

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="40"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2019"/> - * <input type="text" value="007"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by Cboe C2 Exchange, Inc.
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

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

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

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

The Exchange proposes to amend its continuous quoting obligations for Market-Makers.

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 * <input type="text" value="Rebecca"/>	Last Name * <input type="text" value="Tenuta"/>
Title * <input type="text" value="Counsel"/>	
E-mail * <input type="text" value="rtenuta@cboe.com"/>	
Telephone * <input type="text" value="(312) 786-7068"/>	Fax <input type="text"/>

Signature

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

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

(Title *)

Date <input type="text" value="04/08/2019"/>	Counsel <input type="text"/>
By <input type="text" value="Rebecca Tenuta"/>	<input type="text"/>
(Name *)	

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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

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

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Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

Item 1. Text of the Proposed Rule Change

(a) Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) proposes to amend its continuous quoting obligations for Market-Makers. 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 April 5, 2019. The Exchange intends to implement the proposed rule change on or about May 10, 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 Rebecca Tenuta, (312) 786-7068, Cboe C2 Exchange, Inc., 400 South LaSalle, Chicago, Illinois 60605.

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

(a) Purpose

The Exchange proposes to change to its current continuous quoting requirement for Market-Makers under Rule 8.6(d) (Market-Maker Quotes). This proposed rule change to the continuous quoting requirement is based on existing Nasdaq PHLX LLC (“Phlx”), Nasdaq ISE, LLC (“ISE”), Nasdaq MRX, LLC (“MRX”) and Nasdaq GEMX, LLC

(“GEMX”) rules¹ previously filed with the Commission. The proposed rule change also intends to harmonize quoting requirements across C2 and its affiliated exchanges, Cboe BZX Exchange, Inc. (“BZX Options”) and Cboe EDGX Exchange, Inc. (“EDGX Options”).² Overall, the Exchange believes that having substantially the same Market-Maker continuous quoting requirements across its affiliated exchanges and other exchanges will reduce the compliance burden and confusion for Market-Makers that are members of multiple exchanges industry-wide. The Exchange also proposes to make non-substantive changes to Rule 8.2, amending an inadvertent error to an inaccurate cross-reference and deleting an obsolete provision that is no longer relevant to the Exchange rules and User functionality.

Specifically, the Exchange proposes to amend a Market-Maker’s continuous quoting obligations under Rule 8.6(d) based on existing Phlx, ISE, MRX and GEMX rules, previously filed with the Commission. The proposed amendments to Rule 8.2(d) are substantially similar to the continuous quoting requirement provisions on other exchanges.³ Current Rule 8.6(d) provides that a Market-Maker must enter continuous bids and offers in series in its appointed classes on a daily basis in 60% of the series of each appointed class for 90% of the trading day. The proposed rule change to Rule 8.6(d) requires a Market-Maker to continuously enter bids and offers in series in its appointed

¹ See Phlx Rule 1081(c); ISE Rule 804(e); MRX Rule 804(e); and GEMX Rule 804(e). See also Securities Exchange Act Release No. 83209 (May 10, 2018), 83 FR 22717 (May 16, 2018) (SR-Phlx-2018-22) (Order Granting Approval of Proposed Rule Change to Amend Phlx’s Quoting Requirements, Among Other Changes) (SR-Phlx-2018-22).

² The Exchange notes that BZX Options and EDGX Options are simultaneously proposing the same continuous quoting requirements.

³ See supra note 1.

classes (pursuant to Rule 8.6(b)) in 60% of the cumulative number of seconds, or such higher percentage as the Exchange may announce in advance, for which that Market-Maker's appointed classes are open, excluding any adjusted series, any intra-day add-on series on the day during which such series are added for trading, any Quarterly Option Series and any series with an expiration of greater than 270 days. Additionally, the proposed change amends current subparagraph (d)(2) to provide for the way in which the Exchange calculates this requirement and is explicit in stating that quoting is not required in every appointed class. An example of the proposed calculation is presented below:

Market-Maker A ("Firm A")⁴ has selected an appointment to quote option class U, in which options U1, U2, U3, U4, and U5 are open for trading.

Firm A also has selected appointments in options classes V and W.

Option U1 opened at 09:30:00⁵ and closed at 16:00:00

Firm A quoted U1 at 09:35:30 @13.00(10)-15.00(10)

Firm A updated quote in U1 at 09:50:31 @10.00(10)-15.00(20)

Firm A purged quote at 15:55:40

Total quoted time for U1 is: $15:55:40 - 09:35:30 = (15-9)*3600 + (55-35)*60 + (40-30) = 22810$ (seconds)

⁴ The Exchange notes that a Market-Maker may use multiple Executing Firm IDs ("EFIDs") to submit quotes in a class. The quoting time from all of a Market-Maker EFIDs' will be considered together when determining compliance with this obligation.

⁵ All times in example calculation in Eastern Time.

Total available quote time for U1 is: $16:00:00-09:30:00 = (16-9)*3600 + (60-30)*60 + (00-00) = 270000$ (seconds)

Option U2 opened at 09:30:00 and closed at 16:00:00

Firm A quoted U2 at 10:05:30 @13.00(10)-15.00(10)

Firm A updated quote in U2 at 11:00:01 @11.00(10)-16.00(20)

Firm A purged quote at 15:05:40

Total quoted time for U2 is: $15:05:40-10:05:30 = (15-10)*3600 + (65-05)*60 + (40-30) = 21610$ (seconds)

Total available quote time for U2 is: $16:00:00-09:30:00 = (16-9)*3600 + (60-30)*60 + (00-00) = 270000$ (seconds)

Option U3 opened at 09:30:00 and closed at 16:15:00

Firm A quoted U3 at 11:10:21 @21.00(10)-24.00(20)

Firm A purged quote at 15:15:05

Total quoted time for U3 is: $15:15:05-11:10:21 = (15-11)*3600 + (75-10)*60 + (65-21) = 18344$ (seconds)

Total available quote time for U3 is: $16:01:20-09:40:02 = (16-9)*3600 + (75-30)*60 + (00-00) = 27900$ (seconds)

Option U4 opened at 9:30:00 and closed at 16:00:00

Firm A quoted U4 at 09:34:29 @35.00(10)-37.00(10)

Firm A updated quote in U4 at 10:30:21 @31.00(10)-37.00(20)

Firm A purged quote in U4 at 15:59:34

Total quoted time for U4 is: 15:59:34-09:34:29 = (15-09)*3600 + (59-34)*60 + (34-29) = 23105 (seconds)

Total available quote time is: 16:00:00-09:30:00 = (16-9)*3600 + (60-30)*60 + (00-0) = 27000 (seconds)

Option U5 opened at 9:30:00 and closed at 16:00:00

Firm A did not quote U5 thus, the total quoted time for U5 will be: 0 (seconds)

Total available quote time is: 16:00:00-09:30:00 = (16-9)*3600 + (60-30)*60 + (00-00) = 27000 (seconds)

Total time Firm A quoted class U: 22810 + 21610 + 18344 + 23105 + 0 = 85869 (seconds)

Total eligible quoting time for Firm A on class U: 27000 + 27000 + 27900 + 27000 + 27000 = 135900 (seconds)

Similarly assume:

Total time for Firm A quoted class V: 80983(seconds)

Total eligible quoting time for Firm A on class V: 84515 (seconds)

Total time for Firm A quoted class W: 0(seconds)

Total eligible quoting time for Firm A on underlying W: 46513 (seconds)

Then the total quoting percentage for Firm A is: $(85869 + 80983 + 0) / (135900 + 84515 + 46513) = 156852/266928 = 62.5\%$

As stated, the current rule requires a Market-Maker to quote 60% of the series in which it is registered for 90% of each trading day. By comparison, the proposed rule change permits a Market-Maker to quote any percentage of appointed classes so long as the Market-Maker meets the requirement that it enters quotes aggregating 60% of the cumulative seconds across the total seconds that its appointment classes are open for trading. The proposed rule explicitly provides that a Market-Maker does not necessarily have to quote every appointed class. The Exchange believes the proposed rule better accommodates the occasional issues that may arise in a particular class, whether technical or manual. For example, an issue may arise on the Market-Maker's side in which there is a glitch in its systems or a manual computing error that temporarily disrupts quoting ability. The Exchange notes that the existing requirement may at times discourage liquidity in particular classes because a Market-Maker is forced to focus on a momentary technical lapse in order to meet the higher current thresholds, rather than using the appropriate resources to focus on the classes that need and consume additional liquidity. The proposed rule also adds language that the Exchange may announce in advance a higher percentage than the proposed 60% of the cumulative number of seconds requirement, which the Exchange believes may be appropriate on occasions when doing so would be in the interest of a fair and orderly market. This discretion is the same in the corresponding rules of Phlx, ISE, MRX, and GEMX⁶, as well as within the continuous

⁶ See supra note 1..

quoting requirements of the Exchanges' affiliated exchanges, BZX Options and EDGX Options. The proposed rule change also moves the series excluded from a Market-Maker's quoting requirement to Rule 8.6(d) and deletes this same language that is currently in subparagraph (d)(3). The proposed change also amends the current quoting exclusion of any series with an expiration of nine months or greater to an expiration of greater than 270 days. The Exchange notes that Market-Makers generally already monitor expirations by a defined count of 270 days, as opposed to a nine month count in which the number of days continuously varies. Therefore, this proposed change intends to align the Exchange's rules with current industry practice.⁷ The proposed rule change also amends the current quoting exclusions to include Quarterly Option series. C2 may list and trade Quarterly Options Series pursuant to Rule 5.5(e) and this exclusion is consistent with corresponding Rule 22.6 (Market Maker Quotations) of the Exchange's affiliated exchanges, BZX Options and EDGX Options,⁸ as well as the corresponding rules of Phlx, ISE, MRX, and GEMX.⁹ Additionally, the proposed rule change amends the reference to the quoting standard in subparagraph (d)(1) to 60%.

⁷ The Exchange notes that EDGX Options and BZX Options are simultaneously proposing to amend their corresponding rules to exclude any series with an expiration of 270 days or greater.

⁸ See Securities Exchange Act Release No. 71129 (December 18, 2013), 78 FR 77736 (December 18, 2013) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Modify BATS Options Market Maker Continuous Quoting Obligation Rules) (SR-BATS-2013-062), which adopted exclusions, including Quarterly Options series, to Market Maker's quoting obligations and noted that such exclusions were "consistent with the rules of several other options exchanges" and "did not diminish the quoting obligation". The Exchange also notes that these exclusions were adopted on EDGX Options when that exchange was established.

⁹ See supra note 1.

As stated, the Exchange amends its continuous quoting requirements to be substantially similar to the requirements under other exchanges' rules.¹⁰ The Exchange believes that proposed amendments to its quoting requirements are reasonable because these requirements are already in place on other options exchanges.¹¹ The Exchange notes that the proposed change to continuous quoting requirements creates a clear, affirmative Market-Maker obligation to hold themselves out as willing to buy and sell securities for their own account on a continuous basis, which justifies favorable Market-Maker treatment and will continue to provide customer trading interest a net benefit. The Exchange further believes having consistent with other exchanges¹² will simplify the regulatory requirements for its Trading Permit Holders ("TPHs") that are active across multiple exchanges.

Additionally, the Exchange proposes to make non-substantive changes to Rule 8.2. First, the Exchange proposes to amend an inadvertent mistake regarding a cross reference within Rule 8.2(d). Currently, Rule 8.2 states that the Exchange may limit the number of appointments a Market-Maker may have, or the number of Market-Makers that may have appointments in a class, pursuant to Rule 8.1(b). The Exchange notes, however, that Rule 8.1(c), in fact, is the appropriate provision that allows the Exchange to limit the number of appointments. The Exchange believes this change is necessary to correct an inadvertent error in its rule and provide clarity for TPHs. Furthermore, the Exchange proposes to delete Rule 8.2(c), which currently states that a Market-Maker's

¹⁰ See supra note 6..

¹¹ See supra note 2. The same quoting requirements will be incorporated into EDGX Options and BZX Options rules.

¹² Id.

appointment in a class confers the right of the Market-Maker to quote (using order functionality) in that class. The Exchange notes that it recently discontinued this order functionality and implemented “bulk messaging” quoting functionality that is available to all Users, including Market-Makers.¹³ As a result, there is no longer a specific quote functionality available only to Market-Makers, therefore the Exchange believes this provision is no longer necessary. This is also consistent with the rule of its affiliated exchanges, BZX Options and EDGX Options. In line with this proposed deletion, the Exchange changes current Rule 8.2(d) to proposed Rule 8.2(c).

(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.¹⁴ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁵ 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

¹³ See Securities Exchange Act Release No. 85038 (February 1, 2019), 84 FR 2598 (February 7, 2019) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Discontinue Bulk Order Functionality and Implement Bulk Message Functionality) (SR-C2-2018-025). C2 Rule 1.1.

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁶ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, The Exchange believes the proposed rule change to amend Market-Makers' continuous quoting obligations will remove impediments to and perfect the mechanism of a free and open market and a national market system. The proposed rule change to a Market-Maker's continuous quoting obligations seeks to conform the quoting obligations to that of the rules of other exchanges.¹⁷ The Exchanges currently requires a Market-Maker to quote in at least 60% the options series in which the Market-Maker is registered during 90% of the trading day. The Exchange believes that applying a Market-Maker's cumulative quoting time to the Market-Maker's aggregate appointed classes to meet a threshold of 60% of the cumulative seconds its appointed classes are open for trading (like that of the current requirements on other exchanges) is less stringent than the Exchange's current requirement because of the lower quoting time threshold and because the proposed requirement does not consider a percentage of its appointed classes, so long as the overall 60% time requirement is met. Further, the Exchange notes that the current continuous quoting requirement potentially discourages liquidity at times when a Market-Maker is forced to focus on making up for a momentary lapse in a particular class rather than allocating appropriate resources to focus on the classes that need and consume additional liquidity, and then allowing a Market-Maker to continue quoting in the class

¹⁶ Id.

¹⁷ See supra note 1.

that experienced a lapse after correcting the applicable issue.¹⁸ The Exchange believes that this rule change better accommodates these occasional lapses, whether technical or manual, and enables a Market-Maker to provide appropriate liquidity commensurate with the needs of its appointed classes. Moreover, the Exchange believes that it can better attract Market-Makers, add liquidity, and grow its market to the benefit of all investors, if its quoting obligation is more in line with that of other exchanges. The proposed rule change supports the quality of the Exchange's market by helping to ensure that Market-Makers will continue to be obligated to quote in a percentage of their appointed classes. Ultimately, the benefit the proposed rule change confers upon Market-Makers is offset by the continued responsibilities to provide significant liquidity to its appointed classes to the benefit of all market participants. The Exchange believes that the proposed change to continuous quoting requirements creates a clear, affirmative Market-Maker obligation to hold themselves out as willing to buy and sell securities for their own account on a continuous basis, which justifies favorable Market-Maker treatment and will continue to provide customer trading interest a net benefit. The Exchange further notes that the proposed rule text is consistent with the Act because the quoting obligations are substantially the same as quoting obligations on Phlx, ISE, MRX, and GEMX today, previously filed with the Commission.¹⁹ Additionally, the Exchange notes that the proposed rule change including Quarterly Option series among the series excluded from quoting obligations is intended to harmonizing series excluded across the Exchange and

¹⁸ See also Exchange Rule 8.6(d)(1). The Exchange already accounts for technical failure or limitation due to the automated trading system the Exchange uses for the trading of option contracts ("System").

¹⁹ See supra note 1.

its affiliated exchanges,²⁰ as well as other exchanges,²¹ which will provide clarity for Market-Makers participating across multiple exchanges. Furthermore, the Exchange believes the proposed rule change excluding any series with an expiration greater than 270 days, as opposed to nine months or greater, from a Market-Maker's quoting obligations is in line with the way in which Market-Makers currently monitor expiration. As a result, the Exchange believes that this change will foster cooperation and coordination with persons engaged in regulating securities, as well as facilitating transactions in securities. The proposed change will reduce confusion by codifying an industry practice already in place and harmonizing expiration time across the Exchange and its affiliated exchanges.²² The Exchange also notes that the proposed changes are reasonable and do not affect investor protection because the proposed changes do not present any novel or unique issues, as they have either been previously filed with the Commission or are codifying an industry practice currently in place.

Moreover, the Exchange believes that the amendment to the cross-reference in current Rule 8.2(d) (proposed Rule 8.2(c)) corrects an inadvertent cross-reference error and that the proposed deletion of Rule 8.2(c) updates its rules to reflect the recent discontinuation of the order functionality referenced in Rule 8.2(c) and implementation of bulk messaging functionality, which allows all Users, including Market-Makers, to enter quotes. As a result, these changes provide clarity and reduce confusion for investors.

²⁰ See BZX Options Rule 22.6 and EDGX Options Rule 22.6.

²¹ See supra note 1.

²² See supra note 5.

Additionally, the Exchange believes the proposed rule change is consistent with Section 6(b)(1) of the Act,²³ which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and to enforce compliance by the Exchange's TPHs and persons associated with its TPHs with the Act, the rules and regulations thereunder, and the rules of the Exchange. The Exchange notes that the proposed rule change to a Market-Maker's continuous quoting requirements will serve to harmonize the quoting requirement for Market-Makers across its affiliated exchanges, EDGX Options and BZX Options that are also proposing substantially the same requirements. The Exchange thus believes these proposed changes create uniformity, which allows for the Exchange to organize across affiliated exchanges and to more easily enforce compliance by participants on multiple affiliated exchanges.

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 believes that the proposed rule change to a Market-Maker's continuous quoting requirements under Rule 8.6 does not affect intramarket competition. The proposed applies an affirmative obligation to all Market-Makers to hold themselves out as continuously willing to buy and sell options for their own account, justifying favorable treatment and benefitting the trading interest of all customers. The Exchange believes that the proposed change to continuous quoting requirements does not affect intermarket competition, as this proposal is based on other exchanges' rules previously

²³ 15 U.S.C. 78f(b)(1).

filed with the Commission.²⁴ The Exchange also notes that to the degree that other exchanges have varying continuous quoting obligations for Market-Makers, market participants on other exchanges are welcome to become Market-Makers on C2 if they determine that this proposed rule change has made market making on C2 more attractive or favorable. Finally, the Exchange believes that the proposed rule change will relieve any burden on market participants because it serves to provide Market-Makers with affirmative quoting requirements that ensure each appointed class will receive appropriate liquidity to the benefit of all market participants who interact with that liquidity.

Additionally, the proposed rule change to amend Rule 8.2 does not address competitive issues, but rather, as discussed above, is merely intended to correct an inadvertent uses of an inaccurate cross-reference, as well as delete an obsolete provision, which will alleviate potential confusion.

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

The Exchange does not consent to an extension of the time period for Securities and Exchange Commission (the “Commission”) action on the proposed rule change specified in Section 19(b)(2) of the Act.²⁵

²⁴ See supra note 1.

²⁵ 15 U.S.C. 78s(b)(2).

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 Act²⁶ and Rule 19b-4(f)(6)²⁷ thereunder.

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

As described above, the proposed rule change to Market-Maker quoting obligations is based on the rules of Phlx, ISE, MRX, and GEMX,²⁸ which were previously filed with the Commission. The proposed rule change also intends to align the Exchange's continuous quoting obligations with that of its affiliated exchanges, BZX Options and EDGX Options, which are proposing the same changes. Similarly, the proposed rule change adding Quarterly Option series to the list of series excluded from quoting requirements is based on rules of the Exchange's affiliated exchanges,²⁹ as well as the continuous quoting

²⁶ 15 U.S.C. 78s(b)(3)(A).

²⁷ 17 CFR 240.19b-4(f)(6).

²⁸ See supra note 1.

²⁹ See supra note 15.

requirement rules of Phlx, ISE, MRX and GEMX.³⁰ As a result, the Exchange believes the proposed changes are consistent with the protection of investors and the public interest because the changes will allow for participants on multiple affiliated exchanges to better understand and comply with the Exchange's Market-Maker quoting requirements. In turn, better understanding and compliance will serve to maintain fair and orderly markets to the benefit of all investors.

The proposed rule change to amend the continuous quoting obligations of Market-Makers does not significantly affect the protection of investors or the public interest, because the Exchange believes that it can better attract Market-Makers, add liquidity, and grow its market to the benefit of all investors, if its quoting obligation is more aligned with that of other exchanges. The Exchange believes that the proposed change to continuous quoting requirements creates a clear, affirmative Market-Maker obligation to hold themselves out as willing to buy and sell securities for their own account on a continuous basis, which justifies favorable Market-Maker treatment and will continue to provide customer trading interest a net benefit. Ultimately, the benefit the proposed rule change confers upon Market-Makers is offset by the continued responsibilities to provide significant liquidity to its appointed classes to the benefit of all market participants. Moreover, the Exchange believes the proposed rule change does not impose any significant burden on competition because these requirements are already in place under other exchanges' rules.³¹ The proposed rule change supports the quality of the Exchange's market by helping to ensure that Market-Makers will continue to be obligated to quote in a percentage of their appointed classes.

³⁰ See supra note 1.

³¹ See supra note 1.

Regarding the proposed rule change to series with an expiration of greater than 270 days, the Exchange believes this is a clarifying change, which intends to reduce confusion by amending rule language to reflect an industry practice already in place, and therefore has no impact on Market-Maker obligations. Additionally, the Exchange believes that by amending Rule 8.2 to correct an inadvertent uses of an inaccurate cross-reference and delete an obsolete provision, this change will alleviate potential confusion and provide clarity for investors.

The Exchange also notes that the proposed rule change does not significantly affect the protection of investor or the public interest as the change does not present any novel or unique issues that have not been previously filed with the Commission or are not currently an industry practice.

As stated above, the Exchange does not believe that the proposed rule change will impose any significant burden on competition. The proposed change to a Market-Maker's continuous quoting obligations is substantially similar to the rules of other exchanges, which have previously been filed with the Commission. Therefore, the Exchange believes this proposed rule change is necessary to permit fair competition among national securities exchanges, while reducing the burden on market participants trading across multiple exchanges by providing consistent rules. Furthermore, the Exchange notes that the cross-reference correction and deletion of an obsolete provision are not competitive in nature, but rather serve to alleviate investor confusion.

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

rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

(c) Not applicable.

(d) Not applicable.

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

The proposed rule change to a Market-Maker's continuous quoting obligations under Rule 8.6 is substantially similar to corresponding rules of Phlx, ISE, MRX, and GEMX.³² The Exchange has intentionally retained or modified certain language of the Exchange's continuous quoting obligation rules in order to account for differences in processes, details, and terminology between it and the other exchanges. For example, the other exchanges each use different terms to refer to their market makers, which the Exchange does not adopt. Also, unlike the other exchanges' rules, the Exchange's rules currently provide for the exclusion of intra-day add-on series on the day during which such series are added for trading from the quoting obligations. The Exchange maintains this exclusion, however, the Exchange does not believe maintaining the exclusion of intra-day add-on series from the quoting requirements is a material difference from the other exchanges' rules because intra-day add-on series represent an insignificant percentage of series listed on the Exchange each day, therefore Market Makers will still be obligated to quote in a significant percentage of series of each appointed class. The other exchange

³² See supra note 2.

rules apply quoting requirements to series of options and exclude option series with an expiration of nine months or greater, which, as described in detail above, the Exchange proposes to apply to appointed classes and to exclude series with an expiration of greater than 270 days.

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-C2-2019-007]

[Insert date]

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend its Continuous Quoting Obligations for Market-Makers

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 C2 Exchange, Inc. (the “Exchange” or “C2”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) proposes to amend its continuous quoting obligations for Market-Makers. The text of the proposed rule change is provided in Exhibit 5.

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).

The text of the proposed rule change is also available on the Exchange's website (http://markets.cboe.com/us/options/regulation/rule_filings/ctwo/), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

The Exchange proposes to change to its current continuous quoting requirement for Market-Makers under Rule 8.6(d) (Market-Maker Quotes). This proposed rule change to the continuous quoting requirement is based on existing Nasdaq PHLX LLC ("Phlx"), Nasdaq ISE, LLC ("ISE"), Nasdaq MRX, LLC ("MRX") and Nasdaq GEMX, LLC ("GEMX") rules⁵ previously filed with the Commission. The proposed rule change also intends to harmonize quoting requirements across C2 and its affiliated exchanges, Cboe BZX Exchange, Inc. ("BZX Options") and Cboe EDGX Exchange, Inc. ("EDGX

⁵ See Phlx Rule 1081(c); ISE Rule 804(e); MRX Rule 804(e); and GEMX Rule 804(e). See also Securities Exchange Act Release No. 83209 (May 10, 2018), 83 FR 22717 (May 16, 2018) (SR-Phlx-2018-22) (Order Granting Approval of Proposed Rule Change to Amend Phlx's Quoting Requirements, Among Other Changes) (SR-Phlx-2018-22).

Options”).⁶ Overall, the Exchange believes that having substantially the same Market-Maker continuous quoting requirements across its affiliated exchanges and other exchanges will reduce the compliance burden and confusion for Market-Makers that are members of multiple exchanges industry-wide. The Exchange also proposes to make non-substantive changes to Rule 8.2, amending an inadvertent error to an inaccurate cross-reference and deleting an obsolete provision that is no longer relevant to the Exchange rules and User functionality.

Specifically, the Exchange proposes to amend a Market-Maker’s continuous quoting obligations under Rule 8.6(d) based on existing Phlx, ISE, MRX and GEMX rules, previously filed with the Commission. The proposed amendments to Rule 8.2(d) are substantially similar to the continuous quoting requirement provisions on other exchanges.⁷ Current Rule 8.6(d) provides that a Market-Maker must enter continuous bids and offers in series in its appointed classes on a daily basis in 60% of the series of each appointed class for 90% of the trading day. The proposed rule change to Rule 8.6(d) requires a Market-Maker to continuously enter bids and offers in series in its appointed classes (pursuant to Rule 8.6(b)) in 60% of the cumulative number of seconds, or such higher percentage as the Exchange may announce in advance, for which that Market-Maker’s appointed classes are open, excluding any adjusted series, any intra-day add-on series on the day during which such series are added for trading, any Quarterly Option Series and any series with an expiration of greater than 270 days. Additionally, the proposed change amends current subparagraph (d)(2) to provide for the way in which the

⁶ The Exchange notes that BZX Options and EDGX Options are simultaneously proposing the same continuous quoting requirements.

⁷ See supra note 5.

Exchange calculates this requirement and is explicit in stating that quoting is not required in every appointed class. An example of the proposed calculation is presented below:

Market-Maker A (“Firm A”)⁸ has selected an appointment to quote option class U, in which options U1, U2, U3, U4, and U5 are open for trading.

Firm A also has selected appointments in options classes V and W.

Option U1 opened at 09:30:00⁹ and closed at 16:00:00

Firm A quoted U1 at 09:35:30 @13.00(10)-15.00(10)

Firm A updated quote in U1 at 09:50:31 @10.00(10)-15.00(20)

Firm A purged quote at 15:55:40

Total quoted time for U1 is: $15:55:40 - 09:35:30 = (15-9)*3600 + (55-35)*60 + (40-30) = 22810$ (seconds)

Total available quote time for U1 is: $16:00:00 - 09:30:00 = (16-9)*3600 + (60-30)*60 + (00-00) = 270000$ (seconds)

Option U2 opened at 09:30:00 and closed at 16:00:00

Firm A quoted U2 at 10:05:30 @13.00(10)-15.00(10)

Firm A updated quote in U2 at 11:00:01 @11.00(10)-16.00(20)

⁸ The Exchange notes that a Market-Maker may use multiple Executing Firm IDs (“EFIDs”) to submit quotes in a class. The quoting time from all of a Market-Maker EFIDs’ will be considered together when determining compliance with this obligation.

⁹ All times in example calculation in Eastern Time.

Firm A purged quote at 15:05:40

Total quoted time for U2 is: 15:05:40-10:05:30 = (15-10)*3600 + (65-05)*60 + (40-30) = 21610 (seconds)

Total available quote time for U2 is: 16:00:00-09:30:00 = (16-9)*3600 + (60-30)*60 + (00-00) = 27000 (seconds)

Option U3 opened at 09:30:00 and closed at 16:15:00

Firm A quoted U3 at 11:10:21 @21.00(10)-24.00(20)

Firm A purged quote at 15:15:05

Total quoted time for U3 is: 15:15:05-11:10:21 = (15-11)*3600 + (75-10)*60 + (65-21) = 18344 (seconds)

Total available quote time for U3 is: 16:01:20-09:40:02 = (16-9)*3600 + (75-30)*60 + (00-00) = 27900 (seconds)

Option U4 opened at 9:30:00 and closed at 16:00:00

Firm A quoted U4 at 09:34:29 @35.00(10)-37.00(10)

Firm A updated quote in U4 at 10:30:21 @31.00(10)-37.00(20)

Firm A purged quote in U4 at 15:59:34

Total quoted time for U4 is: 15:59:34-09:34:29 = (15-09)*3600 + (59-34)*60 + (34-29) = 23105 (seconds)

Total available quote time is: 16:00:00-09:30:00 = (16-9)*3600 + (60-30)*60 + (00-0) = 27000 (seconds)

Option U5 opened at 9:30:00 and closed at 16:00:00

Firm A did not quote U5 thus, the total quoted time for U5 will be: 0 (seconds)

Total available quote time is: $16:00:00 - 09:30:00 = (16-9)*3600 + (60-30)*60 + (00-00) = 27000$ (seconds)

Total time Firm A quoted class U: $22810 + 21610 + 18344 + 23105 + 0 = 85869$ (seconds)

Total eligible quoting time for Firm A on class U: $27000 + 27000 + 27900 + 27000 + 27000 = 135900$ (seconds)

Similarly assume:

Total time for Firm A quoted class V: 80983(seconds)

Total eligible quoting time for Firm A on class V: 84515 (seconds)

Total time for Firm A quoted class W: 0(seconds)

Total eligible quoting time for Firm A on underlying W: 46513 (seconds)

Then the total quoting percentage for Firm A is: $(85869 + 80983 + 0) / (135900 + 84515 + 46513) = 156852/266928 = 62.5\%$

As stated, the current rule requires a Market-Maker to quote 60% of the series in which it is registered for 90% of each trading day. By comparison, the proposed rule change permits a Market-Maker to quote any percentage of appointed classes so long as the Market-Maker meets the requirement that it enters quotes aggregating 60% of the

cumulative seconds across the total seconds that its appointment classes are open for trading. The proposed rule explicitly provides that a Market-Maker does not necessarily have to quote every appointed class. The Exchange believes the proposed rule better accommodates the occasional issues that may arise in a particular class, whether technical or manual. For example, an issue may arise on the Market-Maker's side in which there is a glitch in its systems or a manual computing error that temporarily disrupts quoting ability. The Exchange notes that the existing requirement may at times discourage liquidity in particular classes because a Market-Maker is forced to focus on a momentary technical lapse in order to meet the higher current thresholds, rather than using the appropriate resources to focus on the classes that need and consume additional liquidity. The proposed rule also adds language that the Exchange may announce in advance a higher percentage than the proposed 60% of the cumulative number of seconds requirement, which the Exchange believes may be appropriate on occasions when doing so would be in the interest of a fair and orderly market. This discretion is the same in the corresponding rules of Phlx, ISE, MRX, and GEMX¹⁰, as well as within the continuous quoting requirements of the Exchanges' affiliated exchanges, BZX Options and EDGX Options. The proposed rule change also moves the series excluded from a Market-Maker's quoting requirement to Rule 8.6(d) and deletes this same language that is currently in subparagraph (d)(3). The proposed change also amends the current quoting exclusion of any series with an expiration of nine months or greater to an expiration of greater than 270 days. The Exchange notes that Market-Makers generally already monitor expirations by a defined count of 270 days, as opposed to a nine month count in which

¹⁰ See supra note 5.

the number of days continuously varies. Therefore, this proposed change intends to align the Exchange's rules with current industry practice.¹¹ The proposed rule change also amends the current quoting exclusions to include Quarterly Option series. C2 may list and trade Quarterly Options Series pursuant to Rule 5.5(e) and this exclusion is consistent with corresponding Rule 22.6 (Market Maker Quotations) of the Exchange's affiliated exchanges, BZX Options and EDGX Options,¹² as well as the corresponding rules of Phlx, ISE, MRX, and GEMX.¹³ Additionally, the proposed rule change amends the reference to the quoting standard in subparagraph (d)(1) to 60%.

As stated, the Exchange amends its continuous quoting requirements to be substantially similar to the requirements under other exchanges' rules.¹⁴ The Exchange believes that proposed amendments to its quoting requirements are reasonable because these requirements are already in place on other options exchanges.¹⁵ The Exchange notes that the proposed change to continuous quoting requirements creates a clear, affirmative Market-Maker obligation to hold themselves out as willing to buy and sell

¹¹ The Exchange notes that EDGX Options and BZX Options are simultaneously proposing to amend their corresponding rules to exclude any series with an expiration of 270 days or greater.

¹² See Securities Exchange Act Release No. 71129 (December 18, 2013), 78 FR 77736 (December 18, 2013) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Modify BATS Options Market Maker Continuous Quoting Obligation Rules) (SR-BATS-2013-062), which adopted exclusions, including Quarterly Options series, to Market Maker's quoting obligations and noted that such exclusions were "consistent with the rules of several other options exchanges" and "did not diminish the quoting obligation". The Exchange also notes that these exclusions were adopted on EDGX Options when that exchange was established.

¹³ See supra note 5.

¹⁴ See supra note 5.

¹⁵ See supra note 6. The same quoting requirements will be incorporated into EDGX Options and BZX Options rules.

securities for their own account on a continuous basis, which justifies favorable Market-Maker treatment and will continue to provide customer trading interest a net benefit. The Exchange further believes having consistent with other exchanges¹⁶ will simplify the regulatory requirements for its Trading Permit Holders (“TPHs”) that are active across multiple exchanges.

Additionally, the Exchange proposes to make non-substantive changes to Rule 8.2. First, the Exchange proposes to amend an inadvertent mistake regarding a cross reference within Rule 8.2(d). Currently, Rule 8.2 states that the Exchange may limit the number of appointments a Market-Maker may have, or the number of Market-Makers that may have appointments in a class, pursuant to Rule 8.1(b). The Exchange notes, however, that Rule 8.1(c), in fact, is the appropriate provision that allows the Exchange to limit the number of appointments. The Exchange believes this change is necessary to correct an inadvertent error in its rule and provide clarity for TPHs. Furthermore, the Exchange proposes to delete Rule 8.2(c), which currently states that a Market-Maker’s appointment in a class confers the right of the Market-Maker to quote (using order functionality) in that class. The Exchange notes that it recently discontinued this order functionality and implemented “bulk messaging” quoting functionality that is available to all Users, including Market-Makers.¹⁷ As a result, there is no longer a specific quote functionality available only to Market-Makers, therefore the Exchange believes this provision is no longer necessary. This is also consistent with the rule of its affiliated

¹⁶ Id.

¹⁷ See Securities Exchange Act Release No. 85038 (February 1, 2019), 84 FR 2598 (February 7, 2019) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Discontinue Bulk Order Functionality and Implement Bulk Message Functionality) (SR-C2-2018-025). C2 Rule 1.1.

exchanges, BZX Options and EDGX Options. In line with this proposed deletion, the Exchange changes current Rule 8.2(d) to proposed Rule 8.2(c).

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.¹⁸ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁹ 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)²⁰ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, The Exchange believes the proposed rule change to amend Market-Makers’ continuous quoting obligations will remove impediments to and perfect the mechanism of a free and open market and a national market system. The proposed rule change to a Market-Maker’s continuous quoting obligations seeks to conform the quoting

¹⁸ 15 U.S.C. 78f(b).

¹⁹ 15 U.S.C. 78f(b)(5).

²⁰ Id.

obligations to that of the rules of other exchanges.²¹ The Exchange currently requires a Market-Maker to quote in at least 60% the options series in which the Market-Maker is registered during 90% of the trading day. The Exchange believes that applying a Market-Maker's cumulative quoting time to the Market-Maker's aggregate appointed classes to meet a threshold of 60% of the cumulative seconds its appointed classes are open for trading (like that of the current requirements on other exchanges) is less stringent than the Exchange's current requirement because of the lower quoting time threshold and because the proposed requirement does not consider a percentage of its appointed classes, so long as the overall 60% time requirement is met. Further, the Exchange notes that the current continuous quoting requirement potentially discourages liquidity at times when a Market-Maker is forced to focus on making up for a momentary lapse in a particular class rather than allocating appropriate resources to focus on the classes that need and consume additional liquidity, and then allowing a Market-Maker to continue quoting in the class that experienced a lapse after correcting the applicable issue.²² The Exchange believes that this rule change better accommodates these occasional lapses, whether technical or manual, and enables a Market-Maker to provide appropriate liquidity commensurate with the needs of its appointed classes. Moreover, the Exchange believes that it can better attract Market-Makers, add liquidity, and grow its market to the benefit of all investors, if its quoting obligation is more in line with that of other exchanges. The proposed rule change supports the quality of the Exchange's market by helping to ensure that Market-

²¹ See supra note 5.

²² See also Exchange Rule 8.6(d)(1). The Exchange already accounts for technical failure or limitation due to the automated trading system the Exchange uses for the trading of option contracts ("System").

Makers will continue to be obligated to quote in a percentage of their appointed classes. Ultimately, the benefit the proposed rule change confers upon Market-Makers is offset by the continued responsibilities to provide significant liquidity to its appointed classes to the benefit of all market participants. The Exchange believes that the proposed change to continuous quoting requirements creates a clear, affirmative Market-Maker obligation to hold themselves out as willing to buy and sell securities for their own account on a continuous basis, which justifies favorable Market-Maker treatment and will continue to provide customer trading interest a net benefit. The Exchange further notes that the proposed rule text is consistent with the Act because the quoting obligations are substantially the same as quoting obligations on Phlx, ISE, MRX, and GEMX today, previously filed with the Commission.²³ Additionally, the Exchange notes that the proposed rule change including Quarterly Option series among the series excluded from quoting obligations is intended to harmonizing series excluded across the Exchange and its affiliated exchanges,²⁴ as well as other exchanges,²⁵ which will provide clarity for Market-Makers participating across multiple exchanges. Furthermore, the Exchange believes the proposed rule change excluding any series with an expiration greater than 270 days, as opposed to nine months or greater, from a Market-Maker's quoting obligations is in line with the way in which Market-Makers currently monitor expiration. As a result, the Exchange believes that this change will foster cooperation and coordination with persons engaged in regulating securities, as well as facilitating transactions in securities. The proposed change will reduce confusion by codifying an

²³ See supra note 5.

²⁴ See BZX Options Rule 22.6 and EDGX Options Rule 22.6.

²⁵ See supra note 5.

industry practice already in place and harmonizing expiration time across the Exchange and its affiliated exchanges.²⁶ The Exchange also notes that the proposed changes are reasonable and do not affect investor protection because the proposed changes do not present any novel or unique issues, as they have either been previously filed with the Commission or are codifying an industry practice currently in place.

Moreover, the Exchange believes that the amendment to the cross-reference in current Rule 8.2(d) (proposed Rule 8.2(c)) corrects an inadvertent cross-reference error and that the proposed deletion of Rule 8.2(c) updates its rules to reflect the recent discontinuation of the order functionality referenced in Rule 8.2(c) and implementation of bulk messaging functionality, which allows all Users, including Market-Makers, to enter quotes. As a result, these changes provide clarity and reduce confusion for investors.

Additionally, the Exchange believes the proposed rule change is consistent with Section 6(b)(1) of the Act,²⁷ which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and to enforce compliance by the Exchange's TPHs and persons associated with its TPHs with the Act, the rules and regulations thereunder, and the rules of the Exchange. The Exchange notes that the proposed rule change to a Market-Maker's continuous quoting requirements will serve to harmonize the quoting requirement for Market-Makers across its affiliated exchanges, EDGX Options and BZX Options that are also proposing substantially the same requirements. The Exchange thus believes these proposed changes create uniformity,

²⁶ See supra note 9.

²⁷ 15 U.S.C. 78f(b)(1).

which allows for the Exchange to organize across affiliated exchanges and to more easily enforce compliance by participants on multiple affiliated exchanges.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed rule change to a Market-Maker's continuous quoting requirements under Rule 8.6 does not affect intramarket competition. The proposed applies an affirmative obligation to all Market-Makers to hold themselves out as continuously willing to buy and sell options for their own account, justifying favorable treatment and benefitting the trading interest of all customers. The Exchange believes that the proposed change to continuous quoting requirements does not affect intermarket competition, as this proposal is based on other exchanges' rules previously filed with the Commission.²⁸ The Exchange also notes that to the degree that other exchanges have varying continuous quoting obligations for Market-Makers, market participants on other exchanges are welcome to become Market-Makers on C2 if they determine that this proposed rule change has made market making on C2 more attractive or favorable. Finally, the Exchange believes that the proposed rule change will relieve any burden on market participants because it serves to provide Market-Makers with affirmative quoting requirements that ensure each appointed class will receive appropriate liquidity to the benefit of all market participants who interact with that liquidity.

²⁸ See supra note 5.

Additionally, the proposed rule change to amend Rule 8.2 does not address competitive issues, but rather, as discussed above, is merely intended to correct an inadvertent uses of an inaccurate cross-reference, as well as delete an obsolete provision, which will alleviate potential confusion.

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 Act²⁹ and Rule 19b-4(f)(6)³⁰ 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.

²⁹ 15 U.S.C. 78s(b)(3)(A).

³⁰ 17 CFR 240.19b-4(f)(6).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-C2-2019-007 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-C2-2019-007. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m.

and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-C2-2019-007 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.³¹

Secretary

³¹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

Rules of Cboe C2 Exchange, Inc.

* * * * *

Rule 8.2. Market-Maker Class Appointments

(a)-(b) No change.

[(c) A Market-Maker's appointment in a class confers the right of the Market-Maker to quote (using order functionality) in that class.]

[(d)c] The Exchange may limit the number of appointments a Market-Maker may have, or the number of Market-Makers that may have appointments in a class, pursuant to Rule 8.1([b]c).

* * * * *

Rule 8.6. Market-Maker Quotes

(a)-(c) No change.

(d) A Market-Maker must enter continuous bids and offers (in accordance with the requirements in Rules 8.5 and 8.6) in [series in its appointed classes on a daily basis in 60% of the series of each appointed class for 90% of the trading day]60% of the cumulative number of seconds, or such higher percentage as the Exchange may announce in advance, for which that Market Maker's appointed classes are open for trading, excluding any adjusted series, any intra-day add-on series on the day during which such series are added for trading, any Quarterly Option Series, and any series with an expiration of greater than 270 days.

(1) If a technical failure or limitation of the System prevents a Market-Maker from maintaining, or from communicating to the Exchange, timely and accurate quotes in a series, the Exchange does not consider the duration of such failure when determining whether that Market-Maker has satisfied the [90]60% quoting standard with respect to that series.

(2) Specifically, the Exchange will calculate this requirement by taking the total number of seconds the Market Maker disseminates quotes in each appointed class, excluding any adjusted series, any intra-day add-on series on the day during which such series are added for trading, any Quarterly Option Series, and any series with an expiration of greater than 270 days, and dividing that time by the eligible total number of seconds each appointed class is open for trading that day. Quoting is not required in every appointed class. This quoting obligation applies to all of a Market-Maker's appointed

classes collectively. The Exchange determines compliance by a Market-Maker with the quoting obligations in this paragraph (d) on a monthly basis. However, determining compliance with this quoting obligation on a monthly basis does not relieve a Market-Maker from meeting this obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against a Market-Maker for failing to meet this obligation each trading day.

(3) [This obligation does not apply to adjusted series, intra-day add-on series on the day during which such series are added for trading, or series with an expiration of nine months or more.]The Exchange may consider other exceptions to this obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

(4) The continuous quoting obligations set forth in this paragraph (d) (A) will be suspended during a trading halt, suspension, or pause in the underlying security, and will not recommence until after the first regular way transaction on the primary listing market in the underlying security following such halt, suspension, or pause in the underlying security, as reported by the responsible single plan processor, and (B) will be suspended for the duration that an underlying NMS stock is in a limit uplimit down state. Market-Maker continuous quoting obligations in this paragraph (d) apply collectively to Market-Makers associated with the same Trading Permit Holder firm.