this additional functionality available to Users will further encourage Users, including those that may not have quoting systems, to provide liquidity to the Exchange.

Proposed Rule 21.6(a) is substantially similar to a rule interpretation of Cboe Options, which is described in Cboe Options Regulatory Circular RG18-008 (March 6, 2018).

Proposed Rule 21.1(j)(3)(A)(v) and (B)(ii) is similar to Cboe Options Rule 6.45(c). Pursuant to Cboe Options Rule 6.45(c), locked quotes (or crossed quotes which are repriced to lock) will execute against each other after a specified amount of time if they are not repriced during that time. However, pursuant to the proposed rule change, a Market-Maker bulk message will be rejected if it would execute against resting Market-Maker interest. The purpose of these provisions is the same, which is to protect Market-Makers from executions due to technology disparities rather than the intention of Market-Makers to trade with one another at that price. While the proposed rule change is different than the Cboe Rule, the Exchange notes on the Exchange, if a Market-Maker's bulk message is rejected, the Market-Maker may resubmit its bulk message, which, if the Market-Maker resting interest were repriced in the interim, would then be able to rest in the Book (and ultimately achieves the same result that occurs through the quote-lock functionality on Cboe Options). Additionally, Market-Makers may interact with resting Market-Maker interest by submitting orders through another type of port.

Proposed Rule 21.1(j)(3)(A)(iv) and (v) is substantially similar to Arca Rule 6.37A-O(a)(3) (which provides that an incoming quote will trade with contra-side interest in the consolidated book at prices that do not trade through interest on another market center and will be rejected if it locks or crosses interest on another market center and cannot trade with interest in the consolidated book at prices that do not trade through another market center) and Cboe Options Rule 6.14(c) (which provides that the Cboe Options system executes a quote against quotes and orders in the book at a price that is the same or better than the best price disseminated by an away exchange up to the size available on Cboe Options and cancels any remaining size if it locks or crosses the price disseminated by the away exchange).

Proposed Rule 21.17(f) is substantially similar to Cboe Options Rule 6.14(b). The proposed check will use the NBBO even if it is locked or crossed, as the Exchange believes it will continue protect bulk messages from potentially erroneous executions, unlike Cboe Options, which uses the BBO if the NBBO is locked or crossed. Additionally, under the Cboe Options rule, if the NBBO is unavailable, it will use the BBO rather than the NBBO (if the BBO is also unavailable, then the check does not apply). The proposed rule change does not provide that the System will use the BBO if the NBBO is unavailable, and instead will reject the bulk message. The Exchange does not believe the interim step of checking the BBO is necessary prior to rejecting the bulk message, as it believes the NBBO is the most reliable measure. The Exchange does not believe these differences are material, as the proposed check and the Cboe Options check ultimately protect bulk messages from executions at prices too far away from the NBBO.

Proposed Rule 21.17(g) is substantially similar to Cboe Options Rule 6.14(a) and (b), and Arca Rule 6.37A-O(a)(3). The Cboe Options rule and Arca rule indicate those exchanges will cancel a resting quote if the system rejects an incoming quote to update the resting quote in certain circumstances, while the proposed rule change will cancel a resting bulk message if the system rejects an incoming bulk message to update the resting bulk message for any reasons. The Exchange believes this difference is immaterial, and notes the proposed rule change provides expanded applicability of this protection.

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

Not applicable.

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

Not applicable.

Item 11. Exhibits

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

Exhibit 5. Proposed rule text.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-   ; File No. SR-CboeEDGX-2018-060]

[Insert date]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Discontinue Bulk Order Functionality and Implement Bulk Message Functionality, and Make other Nonsubstantive Changes

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 [insert date], Cboe EDGX Exchange, Inc. (the "Exchange" or ""EDGX"") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[3] and Rule 19b-4(f)(6) thereunder.[4] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

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

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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)(iii).

4 17 CFR 240.19b-4(f)(6).

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

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

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

1. <u>Purpose</u>

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. ("Cboe Global"), which is the parent company of Cboe Exchange, Inc. ("Cboe Options") and Cboe C2 Exchange, Inc. ("C2"), acquired the Exchange, Cboe EDGA Exchange, Inc. ("EDGA"), Cboe BZX Exchange, Inc. ("BZX or BZX Options"), and Cboe BYX Exchange, Inc. ("BYX" and, together with C2, Cboe Options, the Exchange, EDGA, and BZX, the "Cboe Affiliated Exchanges"). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of a technology migration. Cboe Options intends to migrate its technology to the same trading platform used by the Exchange, C2, and BZX Options in the fourth quarter of 2019. The proposal set forth below is intended to add certain functionality to the Exchange's System that is more similar to functionality offered by Cboe Options in order to ultimately provide a consistent technology offering for market participants who interact with the Cboe Affiliated Exchanges. Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent practicable will reduce potential confusion for Users.

Cboe Options currently offers quoting functionality to Market-Makers, which permits Market-Makers to update their electronic quotes in block quantities.[5] Quotes on Cboe Options do not route to other exchanges,[6] and Market-Makers generally enter new quotes at the beginning of the trading day based on-then current market conditions.[7] The Exchange currently offers bulk order functionality, which is intended to provide Users, and Market-Makers in particular, with a way to submit orders that simulate quoting functionality.[8] However, while bulk order functionality simulates quoting functionality, bulk order functionality provides Users with a less efficient way to update multiple bids and offers. To update multiple bids and offers, a User must submit multiple messages at the same time, compared to quoting functionality, which generally permits a market participant to update multiple bids and offers in a single quote message. Specifically, a bulk order port is a dedicated logical port that provides Users with the ability to submit single and bulk

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5 See Cboe Options Rule 1.1(ppp).

6 See Cboe Options Rule 6.14B (which describes how the Exchange routes orders (specifically intermarket sweep orders) but not quotes route to other exchanges); see also Nyse Arca, LLC ("Arca") Rule 6.37-O(a)(3)(D) (which states quotes do not route).

7 The Exchange understands this is common practice by Market-Makers throughout the industry, and is consistent with Cboe Options functionality, which cancels all unexecuted resting Market-Maker quotes at the close of each trading day. Additionally, it is consistent with Market-Makers' obligation to update market quotations in response to changed market conditions. See Rule 22.5(a)(5); see also Cboe Options Rule 8.7(b)(iii).

8 See Securities Exchange Act Release No. 82741 (February 20, 2018), 83 FR 8306 (February 26, 2018) (SR-CboeEDGX-2018-005).

order messages to enter, modify, or cancel orders designated as Post Only Orders[9] with a Time-in-Force of Day[10] or Good-til-Date ("GTD")[11] with an expiration time on that trading day.[12] Like quotes, bulk order messages do not route to other exchanges because they include a Post Only instruction.[13] Use of the Day or GTD Time-in-Force is consistent with Market-Maker's entry of new quotes at the beginning of each trading day.[14] Unlike current Cboe Options quoting functionality, bulk order ports on the Exchange are available to all Users, not just Market-Makers. The Exchange makes bulk order ports available to all Users to encourage them to provide liquidity to the Exchange's market.

The Exchange proposes to replace bulk order functionality with bulk message functionality substantially similar to the quoting functionality available on Cboe Options. The proposed bulk message functionality is similar to but more efficient than currently available bulk order functionality.[15] A "bulk port" is a dedicated logical port that, as proposed, would provide Users with the ability to submit:

(1) bulk messages,[16] subject to the following:

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9 See Rule 21.1(d)(8) for the definition of "Post Only Orders."

10 See Rule 21.1(f)(3) for the definition of the "Day" Time-in-Force.

11 See Rule 21.1(f)(1) for the definition of the GTD Time-in-Force.

12 See current Rule 21.1(j)(3) for the current definition of "bulk order ports." Pursuant to Rule 21.1(j)(3)(C), Users may also submit auction responses through bulk order ports, and will continue to be able to submit auction responses through bulk ports.

13 See Rule 21.1(d)(8), which provides that an order with a Post Only instruction may not route away to another exchange.

14 See supra note 8.

15 See supra note 4 (the Exchange adopted bulk order functionality to simulate quoting functionality).

16 Proposed Rule 16.1(a)(4) defines a bulk message as a bid or offer included in a single electronic message a User submits to the Exchange in which the User may

(a) a bulk message has a Time-in-Force of Day;

(b) a Market-Maker with an appointment in a series may designate a bulk message for that series as Post Only or Book Only (which Post Only or Book Only designation, as applicable, applies to all bulk message bids and offers within a single message)[17], and other Users must designate a bulk message for that series as Post Only; and

(c) a User may establish a default Match Trade Prevention ("MTP") Modifier of MTP Cancel Newest ("MCN"), MTP Cancel Oldest ("MCO"), or MTP Cancel Both ("MCB"), and a default value of Attributable or Non-Attributable, for a bulk port, each of which applies to all bulk messages submitted to the Exchange through that bulk port;

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enter, modify, or cancel up to an Exchange-specified number of bids and offers (which number the Exchange will announce via Exchange notice or publicly available technical specifications). This is similar to Cboe Options Rule 1.1(ppp), which provides that electronic quotes may be updated in block quantities. The limit on bids and offers per message is a reasonable measure for the Exchange to use to manage message traffic and activity to protect the integrity of the System. Proposed Rule 16.1(a)(4) also states that a User may submit a bulk message through a bulk port as set forth in proposed Rule 21.1(j)(3), and that the System handles a bulk messages in the same manner as it handles an order or quote, unless the Rules specify otherwise. In other words, a bulk message will be treated as an order (or quote if submitted by a Market-Maker) pursuant to the Rules, including with respect to priority and allocation. The proposed rule change identifies the rule provisions pursuant to which bulk messages will be handled in a different manner. The proposed rule change also amends the paragraph numbering in Rule 16.1(a) to account for the addition of bulk messages in subparagraph (a)(4).

17 In other words, a Market-Maker cannot designate one bulk message bid within a single message as Post Only and designate another bulk message bid within the same message as Book Only.

(2) single orders in the same manner as Users may submit orders to the Exchange through any type of port,[18] including designated with any Order Type and any Time-in-Force in Rule 21.1(d) and (f), respectively, except a Market-Maker with an appointment in a series may designate an order for that series submitted through a bulk port only as Post Only or Book Only, and other Users must designate an order for that series submitted through a bulk port as Post Only; and

(3) auction responses.[19]

Proposed Rule 21.1(j)(3)(A)(i) states that bulk messages have a Time-in-Force of Day. As discussed above, this is consistent with current Cboe Options quoting functionality, which cancels all resting quotes at the close of the trading day. This is also consistent with a Market-Maker's obligation to update its quotations in response to changed market conditions in its appointed classes.[20] Unlike current bulk orders, the GTD Time-in-Force with an expiration time on that trading day will not be available for bulk messages. Users will continue to have the ability to manually cancel bulk messages at any time during the trading day, they will just not be able to have bulk messages automatically cancel at a specific time on that trading day. Additionally, Users may apply the GTD Order Type to orders submitted through a bulk port (as further discussed below) or other type of port.

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18 The proposed rule change also specifies that, subject to the restrictions in the proposed rule, Users may submit single orders through bulk ports in the same manner as they may submit single orders through any other type port, which is consistent with how Users may submit single orders to the Exchange through bulk order ports today.

19 See proposed Rule 21.1(j)(3)(C). The proposed rule change has no impact on the ability of Users to submit auction responses through bulk ports, and clarifies that Users may submit auction responses through bulk ports in the same manner as they may submit auction responses through any other type of port.

20 See Rule 22.5(a)(5).

Unlike Cboe Options quoting functionality, which is only available to Cboe Options market-makers, the proposed bulk messages will be available to all Users (as bulk orders are today). While all Users will be able to use bulk messages (and may currently use bulk orders), the primary purpose of bulk orders and the proposed bulk messages has always been to encourage market-maker quoting on exchanges.[21] The proposed rule change provides that a Market-Maker with an appointment in a series may designate a bulk message for that series as "Post Only" or "Book Only." This will provide Exchange Market-Makers with functionality substantially similar to Cboe Options quoting functionality currently available to Cboe Options market-makers, which permits Market-Makers' incoming quotes to execute against resting orders and quotes, except against the resting quote of another Market-Maker (see discussion below).[22] The Exchange believes permitting Market-Makers to use bulk messages to remove liquidity from the Book (if they so elect) will put Exchange Market-Makers on an even playing field as market-makers on other exchanges that offer quoting functionality. Additionally, Market-Makers are subject to various obligations, including obligations to provide two-sided quotes, to provide continuous quotes, and to trade at least 75% of its contracts each quarter in appointed classes. The Exchange believes providing Market-Makers with flexibility to use the Post Only or Book Only instruction with respect to bulk messages will provide Market-Makers with additional tools to meet their obligations in a manner they deem appropriate. The Exchange further believes this may encourage liquidity providers to register as Market-Makers.

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21 See supra notes 8 and 15.

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

The proposed rule change provides that other Users (*i.e.*, non-Market-Makers or Market-Makers without an appointment in a series) must designate a bulk message for that series as "Post Only." This is consistent with current bulk orders available to these Users, and will continue to provide Users with flexibility to avoid incurring a take fee if their intent is to add liquidity to the Book. The Exchange notes these Users may apply the Book Only instruction to orders submitted to the Exchange through other ports. The proposed rule change also amends Rule 21.9 to make clear that bulk messages (like current bulk orders) are not eligible for routing (which is consistent with the Order Types of Post Only and Book Only, which do not route to other options markets).[23]

The proposed rule change also permits Users to establish a default MTP Modifier of MCN, MCO, or MCB that would apply to all bulk messages submitted through a bulk port. Cboe Options currently offers a Market-Maker Trade Prevention Order, which would be cancelled if it would trade against a resting quote or order for the same Market-Maker, and also cancel the resting order or quote.[24] This is equivalent to the MCB Modifier (except the MCB Modifier may be used by all Users rather than just Market-Makers). The proposed rule change provides Users with the ability to apply same trade prevention designation that is available for quotes on Cboe Options to bulk messages (MCB), as well as two additional MTP options (MCN and MCO) (the Exchange notes there is currently no trade prevention functionality equivalent to MCN or MCO available on Cboe Options for quotes). Allowing three MTP designations for bulk messages will provide Users with additional control over the circumstances in which their bulk messages (and resting orders (including bulk

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23 See also Cboe Options Rule 6.14B; and Arca Rule 6.37A-O(a)(3)(D).

24 See Cboe Options Rule 6.53(v).

messages)) will interact with each other. The Exchange does not believe there is demand by Users for the MDC and MCS modifies (which are available on the Exchange for orders) for bulk messages (the Exchange notes there is currently no trade prevention functionality equivalent to MDC or MCS available on Cboe Options for quotes). The Exchange notes all Users may continue to apply all MTP Modifiers to orders submitted through a bulk port (as further discussed below) or any other type of port.

Generally, the System will handle bulk messages in the same manner as it handles orders with the same Order Types and Times-in-Force that will be available for bulk messages, including prioritizing, displaying, and executing them pursuant to Rule 21.8. Proposed Rule 21.1(j)(3)(A)(iv) through (vi) adds detail regarding how the System will handle bulk messages and orders submitted through bulk ports. Specifically, proposed subparagraph (A)(iv) states the System will cancel or reject a Post Only bulk message bid (offer) with a price that locks or crosses the Exchange best offer (bid) or the ABO (ABB).[25] This is consistent with how the System would handle a Post Only order not subject to the Price Adjust process.[26] Pursuant to the Post Only instruction, an order (or bulk message as proposed) may not remove liquidity from the Book or route away to another Exchange. If a

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25 The ABBO means the best bid (offer) disseminated by other exchanges.

26 See Rule 21.1(i). Pursuant to the Price Adjust process, the System ranks and displays a buy (sell) order that, at the time of entry, would lock a Protected Quotation of the Exchange or another Exchange at one minimum price increment below (above) the current NBO (NBB). The System executes a Book Only order against orders and quotes and cancels any unexecuted portion if displaying the order on the Book would create a violation of Rule 27.3, and the System rejects a Post Only order that locks or crosses the opposite side Exchange best bid or offer ("BBO") or if displaying the order on the Book would create a violation of Rule 27.3). Bulk messages will not be eligible for the Price Adjust process, and thus will be handled similar to an order not subject to the Price Adjust process. See proposed Rule 21.1(i) (which clarifies that the Price Adjust Process will not apply to bulk messages).

Post Only bulk message locked or crossed the best contra-side interest on the Exchange, the System would cancel it to prevent execution of the bulk message against the interest on the Exchange in accordance with the User's instructions and to prevent the Exchange from displaying a locked or crossed market.[27] Similarly, if a Post Only bulk message locked or crossed an away market, the System would cancel it since it cannot route in accordance with the User's instructions and to prevent the Exchange's dissemination of a locked or crossed market.[28]

Similarly, proposed subparagraph (A)(v) states the System will execute a Book Only bulk message bid (offer) that locks or crosses the ABO (ABB) against offers (bids) resting in the Book at prices the same as or better than the ABO (ABB) and then cancels the unexecuted portion. This is consistent with how the System would handle a Book Only order not subject to the Price Adjust process. Pursuant to the Book Only instruction, an order (or bulk message as proposed) may not route away to another Exchange. If a Book Only bulk message locked or crossed an away market, the System would execute it to the extent it could against contra-side interest on the Exchange and then cancel it since it cannot route in accordance with the User's instructions and to prevent the Exchange's dissemination of a locked or crossed market.[29] In addition to being similar to current Exchange Rules regarding the handling of Post Only and Book Only Orders not subject to

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27 See Chapter XXVII of the Rules; see also Options Order Protection and Locked/Crossed Market Plan (the "Linkage Plan").

28 See id.

29 See id.

the Price Adjust process, the Exchange notes that proposed subparagraphs (A)(iv) and (v) are substantially the same as another exchange's handling rules applicable to quotes.[30]

Proposed subparagraph (A)(vi) states the System will cancel or reject a Book Only bulk message bid (offer) (or unexecuted portion) submitted by a Market-Maker with an appointment in the series through a bulk port if it would execute against a resting offer (bid) with a Capacity of M (Market-Maker). The options market is driven by Market-Maker quotes, and thus Market-Maker quotes are critical to provide liquidity to the market and contribute to price discovery for investors. The Exchange expects Market-Makers regularly to use bulk messages to input and update prices on multiple series of options at the same time. Market-Maker quotes are generally based on pricing models that rely on various factors, including the price of the underlying security and that security's volatility. As these variables change, a Market-Maker's pricing model automatically will enter updates to its bids and offers with bulk messages for some or all of an option's series. Because Market-Makers may update bids and offers using bulk messages in multiple series at the same time, there can be a multitude of instances in which their bids and offers inadvertently interact with each other, which can lead to significant risk and exposure. This may occur, for example, when one Market-Maker's price update system is faster than systems used by other Market-Makers. In this respect, a Market-Maker's system that updates options prices microseconds faster than another Market-Maker's system may lock or cross its bids (offers)

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[30] See Cboe Options Rule 6.14(b) (if Cboe Options is not at the NBBO, the System rejects a quote back to a Market-Maker if the quote locks or crosses the NBBO, which is the ABBO) and (c) (if the Cboe Options System accepts a quote that locks or crosses the NBBO, it executes the quote against quotes and orders in the Cboe Options Book at the price(s) that is the same or better than the best price disseminated by an away exchange(s) up to the size available on the Exchange and cancels the remaining size if the quote's price locks or crosses the ABBO or books any remaining size); see also Rule 6.37A-O(a)(3).

against the other Market-Maker's offers (bids) every time its bid (offer) adjusts to the offer (bid) of the second Market-Maker even if the second Market-Maker's system was also in the process of updating that offer (bid). For example, assume Market-Makers A and B are both quoting $1.10 – 1.20 when the underlying moves, causing both each Market-Maker's system to update its quotes to $1.20 – 1.30. By being microseconds faster, Market-Maker A's system will send a bid of $1.20, which locks Market-Maker B's offer prior to Market-Maker B's offer updating, even though its system was also in the process of updating its offer. This could happen contemporaneously in a large number of series within the class, such that instead of locking one quote, Market-Maker A may lock 20 of Market-Maker B's quotes. This may expose each Market-Maker to significant risk due to these unintended executions.

The proposed rule change will protect Market-Makers from executions that occur due to technology disparities rather than the intention of Market-Makers to trade with one another at a particular price. As a result, Market-Maker quotes will continue to provide liquidity on the Book. This proposed functionality is similar to the quote-lock functionality available on Cboe Options.[31] While that functionality permits locked quotes to execute against each other after a specified amount of time, it also provides market-makers with an opportunity to update their resting quotes, which would prevent execution of an incoming market-maker quote against a resting market-maker quote. As proposed, a Market-Maker bulk message (or order) will be rejected if it would execute against resting Market-Maker interest. The Market-Maker may resubmit its bulk message (or order) after being rejected, which would be able to rest in the Book if the Market-Maker repriced its resting bid or offer

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31 See Cboe Options Rule 6.45(c).

in the interim. Additionally, a Market-Maker may interact with resting Market-Maker interest by submitting an order to the Exchange through a different type of port.

Proposed Rule 21.6(a) provides that a User may only enter one bid and one offer for a series per Executing Firm ID ("EFID") per bulk port. The Exchange believes this will encourage Users to submit their best bids and offers in series, and thus provide displayed liquidity to the market and contribute to public price discovery. Note firms may have multiple EFIDs and multiple bulk ports, and thus will have the ability through separate ports or EFIDs to submit additional bids and offers using bulk messages in the same series if they choose. This provision is consistent with the rule interpretation of another exchange.[32]

In addition to permitting Users to submit bulk orders (which functionality the Exchange will discontinue and replace with bulk message functionality), current bulk order ports permit Users to submit single orders to the Exchange. To encourage Users that may not have quoting systems to provide liquidity to the Exchange, the proposed rule change will permit Users to continue to submit single orders to the Exchange through these ports, which are proposed to be renamed as bulk ports. Proposed Rule 21.1(j)(3)(B)(i) will permit Users to designate these orders with any Order Type and any Time-in-Force in Rule 21.1(d) and

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32 See Cboe Options Regulatory Circular RG18-008 (March 6, 2018), which provides that each market-maker acronym may only have one quote (which is considered to be a two-sided quote) in each series at a time. An EFID is comparable to an acronym. Under Cboe Options rules, the term Market-Maker generally refers to an individual (and thus a person with a specific acronym), except as otherwise provided in the Rules. See, e.g., Cboe Options Rule 8.7(d)(ii)(B) (which provides that market-maker continuous electronic quoting obligations may be satisfied by market-makers either individually or collectively with market-makers of the same TPH organization). The interpretation in the circular referenced above is consistent with this term and a Market-Maker's obligations set forth in Rule 8.7 (e.g. market-Makers must contribute to the maintenance of a fair and orderly market, including by competing to improve markets, update quotes in response to changed market conditions, and price options contracts fairly).

(f), respectively, subject to the Book Only and Post Only restrictions described below. This will provide Users with additional functionality that is available for single orders submitted through bulk ports today, and allow their liquidity to rest on the Exchange for multiple trading days, if Users so choose. This will also provide Users with additional control over the orders they use to provide liquidity to the Exchange through bulk ports. Proposed subparagraph (B)(i) imposes the same restrictions on the use of Book Only and Post Only for orders submitted through a bulk port that apply to bulk messages, as described above. Additionally, proposed subparagraph (B)(ii) imposes the same prohibition on Market-Maker orders submitted through bulk ports from removing resting Market-Maker interest that applies to bulk messages, as described above. The Exchange believes it is appropriate for orders submitted through bulk ports be subject to the same restrictions on adding and removing liquidity as bulk messages submitted through bulk ports, so that orders submitted through bulk ports do not have an advantage over bulk messages, and vice versa.

While liquidity providers are most commonly registered market-makers, other professional traders also provide liquidity to the options market, which contributes to price discovery. As a result, unlike other exchanges that restrict quoting functionality to market-makers, the Exchange believes it is appropriate to make bulk messages available to all Users to encourage them to provide liquidity, which is critical to the Exchange's market. Additionally, permitting orders to be submitted through bulk ports will continue to provide all liquidity providers with this functionality that is available today, as well as additional flexibility with respect to this functionality they may use to provide liquidity to the Exchange.

The proposed rule change adds a price protection mechanism for bulk messages similar to the fat finger check the Exchange currently provides for orders. Proposed Rule 21.17(f) states the System cancels or rejects any bulk message bid (offer) above (below) the NBO (NBB) by more than a specified amount determined by the Exchange. This is similar to the fat finger check currently applicable to limit orders.[33] Bulk messages that cross the NBBO by more than a specified amount are rejected as presumptively erroneous. This proposed check will not apply to bulk messages submitted prior to the conclusion of the Opening Process or when no NBBO is available. The Exchange believes it is appropriate to have the ability to not apply this check during the pre-open or opening rotation so that the check does not impact the determination of the opening price. The Exchange also believes it is appropriate to not apply this check when there is no NBBO, as the Exchange believes that is the most reliable measure against which to compare the price of the bulk message to determine its reasonability. The proposed change is similar to a quote price protection mechanism available at other options exchanges.[34]

Proposed Rule 21.17(g) states if, pursuant to the Rules, the System cancels or rejects a bulk message bid (offer) to update a resting bulk message bid (offer) submitted for the same EFID and bulk port, the System also cancels the resting bulk message bid (offer). The Exchange currently offers Users similar functionality for orders, which is optional.[35]

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33 See Rule 21.17(b). Orders submitted through bulk ports will be subject to the current order price protection mechanisms, such as limit fat finger check in Rule 21.17. The proposed rule change amends Rule 21.17(a) through (e) (and the introductory language to that rule) to make clear that the price protections and risk controls in those paragraphs will not be applicable to bulk messages.

34 See, e.g., Cboe Options Rule 6.14(a) and (b); Arca Rule 6.37A-O(a)(3).

35 See "cancel on reject" functionality in technical specifications available at http://markets.cboe.com/us/options/support/technical/.

Pursuant to the proposed rule change, the System will always apply this protection to bulk messages. The Exchange believes this will operate as an additional safeguard that causes liquidity providers to re-evaluate their bids and offers in a series before attempting to update them again. Additionally, when a User submits a new bulk message, it is implicitly instructing the Exchange to cancel any resting bulk message in the same series. Thus, even if the new bulk message is rejected as a result of this proposed check, the implicit instruction to cancel the resting bulk message remains valid nonetheless. The proposed rule change is substantially similar to a risk control applicable to quotes available at another options exchange.[36]

The proposed rule change amends Rule 21.1(d), (f), and (g) to provide that eligible Order Types, Times in Force, and MTP Modifiers, respectively, are subject to the proposed restrictions in Rule 21.1(j) with respect to orders and bulk messages submitted through bulk ports, and clarify which Order Types, Times in Force, and MTP Modifiers are available and not available for bulk messages, as described above. The proposed rule change also amends the definitions of Orders, Order Types, Time in Force, and MTP Modifiers in Rule 21.1(c), (d), (f), and (g), respectively, in accordance with proposed Rule 21.1(j)(3)(A).

Additionally, the proposed rule change amends Rule 21.20 to make clear that Users may not submit complex orders through bulk ports.[37] The proposed rule change also amends Rules 21.18 and 21.19 to clarify that bulk messages are not eligible for the

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36 See, e.g., Cboe Options Rule 6.14(b); Arca Rule 6.37A-O(a)(3)(C).

37 The Exchange notes that Market-Makers are not required to quote on the COB, and that complex quoting functionality is not currently available on Cboe Options.

Step Up Mechanism for Bats Auction Mechanism, respectively. Quotes are not eligible for submission in corresponding auction mechanisms on Cboe Options.[38]

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[39] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[40] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[41] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change will remove impediments to and perfect the mechanism of a free and open market because it provides Users, including Market-Makers and other liquidity providers, with enhanced functionality to allow them to

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38 See Cboe Options Rules 6.14A (describing the Hybrid Agency Liaison, which is similar to the Step Up Mechanism) and 6.74A (describing the Automated Improvement Mechanism, which is similar to the Bats Auction Mechanism).

39 15 U.S.C. 78f(b).

40 15 U.S.C. 78f(b)(5).

41 Id.

provide liquidity to the market and update bids and offers in response to changed market conditions. While current bulk orders simulate quotes, Users must submit multiple messages in bulk to update bids and offers in multiple series. The proposed bulk messages will permit Users to update multiple bids and offers in block quantities in a single message, which will permit them to update bids and offers (for example, in response to changing market conditions) in a more efficient manner. The proposed ability to update bids and offers in block quantities is similar to that available on another options exchange.[42]

With respect to all Users, the proposed bulk messages are substantially similar to the current bulk orders available through bulk order ports – Users will be able to submit bulk messages that are Day and Post Only. However, the proposed rule change will permit them to do so in a single bulk message rather than in multiple messages. While the use of the GTD Time-in-Force will not be permitted for bulk messages as it currently is for bulk orders, Users may achieve the same result as GTD for their bulk messages by manually cancelling a bulk message at a specified time during the trading day – the proposed rule change merely does not provide a means for automatic cancellation of bulk messages at a specific time during the trading day. Additionally, Users may continue to apply GTD to orders submitted to the Exchange through bulk ports and other ports.

The Exchange believes the proposed rule change will permit liquidity providers to more efficiently update their resting bids and offers, which may help them manage their risk exposure when, for example, updating their bids and offers in response to changing market conditions. The Exchange believes this will continue to encourage all Users to

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[42] See Cboe Options Rule 1.1(ppp), which provides that electronic quotes may be updated in block quantities.

provide liquidity on the Exchange and avoid incurring a taker fee if their intent is to submit bids and offers to add liquidity to the Book. As a result, this may increase liquidity, resulting in more trading opportunities and tighter spreads, which benefits all investors. The Exchange notes the proposed rule change provides Users with additional flexibility by permitting certain MTP Modifiers to be applied to bulk messages to prevent their orders and bulk messages from trading against each other. The MTP Modifiers not available for bulk messages will continue to be available for Users on orders submitted through bulk ports and other ports. Unlike other options exchanges that limit the use of quoting functionality to market-makers, the proposed rule change will permit all Users to submit bulk messages. Additionally, the proposed rule change to permit Users to continue to submit orders (subject to restrictions on the Post Only and Book Only instructions, as discussed above) through bulk ports will encourage Users that may not have quoting systems to provide liquidity to the Exchange by submitting single orders through bulk ports. This is also consistent with current bulk orders, which permits Users to submit both single and bulk orders through bulk order ports.

The proposed rule change further removes impediments to and perfects the mechanism of a free and open market and a national market system by providing appointed Market-Makers with the ability to submit Book Only bulk messages, because it will align functionality available to appointed Market-Makers on the Exchange with the quoting functionality available to market-makers on other options exchanges, including Cboe Options, which permit quotes to both add and remove liquidity.[43] Market-Makers are critical to providing liquidity and price discovery on the Exchange, and are subject to

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[43] Other options exchanges only permit market-makers to submit quotes. See, e.g., Cboe Options Rules 1.1(ppp) and 8.3(c); Arca Rule 6.37A-O(a)(1).

various obligations, as discussed above. The Exchange notes all other Users may continue to use the Book Only instruction (or other instructions that permit execution against resting orders on the Book) on orders submitted through other ports, as they may do today. The Exchange believes providing Market-Makers with flexibility to use the Post Only or Book Only instruction with respect to bulk messages will provide them with additional tools to meet their obligations in a manner they deem appropriate and is reasonable given the critical role Market-Makers plan in the options market. The Exchange believes this may also encourage liquidity providers to register as Market-Makers.

The proposed rule change provides Market-Makers with a combination of functionality available to market-makers on other exchanges, as some exchanges permit market-makers to remove liquidity and others only permit market-makers to post liquidity using quotes.[44] As a result, the Exchange believes the proposed rule change will provide Market-Makers with greater control over their interactions with contra-side liquidity and would increase opportunities for such interaction. The Exchange believes this will provide Market-Makers with a greater level of determinism, in terms of managing their exposure, which may encourage them to be more aggressive when providing liquidity. The Exchange believes this may result in more trading opportunities and tighter spreads, which contributes to price discovery. Ultimately, this may improve overall market quality and enhance competition on the Exchange, which benefits all investors.

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44 See id. and Box Options Exchange, LLC ("BOX") Rule 8050, IM-8050-3.

Similarly, the proposed rule change to prevent Market-Maker bulk messages from removing Market-Maker orders or bulk messages resting on the Book removes impediments to and perfects the mechanism of a national market system by eliminating trades that may be unintended (potentially the result of technological disparities between Market-Makers) and thus not beneficial to customers, and that may impede certain liquidity providers' ability to competitively price their bids and offers. The Exchange believes the proposed rule change will increase availability of liquidity in the market and will enhance competition, because Market-Makers will be better able to quote aggressively with fewer concerns over technological disparities in their quoting systems, which ultimately benefits all investors. The Exchange notes this proposed rule change is similar to functionality available on another options exchange.[45]

The proposed handling of bulk messages to prevent the display of a locked or crossed market will perfect the mechanism of a free and open market and national market system, as it is consistent with the Linkage Plan and the Exchange's handling of orders with similar instructions. This proposed handling of bulk messages is also consistent with handling of quotes on other options exchanges.[46] The proposed risk controls and price protection mechanisms that will apply to bulk messages promote just and equitable principles of trade and will protect investors by mitigating potential risks associated with Users submitting bulk messages at clearly unintended prices and trading at extreme and potentially erroneous prices. Additionally, the proposed rule change to cancel a User's resting bulk message when the System rejects a bulk message intended to update that

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45 See Cboe Options Rule 6.45(c).

46 See Cboe Options Rule 6.14(b) and (c); see also Rule 6.37A-O(a)(3).

resting bulk message provides Users with an additional safeguard that causes Users to reevaluate their bids and offers in the series before attempting to update them again. Additionally, when a User submits a new bulk message, it is implicitly instructing the Exchange to cancel any resting bulk message. Thus, even if the new bulk message is rejected, the Market-Maker's implicit instruction to cancel the resting bulk message remains valid nonetheless.

The options markets are quote driven markets and thus dependent on liquidity providers, which are most commonly registered market-makers but also other professional traders, for liquidity and price discovery. The Exchange believes the proposed enhanced functionality, including the additional flexibility for Market-Makers to manage their risk exposure and provide additional control over interactions with contra-side liquidity, for these liquidity providers to more efficiently enter and update bids and offers. This may encourage the provision of more aggressive liquidity, which may result in more trading opportunities and tighter spreads, which contributes to price discovery. This may improve overall market quality and enhance competition on the Exchange, which benefits all investors.

The proposed rule change is generally intended to align system functionality currently offered by the Exchange with Cboe Options functionality in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes, and maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges. The proposed rule change would also provide Users with access to functionality that is generally available on markets other than the Cboe Affiliated

Exchanges, which may result in the efficient execution of quotes and orders and provide Users with additional flexibility and increased functionality on the Exchange's System.

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

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as the proposed bulk messages, like the current bulk orders, are optional for all Users. While only Market-Makers may submit Book Only bulk messages, the Exchange believes this is appropriate given the various obligations Market-Makers must satisfy under the Rules and the unique and critical role Market-Makers play in the options market, as discussed above. The Exchange believes providing Market-Makers with flexibility to use the Post Only or Book Only instruction with respect to bulk messages will provide Market-Makers with additional tools to meet their obligations in a manner they deem appropriate. The Exchange believes the proposed functionality for Market-Makers adds value to market-making on the Exchange and provides them with greater control over how their quotes interact with contra-side liquidity both on the

Exchange. The Exchange notes all other Users may continue to use the Book Only instruction on orders submitted to the Exchange through other types of ports. The Post Only instruction for bulk messages will be available to all Users, and is substantially similar to the bulk orders currently available to all Users. Additionally, all Users may submit single orders with all other Times-in-Force and Order Types (subject to the same Post Only and Book Only restrictions applicable to bulk messages) not available for bulk messages through bulk ports, which may encourage Users that may not have quoting systems to provide liquidity to the Exchange.

The proposed rule change to prevent Market-Maker bulk message executions against other resting Market-Maker interest is intended to protect Market-Makers from executions due to technology disparities rather than the intention of Market-Makers to trade with one another at that price. The Exchange believes this functionality and protection for Market-Makers may encourage Market-Makers to quote tighter and deeper markets, which will increase liquidity and enhance competition. The proposed price protection mechanisms and risk controls applicable to bulk messages will apply in the same manner to all bulk messages submitted by market participants. The Exchange believes this protection for bulk messages provides liquidity providers with additional protection from anomalous or erroneous executions. Generally, once bulk messages are resting on the Book, the System will handle them no differently than resting orders – this includes how the System prioritizes orders and quotes when executing them against incoming orders or quotes. Bulk messages that are available to all Users will work in the same manner for all Users, and the additional bulk message functionality available to appointed Market-Makers will work in the same manner for all such Market-Makers.

The Exchange believes it is reasonable to provide additional functionality to Market-Makers given their unique and critical role in the options market and the various obligations that Market-Makers must satisfy.

The Exchange does not believe the propose rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because it will provide Market-Makers with bulk message functionality that is similar to that quoting available to market-makers on other options exchanges. The Exchange believes the proposed functionality will permit the Exchange to operate on an even playing field relative to other exchanges that have similar functionality. As discussed above, the options markets are quote driven markets and thus dependent on liquidity providers, which are most commonly registered market-makers but also other professional traders, for liquidity and price discovery. The Exchange believes the proposed enhanced functionality, including the additional flexibility for Market-Makers to manage their risk exposure and provide additional control over interactions with contra-side liquidity, for these liquidity providers to more efficiently enter and update bids and offers. This may encourage the provision of more aggressive liquidity, which may result in more trading opportunities and tighter spreads, which contributes to price discovery. This may improve overall market quality and enhance competition on the Exchange, which benefits all investors.

The Exchange reiterates that the proposed rule change is being proposed in the context of the technology integration of the Cboe Affiliated Exchanges. Thus, the Exchange believes this proposed rule change permits fair competition among national securities exchanges. In addition, the Exchange believes the proposed rule change will benefit Exchange participants in that it will provide a consistent technology offering for Users by the Cboe Affiliated Exchanges.

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

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

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

Because the foregoing proposed rule change does not:

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

B. impose any significant burden on competition; and

C. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act[47] and Rule 19b-4(f)(6)[48] thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with

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47 15 U.S.C. 78s(b)(3)(A).

48 17 CFR 240.19b-4(f)(6).

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 Number SR-CboeEDGX-2018-060 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CboeEDGX-2018-060. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CboeEDGX-2018-060 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[49]

Secretary

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[49] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are <u>underlined</u>; deletions are [bracketed])

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Rules of Cboe EDGX Exchange, Inc.

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Rule 16.1. Definitions

(a) With respect to the Rules contained in Chapters XVI to XXIX below, relating to the trading of options contracts on the Exchange, the following terms shall have the meanings specified in this Rule. A term defined elsewhere in the Exchange Rules shall have the same meaning with respect to this Chapter XVI, unless otherwise defined below.

(1) – (3) No change.

<u>(4) The term "bulk message" means a bid or offer included in a single electronic message a User submits to the Exchange in which the User may enter, modify, or cancel up to an Exchange-specified number of bids and offers (which number the Exchange announces via Exchange notice or publicly available technical specifications). A User may submit a bulk message through a bulk port as set forth in Rule 21.1(j)(3). The System handles a bulk message in the same manner as it handles an order or quote, unless the Rules specify otherwise.</u>

[(4)]<u>(5)</u> The terms "EDGX Exchange" or "Exchange" mean the Cboe EDGX Exchange, Inc.

[(5)]<u>(6)</u> The terms "EDGX Exchange Rules" or "Exchange Rules" mean the rules of the Exchange, including those for equities and options.

[(6)]<u>(7)</u> The term "bid" means a limit order to buy one or more options contracts.

[(7)]<u>(8)</u> The term "Board" means the Board of Directors of the Cboe EDGX Exchange, Inc.

[(8)]<u>(9)</u> The term "EDGX Options" means the EDGX Exchange Options Market, an options trading facility of the Exchange under Section 3(a)(2) of the Exchange Act.

[(9)]<u>(10)</u> The term "EDGX Options Book" means the electronic book of options orders maintained by the Trading System.

[(10)]<u>(11)</u> The term "rules of EDGX Options" mean the rules contained in Chapters XVI to XXIX of the EDGX Exchange Rules governing the trading of options on the Exchange.

[(11)](12) The term "EDGX Options Transaction" means a transaction involving an options contract that is effected on or through EDGX Options or its facilities or systems.

[(12)](13) The term "call" means an options contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the number of shares of the underlying security covered by the options contract.

[(13)](14) The term "class of options" means all options contracts of the same type and style covering the same underlying security.

[(14)](15) The terms "Clearing Corporation" or "OCC" mean The Options Clearing Corporation.

[(15)](16) The term "Clearing Member" means an Options Member that is self-clearing or an Options Member that clears EDGX Options Transactions for other Members of EDGX Options.

[(16)](17) The term "closing purchase transaction" means an EDGX Options Transaction that reduces or eliminates a short position in an options contract.

[(17)](18) The term "closing writing transaction" means an EDGX Options Transaction that reduces or eliminates a long position in an options contract.

[(18)](19) The term "covered short position" means (A) an options position where the obligation of the writer of a call option is secured by a "specific deposit" or an "escrow deposit" meeting the conditions of Rules 610(f) or 610(g), respectively, of the Rules of the Clearing Corporation, or the writer holds in the same account as the short position, on a share-for-share basis, a long position either in the underlying security or in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or less than the exercise price of the options contract in such short position; and (B) an options position where the writer of a put option holds in the same account as the short position, on a share-for-share basis, a long position in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or greater than the exercise price of the options contract in such short position.

[(19)](20) The term "Customer" means a Public Customer or a broker-dealer.

[(20)](21) The term "Customer Order" means an agency order for the account of a Customer.

[(21)](22) The term "discretion" means the authority of a broker or dealer to determine for a Customer the type of option, the class or series of options, the number of contracts, or whether options are to be bought or sold.

[(22)](23) The term “European-style option” means an options contract that, subject to the provisions of Rule 23.1 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised only on its expiration date.

[(23)](24) The term “Exchange Act” means the Securities Exchange Act of 1934, as amended, or Rules thereunder.

[(24)](25) The term “exercise price” means the specified price per unit at which the underlying security may be purchased or sold upon the exercise of an options contract.

[(25)](26) The terms “he,” “him” or “his” shall be deemed to refer to persons of female as well as male gender, and to include organizations, as well as individuals, when the context so requires.

[(26)](27) The term “index option” means an options contract that is an option on a broad-based, narrow-based or micro narrow-based index of equity securities prices.

[(27)](28) The term “individual equity option” means an options contract which is an option on an equity security.

[(28)](29) The term “long position” means a person’s interest as the holder of one or more options contracts.

[(29)](30) The term “NBB” means the national best bid, the term “NBO” means the national best offer, and the term “NBBO” means the national best bid or offer as calculated by EDGX Options based on market information received by EDGX Options from OPRA.

[(30)](31) The term “offer” means a limit order to sell one or more options contracts.

[(31)](32) The term “opening purchase transaction” means an EDGX Options Transaction that creates or increases a long position in an options contract.

[(32)](33) The term “opening writing transaction” means an EDGX Options Transaction that creates or increases a short position in an options contract.

[(33)](34) The term “options contract” mean a put or a call issued, or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.

[(34)](35) The terms “options market close” or “market close” mean the time specified by EDGX Options for the cessation of trading in contracts on EDGX Options for options on that market day.

[(35)](36) The terms “options market open” or “market open” mean the time specified by EDGX Options for the commencement of trading in contracts on EDGX Options for options on that market day.

[(36)](37) The terms "Options Order Entry Firm" or "Order Entry Firm" or "OEF" mean those Options Members representing as agent Customer Orders on EDGX Options and those non-Market Maker Members conducting proprietary trading.

[(37)](38) The terms "Options Market Maker" or "Market Maker" mean an Options Member registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter XXII of these Rules.

[(38)](39) The term "Options Member" means a firm, or organization that is registered with the Exchange pursuant to Chapter XVII of these Rules for purposes of participating in options trading on EDGX Options as an "Options Order Entry Firm" or "Options Market Maker."

[(39)](40) The term "Options Member Agreement" means the agreement to be executed by Options Members to qualify to participate on EDGX Options.

[(40)](41) The term "Options Principal" means a person engaged in the management and supervision of the Options Member's business pertaining to options contracts that has responsibility for the overall oversight of the Options Member's options related activities on the Exchange.

[(41)](42) The term "OPRA" means the Options Price Reporting Authority.

[(42)](43) The term "order" means a firm commitment to buy or sell options contracts as defined in Rule 21.1(c).

[(43)](44) The term "outstanding" means an options contract which has been issued by the Clearing Corporation and has neither been the subject of a closing writing transaction nor has reached its expiration date.

[(44)](45) The term "primary market" means, in the case of securities listed on Nasdaq Stock Market, LLC ("Nasdaq"), the market that is identified as the listing market pursuant to Section X(d) of the approved national market system plan governing the trading of Nasdaq-listed securities, and, in the case of securities listed on another national securities exchange, the market that is identified as the listing market pursuant to Section XI of the Consolidated Tape Association Plan.

[(45)](46) The term "Priority Customer" means any person or entity that is not: (A) a broker or dealer in securities; or (B) a Professional. The term "Priority Customer Order" means an order for the account of a Priority Customer.

[(46)](47) The term "Professional" means any person or entity that: (A) is not a broker or dealer in securities; and (B) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). All Professional orders shall be appropriately marked by Options Members.

[(47)](48) The term "Protected Quotation" has the meaning provided in Rule 27.1.

[(48)](49) The term "Public Customer" means a person that is not a broker or dealer in securities.

[(49)](50) The term "put" means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option and the Rules of the OCC, to sell to the Clearing Corporation the number of units of the underlying security covered by the options contract, at a price per unit equal to the exercise price, upon the timely exercise of such option.

[(50)](51) The term "Quarterly Options Series" means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and expires at the close of business on the last business day of a calendar quarter.

[(51)](52) The terms "quote" or "quotation" mean a bid or offer entered by a Market Maker as a firm order that updates the Market Maker's previous bid or offer, if any.

[(52)](53) The term "Responsible Person" shall mean a United States-based officer, director or management-level employee of an Options Member, who is registered with the Exchange as an Options Principal, responsible for the direct supervision and control of associated persons of that Options Member.

[(53)](54) The terms "Rules of the Clearing Corporation" or "Rules of the OCC" mean the Certificate of Incorporation, the By-Laws and the Rules of the Clearing Corporation, and all written interpretations thereof, as may be in effect from time to time.

[(54)](55) The terms "SEC" or "Commission" mean the United States Securities and Exchange Commission.

[(55)](56) The term "series of options" means all options contracts of the same class of options having the same exercise price and expiration date.

[(56)](57) The term "short position" means a person's interest as the writer of one or more options contracts.

[(57)](58) The term "Short Term Option Series" means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Monday, Tuesday, Wednesday, Thursday or Friday that is a business day and that expires on the Monday, Wednesday or Friday of the next business week, or, in the case of a series that is listed on a Friday and expires on a Monday, is listed one business week and one business day prior to that expiration. If a Tuesday, Wednesday, Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Tuesday, Wednesday, Thursday or Friday, respectively. For a series listed pursuant to this section for Monday expiration, if a Monday is not a business day, the series shall expire on the first business day immediately following that Monday.

[(58)](59) The term "SRO" means a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act.

[(59)](60) The terms "Trading System" or "System" mean the automated trading system used by EDGX Options for the trading of options contracts.

[(60)](61) The term "type of option" means the classification of an options contract as either a put or a call.

[(61)](62) The term "uncovered" means a short position in an options contract that is not covered.

[(62](63) The term "underlying security" means the security that the Clearing Corporation shall be obligated to sell (in the case of a call option) or purchase (in the case of a put option) upon the valid exercise of an options contract.

[(63)](64) The term "User" means any Options Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3 (Access).

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Rule 21.1. Definitions

The following definitions apply to Chapter XXI for the trading of options listed on EDGX Options.

(a) – (b) No change.

(c) The term "Order" shall mean a single order (including a bulk message) submitted to the System by a User and shall include both Attributable and Non-Attributable Orders, as defined below. The System shall treat all Orders (including bulk messages) as Non-Attributable Orders unless a User has entered instructions to treat such Orders as Attributable Orders.

(1) – (2) No change.

(d) The term "Order Type" shall mean the unique processing prescribed for designated orders, subject to the restrictions set forth in paragraph (j) below with respect to orders and bulk messages submitted through bulk ports, that are eligible for entry into the System, and shall include:

(1) "Reserve Orders" are limit orders that have both a portion of the quantity displayed ("Display Quantity") and a reserve portion of the quantity ("Reserve Quantity") not displayed. Both the Display Quantity and Reserve Quantity of the Reserve Order are available for potential execution against incoming orders. When entering a Reserve Order, a User must instruct the Exchange as to the quantity of the order to be initially displayed by

the System ("Max Floor"). If the Display Quantity of a Reserve Order is fully executed, the System will, in accordance with the User's instruction, replenish the Display Quantity from the Reserve Quantity using one of the below replenishment instructions. If the remainder of an order is less than the replenishment amount, the System will display the entire remainder of the order. The System creates a new timestamp for both the Display Quantity and Reserve Quantity of the order each time it is replenished from reserve. Users may not designate bulk messages as Reserve Orders.

(A) – (B) No change.

(2) "Limit Orders" are orders (including bulk messages) to buy or sell an option at a specified price or better. A limit order is marketable when, for a limit order to buy, at the time it is entered into the System, the order is priced at the current inside offer or higher, or for a limit order to sell, at the time it is entered into the System, the order is priced at the inside bid or lower.

(3) "Minimum Quantity Orders" are orders that require that a specified minimum quantity of contracts be obtained, or the order is cancelled. Minimum Quantity Orders will only execute against multiple, aggregated orders if such execution would occur simultaneously. The Exchange will only honor a specified minimum quantity on a Book Only Order entered with a time-in-force designation of Immediate or Cancel and will disregard a minimum quantity on any other order. Users may not designate bulk messages as Minimum Quantity Orders.

(4) No change.

(5) "Market Orders" are orders to buy or sell at the best price available at the time of execution. Market Orders to buy or sell an option traded on EDGX Options will be rejected if they are received when the underlying security is subject to a "Limit State" or "Straddle State" as defined in the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the "Limit Up-Limit Down Plan"). Bulk messages may not be Market Orders.

(6) No change.

(7) "Book Only Orders" are orders that are to be ranked and executed on the Exchange pursuant to Rule 21.8 (Order Display and Book Processing) or cancelled, as appropriate, without routing away to another options exchange. A Book Only Order will be subject to the Price Adjust process set forth in paragraph (i) below unless a User has entered instructions not to use such process. Users may designate bulk messages as Book Only as set forth in paragraph (j) below.

(8) "Post Only Orders" are orders that are to be ranked and executed on the Exchange pursuant to Rule 21.8 (Order Display and Book Processing) or cancelled, as appropriate, without routing away to another options exchange except that the order will not remove liquidity from the EDGX Options Book. A Post Only Order that is not subject to the Price

Adjust process that would lock or cross a Protected Quotation of another options exchange or the Exchange will be cancelled. Users may designate bulk messages as Post Only as set forth in paragraph (j) below.

(9) "Intermarket Sweep Orders" or "ISO" are orders that shall have the meaning provided in Rule 27.1 (Definitions). Such orders may be executed at one or multiple price levels in the System without regard to Protected Quotations at other options exchanges (i.e., may trade through such quotations). The Exchange relies on the marking of an order by a User as an ISO order when handling such order, and thus, it is the entering Member's responsibility, not the Exchange's responsibility, to comply with the requirements relating to ISOs. ISOs are not eligible for routing pursuant to Rule 21.9 (Order Routing). Users may not designate bulk messages as ISOs.

(10) A "Qualified Contingent Cross Order" is comprised of an originating order to buy or sell at least 1,000 standard option contracts that is identified as being part of a qualified contingent trade, as that term is defined in paragraph (A) below, coupled with a contra-side order or orders totaling an equal number of contracts. For purposes of this order type:

(A) – (D) No change.

(E) Users may not submit bulk messages as Qualified Contingent Cross Orders.

(11) Stop Order. A Stop Order is an order that becomes a Market Order when the stop price is elected. A Stop Order to buy is elected when the consolidated last sale in the option occurs at or above, or the NBB is equal to or higher than, the specified stop price. A Stop Order to sell is elected when the consolidated last sale in the option occurs at or below, or the NBO is equal to or lower than, the specified stop price. A Stop Order will not be elected if the underlying security is in a "Limit State" as defined in the Limit Up-Limit Down Plan. Such order will be held until the end of the Limit State, at which point the order will again become eligible to be elected. Users may not designate bulk messages as Stop Orders.

(12) Stop Limit Order. A Stop Limit Order is an order that becomes a limit order when the stop price is elected. A Stop Limit Order to buy is elected and becomes a buy limit order when the consolidated last sale in the option occurs at or above, or the NBB is equal to or higher than, the specified stop price. A Stop Limit Order to sell is elected and becomes a sell limit order when the consolidated last sale in the option occurs at or below, or the NBO is equal to or lower than, the specified stop price. Users may not designate bulk messages as Stop Limit Orders.

(e) No change.

(f) The term “Time in Force” shall mean the period of time that the System will hold an order, subject to the restrictions set forth in paragraph (j) below with respect to bulk messages submitted through bulk ports, for potential execution, and shall include:

(1) “Good Til Date or “GTD” shall mean, for orders so designated, that if after entry into the System, the order is not fully executed, the order (or the unexecuted portion thereof) shall remain available for potential display and/or execution for the amount of time specified by the entering User unless canceled by the entering party. Users may not designate bulk messages as GTD.

(2) “Immediate Or Cancel” or “IOC” shall mean, for an order so designated, a limit order that is to be executed in whole or in part as soon as such order is received. The portion not so executed immediately on the Exchange or another options exchange is cancelled and is not posted to the EDGX Options Book. IOC limit orders that are not designated as Book Only Orders and that cannot be executed in accordance with Rule 21.8 on the System when reaching the Exchange will be eligible for routing away pursuant to Rule 21.9. Users may not designate bulk messages as IOC.

(3) “DAY” shall mean, for an order so designated, a limit order to buy or sell which, if not executed expires at market close. All bulk messages have a Time in Force of DAY, as set forth in paragraph (j) below.

(4) “Good Til Cancelled” or “GTC” shall mean, for an order so designated, that if after entry into the System, the order is not fully executed, the order (or the unexecuted portion thereof) shall remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. Users may not designate bulk messages as GTC.

(5) “Fill-or-Kill” or “FOK”. A limit order that is to be executed in its entirety as soon as it is received and, if not so executed, cancelled. A limit order designated as FOK is not eligible for routing away pursuant to Rule 21.9. Users may not designate bulk messages as FOK.

(6) “At the Open” or “OPG” shall mean, for an order so designated, an order that shall only participate in the opening process on the Exchange. An OPG order not executed in the opening process will be cancelled. Users may not designate bulk messages as OPG.

(g) Match Trade Prevention (“MTP”) Modifiers. Any incoming order designated with an MTP modifier will be prevented from executing against a resting opposite side order also designated with an MTP modifier and originating from the same market participant identifier (“MPID”), Exchange Member identifier, trading group identifier, or Exchange Sponsored Participant identifier (any such identifier, a “Unique Identifier”). Subject to the exception contained in paragraph (3) below, the MTP modifier on the incoming order controls the interaction between two orders marked with MTP modifiers. Subject to the restrictions set forth in paragraph (j) below with respect to bulk messages submitted through bulk ports, orders may contain the following MTP modifiers:

(1) MTP Cancel Newest ("MCN"). An incoming order marked with the "MCN" modifier will not execute against opposite side resting interest marked with any MTP modifier originating from the same Unique Identifier. The incoming order marked with the MCN modifier will be cancelled back to the originating User(s). The resting order marked with an MTP modifier will remain on the EDGX Options Book. Users may designate bulk messages as MCN, as set forth in paragraph (j) below.

(2) MTP Cancel Oldest ("MCO"). An incoming order marked with the "MCO" modifier will not execute against opposite side resting interest marked with any MTP modifier originating from the same Unique Identifier. The resting order marked with the MTP modifier will be cancelled back to the originating User(s). The incoming order marked with the MCO modifier will remain on the EDGX Options Book. Users may designate bulk messages as MCO, as set forth in paragraph (j) below.

(3) MTP Decrement and Cancel ("MDC"). An incoming order marked with the "MDC" modifier will not execute against opposite side resting interest marked with any MTP modifier originating from the same Unique Identifier. If both orders are equivalent in size, both orders will be cancelled back to the originating User(s). If the orders are not equivalent in size, the equivalent size will be cancelled back to the originating User(s) and the larger order will be decremented by the size of the smaller order, with the balance remaining on the EDGX Options Book. Notwithstanding the foregoing, unless a User instructs the Exchange not to do so, both orders will be cancelled back to the originating User(s) if the resting order is marked with any MTP modifier other than MDC and the incoming order is smaller in size than the resting order. Users may not designate bulk messages as MCD.

(4) MTP Cancel Both ("MCB"). An incoming order marked with the "MCB" modifier will not execute against opposite side resting interest marked with any MTP modifier originating from the same Unique Identifier. The entire size of both orders will be cancelled back to the originating User(s). Users may designate bulk messages as MCB, as set forth in paragraph (j) below.

(5) MTP Cancel Smallest ("MCS"). An incoming order marked with the "MCS" modifier will not execute against opposite side resting interest marked with any MTP modifier originating from the same Unique Identifier. If both orders are equivalent in size, both orders will be cancelled back to the originating User(s). If the orders are not equivalent in size, the smaller of the two orders will be cancelled back to the originating User and the larger order will remain on the EDGX Options Book. Users may not designate bulk messages as MCS.

(h) No change.

(i) Price Adjust.

(1) – (3) No change.

(4) The Price Adjust process does not apply to bulk messages.

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

(1) – (2) No change.

(3) A “bulk [order] port” is a dedicated logical port that provides Users with the ability to submit: [bulk messages to enter, modify or cancel auction responses or orders designated as Post Only Orders, provided such orders are entered with a Time-in-Force of DAY or a Time-in-Force of GTD with an expiration time on that trading day.]

(A) bulk messages, subject to the following:

(i) a bulk message has a Time-in-Force of Day;

(ii) a Market-Maker with an appointment in a series may designate a bulk message for that series as Post Only or Book Only (which Post Only or Book Only designation, as applicable, applies to all bulk message bids and offers within a single message), and other Users must designate a bulk message for that series as Post Only;

(iii) a User may establish a default MTP Modifier of MCN, MCO, or MCB, and a default value of Attributable or Non-Attributable, for a bulk port, each of which applies to all bulk messages submitted to the Exchange through that bulk port;

(iv) The System cancels or rejects a Post Only bulk message bid (offer) with a price that locks or crosses the Exchange best offer (bid) or ABO (ABB).

(v) The System executes a Book Only bulk message bid (offer) that locks or crosses the ABO (ABB) against offers (bids) resting in the Book at prices the same as or better than the ABO (ABB) and then cancels the unexecuted portion of that bid (offer).

(vi) the System cancels or rejects a Book Only bulk message bid (offer) (or unexecuted portion) submitted by a Market-Maker with an appointment in the series through a bulk port if it would execute against a resting offer (bid) with a Capacity of M;

(B) single orders in the same manner as Users may submit orders to the Exchange through any other type of port, including designated with any Order Type and any Time-in-Force in Rule 21.1(d) and (f), respectively, except:

(i) a Market-Maker with an appointment in a series may designate an order for that series submitted through a bulk port only as Post Only or Book Only, and other Users must designate an order for that series submitted through a bulk port as Post Only; and

(ii) the System cancels or rejects a Book Only order bid (offer) (or unexecuted portion) submitted by a Market-Maker with an appointment in the series through a bulk port if it would execute against a resting offer (bid) with a Capacity of M; and

(C) auction responses (using auction response messages) in the same manner as Users may submit auction responses to the Exchange through any other type of port.

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Rule 21.6. Entry of Orders

Users can enter orders into the System, subject to the following requirements and conditions:

(a) Users shall be permitted to transmit to the System multiple orders at a single as well as multiple price levels. However, a User may enter only one bid and one offer for a series per EFID per bulk port. Each order will indicate the Reserve Quantity (if applicable).

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Rule 21.9. Order Routing

(a) General. For System securities, the order routing process shall be available to Users from 9:30 a.m. Eastern Time until market close. Users can designate orders as either available for routing or not available for routing. Orders designated as not available for routing and bulk messages, which are not eligible for routing, shall follow the book processing rules set forth in Rule 21.8 (Order Display and Book Processing) above.

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Rule 21.17. Additional Price Protection Mechanisms and Risk Controls

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

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

User the Market Order. The Exchange will establish "x" and the minimum and maximum values on a class-by-class basis. This protection does not apply to bulk messages.

(b) *Limit Order Fat Finger Check.* If a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount established by the Exchange above (below) the NBO (NBB), or, in the case of an order received prior to 9:30 a.m., above (below) the midpoint of the NBBO at the close of the market on the previous trading day, the System will reject or cancel back to the User the limit order. This check does not apply to bulk messages.

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

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

(e) *Market Orders in No-Bid (Offer) Series.*

(1) – (2) No change.

(3) This protection does not apply to bulk messages.

(f) *Bulk Message Fat Finger Check.* The System cancels or rejects any bulk message bid (offer) above (below) the NBO (NBB) by more than a specified amount determined by the Exchange. This check does not apply to bulk messages submitted prior to the conclusion of the Opening Process or when no NBBO is available.

(g) *Rejection of Bulk Message Updates.* If, pursuant to the Rules, the System cancels or rejects a bulk message bid (offer) to update a resting bulk message bid (offer) submitted for the same EFID and bulk port, the System also cancels the resting bulk message bid (offer).

Rule 21.18. Step Up Mechanism

This Rule governs the operation of the Step Up Mechanism ("SUM"). SUM is a feature within the System that provides automated order handling in designated classes trading for qualifying orders that are not automatically executed by the System.

(a) SUM Eligibility. The Exchange shall designate eligible order size, eligible order type, eligible order origin code (e.g., Priority Customer orders, non-Market Maker non-Priority Customer orders, and Market Maker orders), and classes in which SUM shall be activated. Bulk messages are not eligible for SUM. SUM shall automatically process upon receipt of:

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Rule 21.19. Bats Auction Mechanism

This Rule governs the operation of the Bats Auction Mechanism ("BAM"). An Options Member may electronically submit for execution an order it represents as agent on behalf of a Priority Customer, broker dealer, or any other person or entity ("Agency Order") against principal interest or against any other order it represents as agent (an "Initiating Order") provided it submits the Agency Order for electronic execution into the BAM Auction ("Auction") pursuant to this Rule. For purposes of this Rule, the term "NBBO" shall mean the national best bid or national best offer at the particular point in time applicable to the reference and the term "Initial NBBO" shall mean the national best bid or national best offer at the time an Auction is initiated. Bulk messages are not eligible for BAM.

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Rule 21.20. Complex Orders

(a) No change.

(b) Availability of Types of Complex Orders. The Exchange will determine and communicate to Members via specifications and/or a Regulatory Circular listing when the complex order types, among the complex order types set forth in this Rule, are available for use on the Exchange. The complex order types that may be submitted are limit orders and market orders, and orders with a Time in Force of GTD, IOC, DAY, GTC, or OPG as such terms are defined in Rule 21.1(f). Users may not submit complex orders through bulk ports. The following complex orders will also be accepted by the Exchange:

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