

Required fields are shown with yellow backgrounds and asterisks.

Filing by Cboe EDGX Exchange, Inc.
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

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

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

Description

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

The Exchange proposes a rule change that separates the Exchange's ability to apply the DPM participation entitlement and DPM small order entitlement to a class.

Contact Information

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

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

Signature

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

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

(Title *)

Date 03/15/2019	Vice President, Associate General Counsel
By Laura G. Dickman	
(Name *)	



dickman@cboe.com

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

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

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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 EDGX Exchange, Inc. (the “Exchange” or “EDGX”) proposes to amend the Rules related to the Designated Primary Market-Maker (“DPM”) participation entitlements. The text of the proposed rule change is provided below and in Exhibit 1.

(additions are underlined; deletions are [bracketed])

* * * * *

Rules of Cboe EDGX Exchange, Inc.

* * * * *

Rule 21.8. Order Display and Book Processing

(a) – (c) No change.

(d) Additional Priority Overlays Applicable to the Pro-Rata Allocation Method. In connection with the allocation methodology set forth in paragraph (c) above, the Exchange may apply, on a class-by-class basis, one or more of the following designated market participant overlay priorities in a sequence determined by the Exchange. The Exchange will issue a notice to Options Members which will specify which classes of options are initially subject to these additional priority overlays and will provide such Options Members with reasonable advance notice of any changes to the application of such overlays.

(1) – (2) No change.

(3) Designated Primary Market Maker. The Exchange may determine to grant Designated Primary Market Makers (“DPMs”) the DPM participation entitlement[s] and/or the DPM small order entitlement pursuant to the provisions of paragraph (g) below. As indicated in such paragraph, neither the DPM participation entitlement nor the DPM small order entitlement may [only] be in effect [when] in a class unless the Customer Overlay is also in effect.

(e) – (f) No change.

(g) Designated Primary Market Maker [Participation] Entitlements. A DPM may be appointed by the Exchange in option classes in accordance with Rule 22.2. [The]Neither the DPM participation entitlement[s] nor DPM small order entitlement may [shall not] be in effect in a class unless the Customer Overlay is also in effect, [and] When in effect, the DPM participation entitlement[s] and/or DPM small order entitlement shall only apply to any remaining balance after Priority Customer Orders have been satisfied. The DPM [participation] entitlements are as follows:

(1) DPM Participation Entitlement. For each incoming order, if the DPM has a priority quote at the NBBO, its participation entitlement is equal to the greater of (i) the proportion of the total size at the best price represented by the size of its quote, or (ii) sixty percent (60%) of the contracts to be allocated if there is only one (1) other Market Maker quotation or non-Customer order at the NBBO and forty percent (40%) if there are two (2) or more other Market Maker quotes and/or non-Customer orders at the NBBO.

(2) DPM Small Order Entitlement. Small size orders will be allocated in full to the DPM if the DPM has a priority quote at the NBBO. The Exchange will review this provision quarterly and will maintain the small order size at a level that will not allow small size orders executed by DPMs to account for more than 40% of the volume executed on the Exchange. Small size orders are defined as incoming orders of five (5) or fewer contracts.

(h) Conditions of Participation Entitlements. In allocating the participation entitlements set forth in this Rule 21.8 to the PMM and the DPM, the following shall apply:

(1) In a class of options where [both] the PMM participation entitlement, [and] the DPM participation entitlement[s], and the DPM small order entitlement are in effect and an Options Member has preferred an order to a PMM:

(A) if the PMM's priority quote is at the NBBO, the PMM's participation entitlement will supersede the DPM's participation entitlement[s], and the DPM small order entitlement, for an order preferred to such PMM;

(B) if the PMM's priority quote is not at the NBBO, the DPM's participation entitlement or DPM small order entitlement, as applicable, will apply to that order, provided the DPM's priority quote is at the NBBO;

(C) if an order is preferred to the DPM (i.e., the DPM is also the PMM), the DPM receives the DPM participation entitlement or DPM small order entitlement, as applicable, provided the DPM/PMM's priority quote is at the NBBO; and

(D) if neither the PMM's nor the DPM's priority quote is at the NBBO then executed contracts will be allocated in accordance with the pro-rata allocation methodology as described in paragraphs (c) and (e) above without regard to any participation entitlement.

(2) If an incoming order has not been preferred to a PMM by an Options Member, then the DPM[s] participation entitlement or DPM small order entitlement, as applicable, will apply to that order, provided the DPM's priority quote is at the NBBO.

(3) The participation entitlements shall not be in effect unless the Customer Overlay is also in effect and the participation entitlements shall only apply to any remaining balance after Priority Customer Orders have been satisfied.

(4) Neither the DPM nor the PMM may be allocated a total quantity greater than the quantity they are quoting at the execution price. If the DPM's or the PMM's allocation of an order pursuant to its participation entitlement is greater than its pro-rata share of priority quotes at the best price at the time that the participation entitlement is granted, neither the DPM nor the PMM shall receive any further allocation of that order.

(5) In establishing the counterparties to a particular trade, the participation entitlements must first be counted against the DPM's highest priority bids and offers or the PMM's highest priority bids or offers.

(6) These participation entitlements only apply to the allocation of executions among competing Market Maker priority quotes existing on the EDGX Options Book at the time the order is received by the Exchange. No market participant is allocated any portion of an execution unless it has an existing interest at the execution price. Moreover, no market participant can execute a greater number of contracts than is associated with its interest at a given price. Accordingly, the DPM participation entitlement, the DPM small order entitlement, and the PMM participation entitlement[s] contained in this Rule are not guarantees.

* * * * *

(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 March 15, 2019.

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

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

(a) Purpose

The proposed rule change amends the Designated Primary Market-Maker (“DPM”) participation entitlements in Rule 21.8(d) and (g). Pursuant to Rule 21.8(d), the Exchange currently may determine to grant DPMs participation entitlements as set forth in Rule 21.8(g). The DPM participation entitlement currently consists of two parts:

- For each incoming order, if the DPM has a priority quote at the national best bid or offer (“NBBO”), its participation entitlement is equal to the greater of (i) the proportion of the total size at the best price represented by the size of its quote or (ii) 60% of the contracts to be allocated if there is only one other Market Maker quotation or non-Customer order at the NBBO and 40% if there are two or more other Market Maker quotes and/or non-Customer orders at the NBBO (the “DPM participation entitlement”).
- Small size orders will be allocated in full to the DPM if the DPM has a priority quote at the NBBO (the “DPM small order entitlement”).¹

If the Exchange grants DPMs participation entitlements in a class, then both the DPM participation entitlement and the DPM small order entitlement apply. Therefore, if a DPM is to receive a participation entitlement for an incoming order, it will receive the DPM participation entitlement if the order has more than five contracts or the DPM small order entitlement if the order has five or fewer contracts.

¹ Small size orders are defined as incoming orders of five or fewer contracts. The Exchange will review this provision quarterly and will maintain the small order size at a level that will not allow small size orders executed by DPMs to account for more than 40% of the volume executed on the Exchange.

The proposed changes to Rule 21.8(d) and (g) provide that the Exchange may grant DPMs either the DPM participation entitlement, the DPM small order entitlement, or both in a class.² This flexibility will permit the Exchange to apply the market model it deems most appropriate to each class. For example, the Exchange may believe a DPM in a class should receive the DPM participation entitlement but not the DPM small order entitlement. For classes in which the Exchange grants both entitlements to a DPM, there will be no change, as the DPM will continue to receive the DPM participation entitlement or the DPM small order entitlement, depending on the size of the order.³ For classes in which the Exchange grants the DPM priority entitlement but not the DPM small order entitlement, the DPM would have the opportunity to receive the DPM participation entitlement on small size orders (*i.e.*, 60% or 40%) rather than the entire size of the small size order (after Priority Customer Orders were satisfied).⁴ Additionally, the Exchange may not apply either DPM entitlement to a class unless the Customer Overlay is also in effect (and thus both entitlements will apply to any remaining balance after Priority Customer Orders have been

² The proposed rule change makes corresponding changes to Rule 21.8(h) to reflect the separation of the two DPM entitlements. The Exchange will announce this determination to Options Members by Exchange Notice or technical specifications on its public website, and will provide Options Members with sufficient advanced notice of any determination it makes.

³ The Exchange has no current plans to change the allocation algorithm for any currently listed classes. However, it may determine to apply the DPM participation entitlement but not the DPM small order entitlement to a class it intends to list for trading in the future. The Exchange plans to begin listing XSP options on April 8, 2019, and intends to apply the DPM participation entitlement (and Customer Overlay) but not the DPM small order entitlement to that class. As noted in footnote 2, the Exchange will announce any such determination to Options Members by Exchange Notice or technical specifications on its public website, and will provide Options Members with sufficient advanced notice of any determination it makes.

⁴ Other participants would have an opportunity to trade against the remaining size of these small size orders in those classes.

satisfied).⁵ The Exchange will continue to review the DPM small order entitlement quarterly and will maintain the small order size at a level that will not allow small size orders executed by DPMs to account for more than 40% of the volume executed on the Exchange. The proposed rule change is based on the rules of another options exchange.⁶

(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.⁷

Specifically, the Exchange believes the proposed rule change is consistent with the 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. Additionally, the Exchange believes the proposed rule change is consistent with

⁵ See Rule 21.8(g) and (h)(3).

⁶ See Cboe Exchange, Inc. (“Cboe Options”) Rule 6.45(a)(ii)(B) and (a)(ii)(c) (which permits Cboe Options to apply the DPM participation entitlement and/or the small order preference to a class). Cboe Options applies the DPM participation entitlement but not the small order preference to certain classes, while it applies both the DPM participation entitlement and the small order preference to other classes. See Cboe Options Operational Settings (RTH Session), at <https://www.cboe.org/publish/opsettingsrth/operational-settings-for-rth.pdf> (electronic allocation and priority for simple orders and quotes).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

the Section 6(b)(5)⁹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change will benefit investors and promote just and equitable principles of trade, as it provides the Exchange with flexibility to establish a more appropriate market model for a class that may exhibit different trading characteristics than other classes. The proposed rule change does not modify the amount of contracts to which a DPM may be entitled or the criteria that must be met for a DPM to receive an entitlement; it merely provides the Exchange with flexibility regarding which entitlements it may grant to DPMs. For classes in which the Exchange grants both entitlements to a DPM, there will be no change, as the DPM may continue to receive the DPM participation entitlement or the DPM small order entitlement, depending on the size of the order. If the Exchange determines to not apply the DPM small order entitlement, but does apply the DPM participation entitlement, to a class, DPMs will still be entitled to a significant participation right of 40% or 60%, as applicable, of small orders, which will continue to provide an appropriate balance with their corresponding obligations.

The proposed rule change will continue to protect Priority Customers, because the Exchange may not grant either DPM entitlement unless the Customer Overlay is also in effect, and the entitlements will apply to the contracts remaining after Priority Customer Orders have been satisfied. The proposed rule change will remove impediments to and

⁹ Id.

perfect the mechanism of a free and open market and a national market system, because the rules of another options exchange provide similar flexibility.¹⁰

As noted above, the Exchange has no current plans to change the allocation algorithm for any currently listed classes. However, the Exchange plans to begin listing XSP options on April 8, 2019, and intends to apply the DPM participation entitlement (and Customer Overlay) but not the DPM small order entitlement to that class. The Exchange will announce any such determination to Options Members by Exchange Notice or technical specifications on its public website, and will provide Options Members with sufficient advanced notice of any determination it makes.

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 proposed rule change will not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the proposed rule change will apply in the same manner to all DPMs. The proposed rule change does not modify the amount of contracts to which a DPM may be entitled or the criteria that must be met for a DPM to receive an entitlement; it merely provides the Exchange with flexibility regarding which entitlements it may grant to DPMs. For classes in which the Exchange grants both entitlements to a DPM, there will be no change, as the DPM may continue to receive the DPM participation entitlement or the DPM small order entitlement, depending on the size of the order. If the Exchange

¹⁰ See Cboe Exchange, Inc. ("Cboe Options") Rule 6.45(a)(ii)(B) and (a)(ii)(C) (which permits Cboe Options to apply the DPM participation entitlement and/or the small order preference to a class).

determines to not apply the DPM small order entitlement, but does apply the DPM participation entitlement, to a class, DPMs will still be entitled to a significant participation right of 40% or 60%, as applicable, of small orders, which will continue to provide an appropriate balance with their corresponding obligations. The proposed rule change will not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the rules of another options exchange provide similar flexibility.¹¹

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

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

Item 6. Extension of Time Period for Commission Action

Not applicable.

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

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act¹² and Rule 19b-4(f)(6)¹³ 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

¹¹ See Cboe Exchange, Inc. (“Cboe Options”) Rule 6.45(a)(ii)(B) and (C) (which permits Cboe Options to apply the DPM participation entitlement and/or the small order preference to a class).

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6).

become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Additionally, the Exchange has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

The proposed rule change does not significantly affect the protection of investors or the public interest, because it provides the Exchange with flexibility to establish a more appropriate market model for a class that may exhibit different trading characteristics than other classes. The proposed rule change will continue to protect Priority Customers, because the Exchange may not grant either DPM entitlement unless the Customer Overlay is also in effect, and the entitlements will apply to the contracts remaining after Priority Customer Orders have been satisfied. The proposed rule change does not impose any significant burden on competition, because the proposed rule change will apply in the same manner to all DPMs. Additionally, the rules of another options exchange provide similar flexibility.¹⁴

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

¹⁴ See Cboe Exchange, Inc. (“Cboe Options”) Rule 6.45(a)(ii)(B) and (C) (which permits Cboe Options to apply the DPM participation entitlement and/or the small order preference to a class).

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. The proposed rule change is not novel or unique; the rules of another options exchange provide similar flexibility.¹⁵ The proposed rule change does not modify the amount of contracts to which a DPM may be entitled or the criteria that must be met for a DPM to receive an entitlement; it merely provides the Exchange with flexibility regarding which entitlements it may grant to DPMs. Additionally, for classes in which the Exchange grants both entitlements to a DPM, there will be no change, as the DPM may continue to receive the DPM participation entitlement or the DPM small order entitlement, depending on the size of the order. If the Exchange determines to not apply the DPM small order entitlement, but does apply the DPM participation entitlement, to a class, DPMs will still be entitled to a significant participation right of 40% or 60%, as applicable, of small orders, which will continue to provide an appropriate balance with their corresponding obligations.

As noted above, the Exchange has no current plans to change the allocation algorithm for any currently listed classes. However, the Exchange plans to begin listing XSP options on April 8, 2019, and intends to apply the DPM participation entitlement (and Customer Overlay) but not the DPM small order entitlement to that class. The

¹⁵ See Cboe Exchange, Inc. (“Cboe Options”) Rule 6.45(a)(ii)(B) and (C) (which permits Cboe Options to apply the DPM participation entitlement and/or the small order preference to a class).

Exchange will announce any such determination to Options Members by Exchange Notice or technical specifications on its public website, and will provide Options Members with sufficient advanced notice of any determination it makes. Waiver of the operative delay will permit the Exchange to apply the market model it believes is most appropriate for XSP options on its planned launch date. Additionally, the Exchange believes it will benefit investors that are members of both EDGX Options and its affiliated exchange Cboe Options to have corresponding rules regarding participation entitlements, as it may reduce confusion.

(c) Not applicable.

(d) Not applicable.

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

The proposed rule change is based on Cboe Options Rule 6.45(a)(ii)(B) and (C), which permits Cboe Options to apply the DPM participation entitlement and/or the small order preference to a class. The percentages of the Cboe Options DPM participation entitlement (50%, 40% or 30%, depending on the number of other market participants with interest at the same price) differ from the percentages of the Exchange DPM participation entitlement (60% or 40%, depending on the number of other market participants with interest at the same price). However, the Exchange does not believe this difference impacts the proposed rule change, as it relates to the amount of the participation entitlement, rather than when it may be applied. Additionally, Cboe Options Rule 6.45(a)(ii)(B) may also apply in the same manner to Lead Market-Makers, which is market participant type is similar to a DPM but is not available on the Exchange.

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-CboeEDGX-2019-011]

[Insert date]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Rules Related to the Designated Primary Market-Maker (“DPM”) Participation Entitlements

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on [insert date], Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the 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 EDGX Exchange, Inc. (the “Exchange” or “EDGX”) proposes to amend the Rules related to the Designated Primary Market-Maker (“DPM”) participation entitlements. The text of the proposed rule change is provided below and in Exhibit 1.

(additions are underlined; deletions are [bracketed])

* * * * *

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 EDGX Exchange, Inc.

* * * * *

Rule 21.8. Order Display and Book Processing

(a) – (c) No change.

(d) Additional Priority Overlays Applicable to the Pro-Rata Allocation Method. In connection with the allocation methodology set forth in paragraph (c) above, the Exchange may apply, on a class-by-class basis, one or more of the following designated market participant overlay priorities in a sequence determined by the Exchange. The Exchange will issue a notice to Options Members which will specify which classes of options are initially subject to these additional priority overlays and will provide such Options Members with reasonable advance notice of any changes to the application of such overlays.

(1) – (2) No change.

(3) Designated Primary Market Maker. The Exchange may determine to grant Designated Primary Market Makers (“DPMs”) the DPM participation entitlement[s] and/or the DPM small order entitlement pursuant to the provisions of paragraph (g) below. As indicated in such paragraph, neither the DPM participation entitlement nor the DPM small order entitlement may [only] be in effect [when] in a class unless the Customer Overlay is also in effect.

(e) – (f) No change.

(g) Designated Primary Market Maker [Participation] Entitlements. A DPM may be appointed by the Exchange in option classes in accordance with Rule 22.2. [The] Neither the DPM participation entitlement[s] nor DPM small order entitlement may [shall not] be in effect in a class unless the Customer Overlay is also in effect. [and] When in effect, the DPM participation entitlement[s] and/or DPM small order entitlement shall only apply to any remaining balance after Priority Customer Orders have been satisfied. The DPM [participation] entitlements are as follows:

(1) DPM Participation Entitlement. For each incoming order, if the DPM has a priority quote at the NBBO, its participation entitlement is equal to the greater of (i) the proportion of the total size at the best price represented by the size of its quote, or (ii) sixty percent (60%) of the contracts to be allocated if there is only one (1) other Market Maker quotation or non-Customer order at the NBBO and forty percent (40%) if there are two (2) or more other Market Maker quotes and/or non-Customer orders at the NBBO.

(2) DPM Small Order Entitlement. Small size orders will be allocated in full to the DPM if the DPM has a priority quote at the NBBO. The Exchange will review this provision quarterly and will maintain the small order size at a level that will not allow small size orders executed by DPMs to account for more than 40% of the

volume executed on the Exchange. Small size orders are defined as incoming orders of five (5) or fewer contracts.

(h) Conditions of Participation Entitlements. In allocating the participation entitlements set forth in this Rule 21.8 to the PMM and the DPM, the following shall apply:

(1) In a class of options where [both] the PMM participation entitlement, [and] the DPM participation entitlement[s], and the DPM small order entitlement are in effect and an Options Member has preferred an order to a PMM:

(A) if the PMM's priority quote is at the NBBO, the PMM's participation entitlement will supersede the DPM's participation entitlement[s], and the DPM small order entitlement, for an order preferred to such PMM;

(B) if the PMM's priority quote is not at the NBBO, the DPM's participation entitlement or DPM small order entitlement, as applicable, will apply to that order, provided the DPM's priority quote is at the NBBO;

(C) if an order is preferred to the DPM (i.e., the DPM is also the PMM), the DPM receives the DPM participation entitlement or DPM small order entitlement, as applicable, provided the DPM/PMM's priority quote is at the NBBO; and

(D) if neither the PMM's nor the DPM's priority quote is at the NBBO then executed contracts will be allocated in accordance with the pro-rata allocation methodology as described in paragraphs (c) and (e) above without regard to any participation entitlement.

(2) If an incoming order has not been preferred to a PMM by an Options Member, then the DPM[s] participation entitlement or DPM small order entitlement, as applicable, will apply to that order, provided the DPM's priority quote is at the NBBO.

(3) The participation entitlements shall not be in effect unless the Customer Overlay is also in effect and the participation entitlements shall only apply to any remaining balance after Priority Customer Orders have been satisfied.

(4) Neither the DPM nor the PMM may be allocated a total quantity greater than the quantity they are quoting at the execution price. If the DPM's or the PMM's allocation of an order pursuant to its participation entitlement is greater than its pro-rata share of priority quotes at the best price at the time that the participation entitlement is granted, neither the DPM nor the PMM shall receive any further allocation of that order.

(5) In establishing the counterparties to a particular trade, the participation entitlements must first be counted against the DPM's highest priority bids and offers or the PMM's highest priority bids or offers.

(6) These participation entitlements only apply to the allocation of executions among competing Market Maker priority quotes existing on the EDGX Options Book at the time the order is received by the Exchange. No market participant is allocated any portion of an execution unless it has an existing interest at the execution price. Moreover, no market participant can execute a greater number of contracts than is associated with its interest at a given price. Accordingly, the DPM participation entitlement, the DPM small order entitlement, and the PMM participation entitlement[s] contained in this Rule are not guarantees.

* * * * *

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

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

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

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

1. Purpose

The proposed rule change amends the Designated Primary Market-Maker ("DPM") participation entitlements in Rule 21.8(d) and (g). Pursuant to Rule 21.8(d), the Exchange currently may determine to grant DPMs participation entitlements as set forth in Rule 21.8(g). The DPM participation entitlement currently consists of two parts:

- For each incoming order, if the DPM has a priority quote at the national best bid or offer ("NBBO"), its participation entitlement is equal to the greater of (i) the

proportion of the total size at the best price represented by the size of its quote or (ii) 60% of the contracts to be allocated if there is only one other Market Maker quotation or non-Customer order at the NBBO and 40% if there are two or more other Market Maker quotes and/or non-Customer orders at the NBBO (the “DPM participation entitlement”).

- Small size orders will be allocated in full to the DPM if the DPM has a priority quote at the NBBO (the “DPM small order entitlement”).⁵

If the Exchange grants DPMs participation entitlements in a class, then both the DPM participation entitlement and the DPM small order entitlement apply. Therefore, if a DPM is to receive a participation entitlement for an incoming order, it will receive the DPM participation entitlement if the order has more than five contracts or the DPM small order entitlement if the order has five or fewer contracts.

The proposed changes to Rule 21.8(d) and (g) provide that the Exchange may grant DPMs either the DPM participation entitlement, the DPM small order entitlement, or both in a class.⁶ This flexibility will permit the Exchange to apply the market model it deems most appropriate to each class. For example, the Exchange may believe a DPM in a class should receive the DPM participation entitlement but not the DPM small order entitlement. For classes in which the Exchange grants both entitlements to a DPM, there

⁵ Small size orders are defined as incoming orders of five or fewer contracts. The Exchange will review this provision quarterly and will maintain the small order size at a level that will not allow small size orders executed by DPMs to account for more than 40% of the volume executed on the Exchange.

⁶ The proposed rule change makes corresponding changes to Rule 21.8(h) to reflect the separation of the two DPM entitlements. The Exchange will announce this determination to Options Members by Exchange Notice or technical specifications on its public website, and will provide Options Members with sufficient advanced notice of any determination it makes.

will be no change, as the DPM will continue to receive the DPM participation entitlement or the DPM small order entitlement, depending on the size of the order.⁷ For classes in which the Exchange grants the DPM priority entitlement but not the DPM small order entitlement, the DPM would have the opportunity to receive the DPM participation entitlement on small size orders (*i.e.*, 60% or 40%) rather than the entire size of the small size order (after Priority Customer Orders were satisfied).⁸ Additionally, the Exchange may not apply either DPM entitlement to a class unless the Customer Overlay is also in effect (and thus both entitlements will apply to any remaining balance after Priority Customer Orders have been satisfied).⁹ The Exchange will continue to review the DPM small order entitlement quarterly and will maintain the small order size at a level that will not allow small size orders executed by DPMs to account for more than 40% of the volume executed on the Exchange. The proposed rule change is based on the rules of another options exchange.¹⁰

⁷ The Exchange has no current plans to change the allocation algorithm for any currently listed classes. However, it may determine to apply the DPM participation entitlement but not the DPM small order entitlement to a class it intends to list for trading in the future. The Exchange plans to begin listing XSP options on April 8, 2019, and intends to apply the DPM participation entitlement (and Customer Overlay) but not the DPM small order entitlement to that class. As noted in footnote 2, the Exchange will announce any such determination to Options Members by Exchange Notice or technical specifications on its public website, and will provide Options Members with sufficient advanced notice of any determination it makes.

⁸ Other participants would have an opportunity to trade against the remaining size of these small size orders in those classes.

⁹ See Rule 21.8(g) and (h)(3).

¹⁰ See Cboe Exchange, Inc. (“Cboe Options”) Rule 6.45(a)(ii)(B) and (a)(ii)(c) (which permits Cboe Options to apply the DPM participation entitlement and/or the small order preference to a class). Cboe Options applies the DPM participation entitlement but not the small order preference to certain classes, while it applies both the DPM participation entitlement and the small order

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.¹¹

Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹² 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)¹³ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change will benefit investors and promote just and equitable principles of trade, as it provides the Exchange with flexibility to establish a more appropriate market model for a class that may exhibit different trading characteristics than other classes. The proposed rule change does not modify the amount of contracts to which a DPM may be entitled or the criteria that must be met for a DPM

preference to other classes. See Cboe Options Operational Settings (RTH Session), at <https://www.cboe.org/publish/opsettingsrth/operational-settings-for-rth.pdf> (electronic allocation and priority for simple orders and quotes).

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

¹³ Id.

to receive an entitlement; it merely provides the Exchange with flexibility regarding which entitlements it may grant to DPMs. For classes in which the Exchange grants both entitlements to a DPM, there will be no change, as the DPM may continue to receive the DPM participation entitlement or the DPM small order entitlement, depending on the size of the order. If the Exchange determines to not apply the DPM small order entitlement, but does apply the DPM participation entitlement, to a class, DPMs will still be entitled to a significant participation right of 40% or 60%, as applicable, of small orders, which will continue to provide an appropriate balance with their corresponding obligations.

The proposed rule change will continue to protect Priority Customers, because the Exchange may not grant either DPM entitlement unless the Customer Overlay is also in effect, and the entitlements will apply to the contracts remaining after Priority Customer Orders have been satisfied. The proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system, because the rules of another options exchange provide similar flexibility.¹⁴

As noted above, the Exchange has no current plans to change the allocation algorithm for any currently listed classes. However, the Exchange plans to begin listing XSP options on April 8, 2019, and intends to apply the DPM participation entitlement (and Customer Overlay) but not the DPM small order entitlement to that class. The Exchange will announce any such determination to Options Members by Exchange Notice or technical specifications on its public website, and will provide Options Members with sufficient advanced notice of any determination it makes.

¹⁴ See Cboe Exchange, Inc. (“Cboe Options”) Rule 6.45(a)(ii)(B) and (a)(ii)(C) (which permits Cboe Options to apply the DPM participation entitlement and/or the small order preference to a class).

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 proposed rule change will not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the proposed rule change will apply in the same manner to all DPMs. The proposed rule change does not modify the amount of contracts to which a DPM may be entitled or the criteria that must be met for a DPM to receive an entitlement; it merely provides the Exchange with flexibility regarding which entitlements it may grant to DPMs. For classes in which the Exchange grants both entitlements to a DPM, there will be no change, as the DPM may continue to receive the DPM participation entitlement or the DPM small order entitlement, depending on the size of the order. If the Exchange determines to not apply the DPM small order entitlement, but does apply the DPM participation entitlement, to a class, DPMs will still be entitled to a significant participation right of 40% or 60%, as applicable, of small orders, which will continue to provide an appropriate balance with their corresponding obligations. The proposed rule change will not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the rules of another options exchange provide similar flexibility.¹⁵

¹⁵ See Cboe Exchange, Inc. ("Cboe Options") Rule 6.45(a)(ii)(B) and (C) (which permits Cboe Options to apply the DPM participation entitlement and/or the small order preference to a class).

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 Act¹⁶ and Rule 19b-4(f)(6)¹⁷ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4(f)(6).

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeEDGX-2019-011 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CboeEDGX-2019-011. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All

submissions should refer to File Number SR-CboeEDGX-2019-011 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.¹⁸

Secretary

¹⁸ 17 CFR 200.30-3(a)(12).