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

File No.* SR - 2019 - * 045
Amendment No. (req. for Amendments *)

Filing by Cboe BZX 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 Exchange proproses to allow for $1 strike prices on additional options on certain Index Fund Shares.

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 *	Rebecca
Last Name *	Tenuta
Title *	Counsel
E-mail *	rtenuta@cboe.com
Telephone *	(312) 786-7068
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	05/16/2019	(Title *) Counsel
By	Rebecca Tenuta	
	(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.

rtenuta@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 BZX Exchange, Inc. (the "Exchange" or "BZX") proposes to allow for $1 strike prices on additional options on certain Index Fund Shares. The text of the proposed rule change is provided below and in Exhibit 1.

* * * * *

Rules of Cboe BZX Exchange, Inc.

* * * * *

Rule 19.6. Series of Options Contracts Open for Trading

* * * * *

(d) The interval between strike prices of series of options on individual stocks will be:

(1) $2.50 or greater where the strike price is $25.00 or less;

(2) $5.00 or greater where the strike price is greater than $25.00; and

(3) $10.00 or greater where the strike price is greater than $200.00, except as provided in (d)(5) below.

(4) The interval between strike prices of series of options on Fund Shares approved for options trading pursuant to Rule 19.3(i) shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on BZX Options, or at such intervals as may have been established on another options exchange prior to the initiation of trading on BZX Options. Notwithstanding any other provision regarding the interval between strike prices of series of options on Fund Shares in this Rule, the interval between strike prices of series of options on Standard & Poor's Depository Receipts Trust ("SPY"), iShares S&P 500 Index ETF ("IVV"), PowerShares QQQ Trust ("QQQ"), iShares Russell 2000 Index Fund ("IWM"), and the DIAMONDS Trust ("DIA") will be $1 or greater.

(5) The Exchange may list series in intervals of $5 or greater where the strike price is more than $200 in up to five (5) option classes on individual stocks. The Exchange may list $5 strike prices on any other option classes designated by other securities exchanges that employ a similar $5 Strike Price Program.

* * * * *

(b) Not applicable.

(c) Not applicable.

Item 2. **<u>Procedures of the Self-Regulatory Organization</u>**

(a) The Exchange's President (or designee) pursuant to delegated authority approved the proposed rule change on January 28, 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 Exchange, Inc., 400 South LaSalle, Chicago, Illinois 60605.

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

(a) <u>Purpose</u>

The Exchange proposes to amend Rule 19.6(d)(4) to allow for the interval between strike prices of series of options on Index Fund Shares of QQQ and IWM to be $1 or greater at any strike price. This is a non-controversial proposed rule change, and does not significantly affect the protection of investors or the public interest, nor impose any significant burden on competition.

Currently, Rule 19.6(d)(4) allows for the interval between strike prices of series of options on Units of SPY, IVV, and DIA to be $1 or greater, notwithstanding any other provision regarding the interval between strike prices of series of options on Fund Shares in Rule 19.6, which currently includes $2.50 or greater where the strike price is $25.00 or less, $5.00 or greater where the strike price is greater than $25.00, and $10.00 or greater where the strike price is greater than $200. Specifically, the Exchange proposes to modify the interval setting regime to allow $1 strike price intervals for IWM and QQQ options. The

Exchange believes that the proposed rule change would make QQQ and IWM options easier for investors and traders to use and more tailored to their investment needs. The Exchange notes that this proposed change is based on corresponding rules of the Exchange's affiliated exchanges, Cboe Exchange, Inc. ("Cboe Options) and Cboe C2 Exchange, Inc. ("C2"), recently approved by the Commission.[1]

The QQQ and IWM are designed to provide investors different ways to efficiently gain exposure to the equity markets and execute risk management, hedging, asset allocation and income generation strategies. The QQQ is a Unit investment trust designed to closely track the price and performance of a the Nasdaq-100 Index ("NDX"), which represents the largest and most active non-financial domestic and international issues listed on The Nasdaq Stock Market based on market capitalization. Likewise, the IWM is an index Fund Share, or exchange-traded-fund ("ETF") designed to closely track the price and performance of the Russell 2000 Index ("RUT"), which represents the small capitalization sector of the U.S. equity market. In general, QQQ and IWM options provide investors with the benefit of trading broader markets in a manageably sized contract.

The value of QQQ is designed to approximate 1/40 the value of the underlying NDX. For example, if the NDX price level is 1400, QQQ strike prices generally would be expected to be priced around \$35. The value of IWM is designed to approximate 1/10 the value of the underlying RUT. In the past year, the NDX has climbed above a price level of

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1 See Cboe Options Interpretation and Policy .08(b) to Rule 5.5; and C2 Interpretation and Policy .08(b) to Rule 5.5. The Exchange notes that Cboe Options Chapter 5 applies to and is incorporated into C2 Chapter 5. See also Securities Exchange Act Release No. 85754 (April 30, 2019), 84 FR 19823 (May 6, 2019) Order Approving a Proposed Rule Change To Allow \$1 Strike Price Intervals Above \$200 on Options on the QQQ and IWM Exchange-Traded Funds) (SR-CBOE-2019-015).

7500, and the RUT climbed to a price level of approximately 1700 (both prior to the December 2018 market-wide decline). As the value of the underlying ETF (and the index the ETF tracks) and resulting strike prices for each option continues to appreciate, the Exchange has received Member requests to list additional strike prices ($1 increments) in QQQ and IWM options. The QQQ is among the most actively traded Fund Shares on the market. It is widely quoted as an indicator of technology stock prices and investor confidence in the technology and telecommunication market spaces, a significant indicator of overall economic health. Similarly, IWM is among the most actively traded Fund Shares on the market and provides investors with an investment tool to gain exposure to small U.S. public companies. Industry-wide trade volume in QQQ more than doubled from 2017 to 2018. As a result, QQQ options and IWM options have grown to become two of the largest options contracts in terms of trading volume. Investors use these products to diversify their portfolios and benefit from market trends.

Accordingly, the Exchange believes that offering a wider base of QQQ and IWM options affords traders and investors important hedging and trading opportunities, particularly in the midst of current price trends. The Exchange believes that not having the proposed $1 strike price intervals in QQQ and IWM significantly constricts investors' hedging and trading possibilities. The Exchange therefore believes that by having smaller strike intervals in QQQ and IWM, investors would have more efficient hedging and trading opportunities due to the lower $1 interval ascension. The proposed $1 intervals, will result in having at-the-money series based upon the underlying Fund Shares moving less than 1%. The Exchange believes that the proposed strike setting regime is in line with the slower movements of broad-based indices. Considering the fact that $1 intervals already exist below the $200 price point for QQQ and IWM on the Exchange's affiliated exchanges, Cboe Options and Cboe C2 Exchange, Inc.,[2] coupled with the fact that both QQQ and IWM have consistently inclined in price toward the $200 level, the Exchange believes that continuing to maintain $2.50 intervals on strike prices less than $25 and $5 intervals on strike prices greater than $25 (250% and 500% interval increases over the $1 intervals for the same products on the Exchange's affiliated exchanges at these strike prices) and $10 increments above the $200 level (above which intervals increase 1000% to $10), may have a negative effect on investing, trading and hedging opportunities, and volume. The Exchange believes that the investing, trading, and hedging opportunities available with QQQ and IWM options far outweighs any potential negative impact of allowing QQQ and IWM options to trade in more finely tailored intervals.

The proposed strike setting regime would permit strikes to be set to more closely reflect the increasing values in the underlying indices and allow investors and traders to roll open positions from a lower strike to a higher strike in conjunction with the price movements of the underlying ETFs. For example, under the current rule, where the majority of the available series are set at $5 or $10 intervals, the ability to roll such positions is effectively negated. Accordingly, to currently move a position from a strike between $25 and $200, an investor would need for the underlying product to move 2.5%, and, to move a position from a $200 strike price or above, an investor would need for the underlying product to move 5%. An investor would not be able to execute a roll up until such large movements occurred. As stated, the NDX and RUT have experienced slow, steady growth. The Exchange believes that with the proposed rule change, the investor would be in a

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[2] See supra note 1.

significantly safer position of being able to roll his open options position from, for example, a $200 to a $201 strike price, which is only a 0.5% move for the underlying. As a result, the proposed rule change will allow the Exchange to better respond to customer demand for QQQ and IWM strike prices more precisely aligned with the smaller, longer-term incremental increases in respective underlying ETFs. The Exchange believes that the proposed rule change, like the other strike price programs currently offered by the Exchange, will benefit investors by providing investors the flexibility to more closely tailor their investment and hedging decisions using QQQ and IWM options. Moreover, by allowing series of QQQ and IWM options to be listed in $1 intervals, the proposal will moderately augment the potential total number of options series available on the Exchange. However, the Exchange believes it and the Options Price Reporting Authority ("OPRA") have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The Exchange also believes that Members will not have a capacity issue due to the proposed rule change. In addition, the Exchange represents that it does not believe that this expansion will cause fragmentation of liquidity, but rather, believes that finer strike intervals will serve to increase liquidity available as well as price efficiency by providing more trading opportunities for all market participants.

(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.[3] Specifically, the Exchange believes the proposed rule change is consistent with the

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3 15 U.S.C. 78f(b).

Section 6(b)(5)[4] 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.

In particular, the proposed rule change to Rule 19.6(d)(4) will allow investors to more easily use QQQ and IWM options. Moreover, the proposed rule change would allow investors to better trade and hedge positions in QQQ and IWM options, and ensure that investors in both options are not at a disadvantage simply because of the strike price.

The Exchange believes the proposed rule change is consistent with Section 6(b)(1) of the Act, which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and the rules and regulations thereunder, and the rules of the Exchange. The rule change proposal allows the Exchange to respond to customer demand to allow QQQ and IWM options to trade in $1 intervals. The Exchange does not believe that the proposed rule would create additional capacity issues or affect market functionality.

As noted above, Index Fund Share options trade in wider intervals than the intervals on the same products on the Exchange's affiliated exchanges, and in wider intervals above which the underlying funds actually move. This creates a situation where contracts on the same option class effectively may not be able to execute certain

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[4] 15 U.S.C. 78f(b)(5).

strategies such as, for example, rolling to a higher strike price, simply because of the strike prices above which options intervals currently increase by 250%, 500% and 1000%. This proposal remedies the situation by establishing an exception to the current Fund Share interval regime for QQQ and IWM options to allow such options to trade in $1 or greater intervals at all strike prices.

The Exchange believes that the proposed rule change, like other strike price programs currently offered by the Exchange, will benefit investors by giving them increased flexibility to more closely tailor their investment and hedging decisions. Moreover, the proposed rule change is consistent with corresponding Interpretation and Policy .08(b) to Rule 5.5 of the Exchange's affiliated exchanges, Cboe Options and C2.[5]

With regard to the impact of this proposal on system capacity, the Exchange believes it and OPRA have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The Exchange believes that its members will not have a capacity issue as a result of this proposal.

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. Rather, the Exchange believes that the proposed rule change will result in additional investment options and opportunities to achieve the investment and trading objectives of market participants seeking efficient trading and hedging vehicles, to the benefit of investors, market participants, and the marketplace in general. Specifically, the Exchange believes that QQQ and IWM options investors and traders will significantly benefit from the availability of finer strike price intervals, which are currently available

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5 See supra note 1.

for the same products on the Exchange's affiliated exchanges, Cboe Options and C2. In addition, the interval setting regime the Exchange proposes to apply to QQQ and IWM options is currently applied to SPY, IVV, and DIA options, which are similarly popular and widely traded ETF products and track indexes at similarly high price levels. Thus, the proposed strike setting regime for QQQ and IWM options will allow options on the most actively traded ETFs with index levels at corresponding price levels to trade pursuant to the same strike setting regime. This will permit investors to employ similar investment and hedging strategies for each of these options.

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

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

Item 6. <u>Extension of Time Period for Commission Action</u>

Not applicable.

Item 7. <u>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)</u>

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act[6] and Rule 19b-4(f)(6)[7] 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

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6 15 U.S.C. 78s(b)(3)(A).
7 17 CFR 240.19b-4(f)(6).

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

The proposed rule change to Rule 19.6(d)(4) does not significantly affect the protection of investors, as $1 strike intervals on Fund Shares is not new or novel. Currently, the rule applies the $1 strike interval regime to other of the most actively traded ETF options, which ETFs all track broad-based indexes at corresponding price levels that have experienced continued, long-term growth, like that of QQQ and IWM. Also, as stated, the Commission has recently approved Cboe Options and C2 proposed rules to allow $1 strike intervals on QQQ and IWM options. The Exchange believes the proposed rule will benefit investors by allowing investors to more easily use QQQ and IWM options. Specifically, the proposed rule change would allow investors to better trade and hedge positions in QQQ and IWM options at finer intervals at all strike prices, and ensure that investors in both options are not at a disadvantage simply because of the strike price. The proposed rule change protects investors by remedying the situation in which investors may not be able to execute certain strategies for contracts on the same option class, such as, rolling to a higher strike price, simply because of the strike price which options intervals are currently fixed: $2.50 increments, a 250% increase; $5 increments, a 500% increase; or $10 increments, a 1000% increase. Additionally, the proposed rule change benefits and protects investors by allowing the Exchange to effectively respond to increasing customer demand that QQQ and IWM options trade in

$1 intervals. Furthermore, the Exchange does not believe that the proposed rule would create additional capacity issues or affect market functionality.

The proposed rule change will have no impact on intramarket competition, as it will apply to all market participants that trade QQQ and IWM options. The proposed rule change merely permits the Exchange to apply a smaller strike regime, already in place for similarly situated options and their underlying ETFs, to QQQ and IWM options. Further, the proposed rule change has no impact on intermarket competition. The Exchange believes the proposed rule change is necessary to permit fair competition among the options exchanges because it will result in continued opportunities to achieve the investment and trading objectives of market participants seeking efficient trading and hedging mechanisms, to the benefit of investors, market participants, and the marketplace in general. Other options exchanges have previously filed similar proposals,[8] and the Exchange believes that the other options exchanges will continue to file similar proposals with the Commission.

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

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8 Securities Exchange Act Release No. 82095 (November 16, 2017), 82 FR 55676 (November 22, 2017) (Notice of Filling and Immediate Effectiveness of Proposed Rule Change To Amend Rule 903 (Series of Options Open for Trading)) (SR-NYSEAMER-2017-31); Securities Exchange Act Release No. 82094 (November 16, 2017), 82 FR 55686 (November 22, 2017) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 6.4-O (Series of Options Open for Trading)) (SR-NYSEArca-2017-128); Securities Exchange Act Release No. 81403 (August 15, 2017), 82 FR 39636 (August 21, 2017) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Supplementary Material .14 of Rule 504, Entitled "Series of Options Contracts Open for Trading") (SR-ISE-2017-79).

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. The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. Waiver of the operative delay is consistent with the protection of investors and the public interest because it will ensure that market participants that are members across the Exchange and its affiliated exchanges, Cboe Options and C2, may participate in QQQ and IWM options the same manner and better trade and hedge positions in such options at finer intervals at all strike prices across the affiliated exchanges. The Exchange believes that a waiver of the operative delay will allow for the Exchange to effectively respond to the increasing customer demand that QQQ and IWM options trade in $1 strike intervals, and ensure that its members participating across the affiliated exchanges are not at a disadvantage on the Exchange, as Cboe Options and C2 currently allow for $1 strike intervals on QQQ and IWM options. Therefore, the Exchange respectfully requests that the Commission waive the 30-day operative delay period.

(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 rule change is substantively identical in all material respects to Cboe Options and C2 Interpretation and Policy .08(b) to Rule 5.5.

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

Not applicable.

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

Not applicable.

Item 11. Exhibits

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-CboeBZX-2019-045]

[Insert date]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Allow for $1 Strike Prices on Additional Options on Certain Index Fund Shares

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 BZX Exchange, Inc. (the "Exchange" or "BZX") 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

Cboe BZX Exchange, Inc. (the "Exchange" or "BZX") proposes to allow for $1 strike prices on additional options on certain Index Fund Shares. The text of the proposed rule change is provided below.

(additions are underlined; deletions are [bracketed])

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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).

Rules of Cboe BZX Exchange, Inc.

* * * * *

Rule 19.6. Series of Options Contracts Open for Trading

* * * * *

(d) The interval between strike prices of series of options on individual stocks will be:

(1) $2.50 or greater where the strike price is $25.00 or less;

(2) $5.00 or greater where the strike price is greater than $25.00; and

(3) $10.00 or greater where the strike price is greater than $200.00, except as provided in (d)(5) below.

(4) The interval between strike prices of series of options on Fund Shares approved for options trading pursuant to Rule 19.3(i) shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on BZX Options, or at such intervals as may have been established on another options exchange prior to the initiation of trading on BZX Options. Notwithstanding any other provision regarding the interval between strike prices of series of options on Fund Shares in this Rule, the interval between strike prices of series of options on Standard & Poor's Depository Receipts Trust ("SPY"), iShares S&P 500 Index ETF ("IVV"), PowerShares QQQ Trust ("QQQ"), iShares Russell 2000 Index Fund ("IWM"), and the DIAMONDS Trust ("DIA") will be $1 or greater.

(5) The Exchange may list series in intervals of $5 or greater where the strike price is more than $200 in up to five (5) option classes on individual stocks. The Exchange may list $5 strike prices on any other option classes designated by other securities exchanges that employ a similar $5 Strike Price Program.

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The text of the proposed rule change is also available on the Exchange's website (http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/), 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 amend Rule 19.6(d)(4) to allow for the interval between strike prices of series of options on Index Fund Shares of QQQ and IWM to be $1 or greater at any strike price. This is a non-controversial proposed rule change, and does not significantly affect the protection of investors or the public interest, nor impose any significant burden on competition.

Currently, Rule 19.6(d)(4) allows for the interval between strike prices of series of options on Units of SPY, IVV, and DIA to be $1 or greater, notwithstanding any other provision regarding the interval between strike prices of series of options on Fund Shares in Rule 19.6, which currently includes $2.50 or greater where the strike price is $25.00 or less, $5.00 or greater where the strike price is greater than $25.00, and $10.00 or greater where the strike price is greater than $200. Specifically, the Exchange proposes to modify the interval setting regime to allow $1 strike price intervals for IWM and QQQ options. The Exchange believes that the proposed rule change would make QQQ and IWM options easier for investors and traders to use and more tailored to their investment needs. The Exchange notes that this proposed change is based on corresponding rules of the Exchange's affiliated exchanges, Cboe Exchange, Inc. ("Cboe Options) and Cboe C2 Exchange, Inc. ("C2"), recently approved by the Commission.[5]

The QQQ and IWM are designed to provide investors different ways to efficiently gain exposure to the equity markets and execute risk management, hedging, asset allocation and income generation strategies. The QQQ is a Unit investment trust designed to closely track the price and performance of a the Nasdaq-100 Index ("NDX"), which represents the largest and most active non-financial domestic and international issues listed on The Nasdaq Stock Market based on market capitalization. Likewise, the IWM is an index Fund Share, or exchange-traded-fund ("ETF") designed to closely track the price and performance of the Russell 2000 Index ("RUT"), which represents the small capitalization sector of the U.S. equity market. In general, QQQ and IWM options provide investors with the benefit of trading broader markets in a manageably sized contract.

The value of QQQ is designed to approximate 1/40 the value of the underlying NDX. For example, if the NDX price level is 1400, QQQ strike prices generally would be expected to be priced around $35. The value of IWM is designed to approximate 1/10 the value of the underlying RUT. In the past year, the NDX has climbed above a price level of 7500, and the RUT climbed to a price level of approximately 1700 (both prior to the December 2018 market-wide decline). As the value of the underlying ETF (and the index

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5 See Cboe Options Interpretation and Policy .08(b) to Rule 5.5; and C2 Interpretation and Policy .08(b) to Rule 5.5. The Exchange notes that Cboe Options Chapter 5 applies to and is incorporated into C2 Chapter 5. See also Securities Exchange Act Release No. 85754 (April 30, 2019), 84 FR 19823 (May 6, 2019) Order Approving a Proposed Rule Change To Allow $1 Strike Price Intervals Above $200 on Options on the QQQ and IWM Exchange-Traded Funds) (SR-CBOE-2019-015).

the ETF tracks) and resulting strike prices for each option continues to appreciate, the Exchange has received Member requests to list additional strike prices ($1 increments) in QQQ and IWM options. The QQQ is among the most actively traded Fund Shares on the market. It is widely quoted as an indicator of technology stock prices and investor confidence in the technology and telecommunication market spaces, a significant indicator of overall economic health. Similarly, IWM is among the most actively traded Fund Shares on the market and provides investors with an investment tool to gain exposure to small U.S. public companies. Industry-wide trade volume in QQQ more than doubled from 2017 to 2018. As a result, QQQ options and IWM options have grown to become two of the largest options contracts in terms of trading volume. Investors use these products to diversify their portfolios and benefit from market trends.

Accordingly, the Exchange believes that offering a wider base of QQQ and IWM options affords traders and investors important hedging and trading opportunities, particularly in the midst of current price trends. The Exchange believes that not having the proposed $1 strike price intervals in QQQ and IWM significantly constricts investors' hedging and trading possibilities. The Exchange therefore believes that by having smaller strike intervals in QQQ and IWM, investors would have more efficient hedging and trading opportunities due to the lower $1 interval ascension. The proposed $1 intervals, will result in having at-the-money series based upon the underlying Fund Shares moving less than 1%. The Exchange believes that the proposed strike setting regime is in line with the slower movements of broad-based indices. Considering the fact that $1 intervals already exist below the $200 price point for QQQ and IWM on the Exchange's affiliated exchanges, Cboe Options and Cboe C2 Exchange, Inc.,[6] coupled with the fact that both QQQ and IWM have consistently inclined in price toward the $200 level, the Exchange believes that continuing to maintain $2.50 intervals on strike prices less than $25 and $5 intervals on strike prices greater than $25 (250% and 500% interval increases over the $1 intervals for the same products on the Exchange's affiliated exchanges at these strike prices) and $10 increments above the $200 level (above which intervals increase 1000% to $10), may have a negative effect on investing, trading and hedging opportunities, and volume. The Exchange believes that the investing, trading, and hedging opportunities available with QQQ and IWM options far outweighs any potential negative impact of allowing QQQ and IWM options to trade in more finely tailored intervals.

The proposed strike setting regime would permit strikes to be set to more closely reflect the increasing values in the underlying indices and allow investors and traders to roll open positions from a lower strike to a higher strike in conjunction with the price movements of the underlying ETFs. For example, under the current rule, where the majority of the available series are set at $5 or $10 intervals, the ability to roll such positions is effectively negated. Accordingly, to currently move a position from a strike between $25 and $200, an investor would need for the underlying product to move 2.5%, and, to move a position from a $200 strike price or above, an investor would need for the underlying product to move 5%. An investor would not be able to execute a roll up until such large movements occurred. As stated, the NDX and RUT have experienced slow, steady growth. The Exchange believes that with the proposed rule change, the investor would be in a significantly safer position of being able to roll his open options position

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6 See supra note 5.

from, for example, a $200 to a $201 strike price, which is only a 0.5% move for the underlying. As a result, the proposed rule change will allow the Exchange to better respond to customer demand for QQQ and IWM strike prices more precisely aligned with the smaller, longer-term incremental increases in respective underlying ETFs. The Exchange believes that the proposed rule change, like the other strike price programs currently offered by the Exchange, will benefit investors by providing investors the flexibility to more closely tailor their investment and hedging decisions using QQQ and IWM options. Moreover, by allowing series of QQQ and IWM options to be listed in $1 intervals, the proposal will moderately augment the potential total number of options series available on the Exchange. However, the Exchange believes it and the Options Price Reporting Authority ("OPRA") have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The Exchange also believes that Members will not have a capacity issue due to the proposed rule change. In addition, the Exchange represents that it does not believe that this expansion will cause fragmentation of liquidity, but rather, believes that finer strike intervals will serve to increase liquidity available as well as price efficiency by providing more trading opportunities for all market participants.

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.[7] Specifically, the Exchange believes the proposed rule change is consistent with the

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[7] 15 U.S.C. 78f(b).

Section 6(b)(5)[8] 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.

In particular, the proposed rule change to Rule 19.6(d)(4) will allow investors to more easily use QQQ and IWM options. Moreover, the proposed rule change would allow investors to better trade and hedge positions in QQQ and IWM options, and ensure that investors in both options are not at a disadvantage simply because of the strike price.

The Exchange believes the proposed rule change is consistent with Section 6(b)(1) of the Act, which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and the rules and regulations thereunder, and the rules of the Exchange. The rule change proposal allows the Exchange to respond to customer demand to allow QQQ and IWM options to trade in $1 intervals. The Exchange does not believe that the proposed rule would create additional capacity issues or affect market functionality.

As noted above, Index Fund Share options trade in wider intervals than the intervals on the same products on the Exchange's affiliated exchanges, and in wider intervals above which the underlying funds actually move. This creates a situation where contracts on the same option class effectively may not be able to execute certain

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8 15 U.S.C. 78f(b)(5).

strategies such as, for example, rolling to a higher strike price, simply because of the strike prices above which options intervals currently increase by 250%, 500% and 1000%. This proposal remedies the situation by establishing an exception to the current Fund Share interval regime for QQQ and IWM options to allow such options to trade in $1 or greater intervals at all strike prices.

The Exchange believes that the proposed rule change, like other strike price programs currently offered by the Exchange, will benefit investors by giving them increased flexibility to more closely tailor their investment and hedging decisions. Moreover, the proposed rule change is consistent with corresponding Interpretation and Policy .08(b) to Rule 5.5 of the Exchange's affiliated exchanges, Cboe Options and C2.[9]

With regard to the impact of this proposal on system capacity, the Exchange believes it and OPRA have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The Exchange believes that its members will not have a capacity issue as a result of this proposal.

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. Rather, the Exchange believes that the proposed rule change will result in additional investment options and opportunities to achieve the investment and trading objectives of market participants seeking efficient trading and hedging vehicles, to the benefit of investors, market participants, and the marketplace in general. Specifically, the Exchange believes that QQQ and IWM options investors and traders will significantly

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9 See supra note 5.

benefit from the availability of finer strike price intervals, which are currently available for the same products on the Exchange's affiliated exchanges, Cboe Options and C2. In addition, the interval setting regime the Exchange proposes to apply to QQQ and IWM options is currently applied to SPY, IVV, and DIA options, which are similarly popular and widely traded ETF products and track indexes at similarly high price levels. Thus, the proposed strike setting regime for QQQ and IWM options will allow options on the most actively traded ETFs with index levels at corresponding price levels to trade pursuant to the same strike setting regime. This will permit investors to employ similar investment and hedging strategies for each of these options.

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[10] and Rule 19b-4(f)(6)[11] thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may

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10 15 U.S.C. 78s(b)(3)(A).

11 17 CFR 240.19b-4(f)(6).

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

IV. Solicitation of Comments

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

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-CboeBZX-2019-045 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-CboeBZX-2019-045. 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-CboeBZX-2019-045 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.[12]

Secretary

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