

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 to adopt limit-on-close and market-on-close orders.

**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.

(Title \*)

Date 06/06/2019	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.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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

**Exhibit 1 - Notice of Proposed Rule Change \***

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

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

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

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

(a) Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX Options”) proposes to adopt limit-on-close (“LOC”) and market-on-close (“MOC”) orders. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

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

(a) The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on May 13, 2019. The Exchange intends to implement the proposed change on or about June 21, 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) 786-7086, Cboe EDGX Exchange, Inc., 400 South LaSalle, Chicago, Illinois 60605.

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

(a) Purpose

In 2016, the Exchange’s parent company, Cboe Global Markets, Inc. (“Cboe Global”), which is also the parent company of Cboe Exchange, Inc. (“Cboe Options”) and Cboe C2 Exchange, Inc. (“C2”), acquired the Exchange, Cboe EDGA Exchange, Inc. (“EDGA”), Cboe BZX Exchange, Inc. (“BZX or BZX Options”), and Cboe BYX Exchange, Inc. (“BYX” and, together with the Exchange, C2, Cboe Options, EDGA, and BZX, the “Cboe Affiliated Exchanges”). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe

Affiliated Exchanges, in the context of a technology migration. Cboe Options intends to migrate its technology to the same trading platform used by the Exchange, C2 and BZX Options in the fourth quarter of 2019. The proposal set forth below is intended to add certain functionality to the Exchange's System that is available on Cboe Options in order to ultimately provide a consistent technology offering for market participants who interact with the Cboe Affiliated Exchanges.<sup>1</sup> Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent practicable will reduce potential confusion for Users.

The Exchange proposes to adopt LOC and MOC orders under Rule 21.1(f). Proposed Rule 21.1(f)(7) defines an LOC order as a limit order, and proposed Rule 21.1(f)(8) defines a MOC order as a market order, respectively, that it may only execute on the Exchange no earlier than three minutes prior to Regular Trading Hours ("RTH") market close. The System enters LOC and MOC orders into the Book in time sequence (based on the times at which the Exchange initially received them), where they may be processed in accordance with Rule 21.8.<sup>2</sup> The Exchange notes that it does not have a closing auction in which market participants may participate in an auction rotation that determines the closing price for a series, like that of the equities space, but that the proposed MOC and LOC orders merely become executable three minutes prior to the close of RTH. The Exchange queues LOC and MOC orders in the System until three minutes before the RTH market close. At that time, the System handles a LOC or MOC

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<sup>1</sup> The Exchange also notes that its affiliated exchanges, C2 and BZX Options, are simultaneously proposing to make similar changes in order to align functionality with Cboe Options.

<sup>2</sup> Rule 21.8 describes how the System processes orders and quotes in the Book.

order as a limit order or market order, as applicable, and processes them in accordance with Rule 21.8. The Exchange believes that three minutes prior to the RTH market close is a reasonable time prior to the market close to trigger MOC and LOC orders, as it provides those orders with sufficient time to interact with contra-side interest and potentially execute at a time close to the RTH market close.<sup>3</sup> The proposed LOC and MOC order definitions also provide that the System cancels an LOC order or an MOC order (or an unexecuted portion of an LOC or MOC order) that does not execute by the RTH market close. This is consistent with the purpose of these orders, which is to execute near the RTH market close on the day they were submitted to the Exchange. As the execution of MOC and LOC orders is linked to the RTH market close, such orders will be valid only during RTH; however, the System will accept such orders during any trading session.<sup>4</sup> A User may not designate an MOC or LOC order as “All Sessions”;<sup>5</sup> any MOC or LOC order designated as All Sessions will be rejected. In addition to this, the Exchange notes that Users may not designate bulk messages as MOC or LOC, which is consistent with the current requirement that bulk messages must have a time-in-force

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<sup>3</sup> The Exchange notes that Cboe Options currently triggers the MOC and LOC orders three minutes prior to the RTH market close.

<sup>4</sup> The Exchange notes that an RTH Only MOC or LOC order submitted during Global Trading Hours (“GTH”) will remain on the book until the close of RTH.

<sup>5</sup> See Rule 21.1(d)(13) which defines “All Sessions” as an order a User designates as eligible to trade during both Global Trading Hours (“GTH”) and RTH. . The Exchange also notes that Rule 21.1(d)(14) defines “RTH Only” as an order a User designates as eligible to trade only during RTH or not designated as All Sessions. Therefore, the default instruction is RTH Only and an unmarked MOC or LOC order will be treated as RTH Only. See also Securities Exchange Act Release No. 85797 (May 7, 2019), 84 FR 20920 (May 13, 2019) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend the Exchange’s Opening Process and add a Global Trading Hours Session for XSP Options) (SR-CboeEDGX-2019-027).

of Day to encourage Users to provide liquidity to the Exchange's market throughout the trading day and update bulk messages in response to changed market conditions day-to-day.<sup>6</sup> The proposed order types are based on substantially similar order types available on Cboe Options.<sup>7</sup> MOC and LOC orders allow a User to execute orders in a series close to the close time.

The Exchange also proposes to include in the proposed MOC definition additional order handling for MOC orders during a "Limit State" or "Straddle State" as defined in the Regulation NMS Plan to Address Extraordinary Market Volatility ("Limit Up-Limit Down Plan"). The proposed change provides that a MOC order will not be elected if the underlying security is in a Limit or Straddle State three minutes prior to the RTH market close. If the underlying security exits the Limit or Straddle State prior to the RTH market close, the System will attempt to re-evaluate, elect, and execute the order. The Exchange notes that the proposed handling of MOC orders in a Limit or Straddle State is consistent with the Limit Up-Limit Down Plan and is based on the corresponding Cboe Options rule

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<sup>6</sup> See Rule 21.1(f)(3), which defines time-in-force of "Day" as an order so designated, a limit order to buy or sell which, if not executed expires at the RTH market close. All bulk messages have a time-in-force of Day. See also Securities Exchange Act Release No. 84929 (December 21, 2018), 84 FR 67785 (December 31, 2018) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Discontinue Bulk Order Functionality and Implement Bulk Message Functionality, and Make Other Nonsubstantive Changes) (SR-CboeEDGX-2018-060). Note Users may submit bulk messages within three minutes of the RTH market close, which would ultimately be handled in the same manner as an LOC order.

<sup>7</sup> See Cboe Options Rule 6.53, which defines a "market-on-close" order as a market or limit order to be executed as close as possible to the close of the market near to or at the closing price for the particular option series. The Exchange notes that in connection with migration, Cboe Options intends to propose the same definitions of market- and limit-on-close orders as proposed in this rule filing.

regarding handling of MOC orders,<sup>8</sup> as well as other order type definitions within the Exchange Rules that provide for similar additional handling during Limit and Straddle States.<sup>9</sup>

(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.<sup>10</sup>

Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>11</sup> 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)<sup>12</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

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<sup>8</sup> See Cboe Options Rule 6.45(d)(2).

<sup>9</sup> See Rule 21.1(d)(5) and (d)(11), which provide additional order handling for Market Orders and Stop Orders, respectively, in a Limit and/or Straddle State. The Exchange notes that during a Limit or Straddle State limit orders are not impacted and continue to be eligible for execution.

<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

<sup>12</sup> Id.

In particular, the Exchange believes that the proposed adoption of MOC and LOC orders serves to benefit investors by allowing Users flexibility to have orders only be eligible for execution near the close, a time in which maximum significant number of participants interact on the Exchange. The Exchange believes that the proposed change promotes just and equitable principles of trade because it encourages increased participation near the close, thereby contributing to enhanced price discovery and transparency that will result in a closing price point that more closely reflects the interest of market participants. The Exchange also believes that the proposed change will benefit investors by fostering increased liquidity near the close. As stated, the proposed change is based on Cboe Options rules.<sup>13</sup>

Furthermore, the Exchange believes specifying that the MOC and LOC may execute no more than three minutes from the RTH close removes impediments to and perfects the mechanism of a free and open market and national market system and protects investors because it will allow Users greater flexibility regarding the execution of their orders and/or their customers' orders. The Exchange believes this three minute time-frame prior to the RTH market close is a reasonable time prior to the market close to trigger MOC and LOC orders, because it provides those orders with sufficient times to interact with contra-side interest and to potentially execute at a time close to RTH market close.

The Exchange also believes not permitting bulk messages to be MOC and LOC orders will remove impediments to and perfect the mechanism of a free and open market and protect investors because it is consistent with the purpose of bulk messages. As

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<sup>13</sup> See supra note 7.

stated, bulk messages are currently restricted to designation as time-in-force of Day in order to encourage Users to provide liquidity to the Exchange's market during RTH and update bulk messages in response to day-to-day changed market conditions.<sup>14</sup> Because MOC and LOC orders are only available for execution for three minutes prior to the RTH market close, as opposed to during the entire RTH session, Exchange believes that not permitting bulk messages to be MOC or LOC orders ensures that functionality available to Users is consistent with the purpose of bulk messages.

Moreover, the Exchange also believes that rejecting MOC and LOC orders if designated as "All Sessions" serves to remove impediments to and perfect the mechanism of a free and open market and protect investors by providing functionality that is consistent with the purpose of MOC and LOC orders. As described above, because MOC and LOC orders are linked to the RTH close, allowing MOC or LOC orders to be marked for All Sessions (i.e. RTH and GTH) would be inconsistent with the function of MOC and LOC orders. Therefore, the Exchange believes that not permitting MOC and LOC orders to be marked as All Sessions will protect investors by ensuring instructions for MOC and LOC orders are consistent with their purpose.

Additionally, the Exchange believes that the proposed additional order handling for MOC during a Limit or Straddle State protects investors because it is consistent with the Limit Up-Limit Down Plan and prevents a market order from executing outside of the specified price bands. This order handling is consistent with that of Cboe Options rules,<sup>15</sup>

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<sup>14</sup> See supra note 6.

<sup>15</sup> See supra note 8.

as well as other order type definitions within the Exchange Rules that provide for similar additional handling during Limit and Straddle States.<sup>16</sup>

Lastly, the Exchange notes that the proposed rule change is generally intended to align the functionality offered by the Exchange with functionality currently offered by Cboe Options in order to provide a consistent technology offering for the Cboe Affiliated Exchanges.<sup>17</sup> A consistent technology offering, in turn, will simplify the technology implementation, changes, and maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges.<sup>18</sup> The Exchange believes this consistency will promote a fair and orderly national options market system. When Cboe Options migrates to the same technology as that of the Exchange and other Cboe Affiliated Exchanges, Users of the Exchange and other Cboe Affiliated Exchanges will have access to similar functionality on all Cboe Affiliated Exchanges. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change will impose any burden on intramarket competition, as the proposed rule change will apply in the same manner to all orders submitted as MOC or as LOC. MOC and LOC orders will be

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<sup>16</sup> See supra note 9.

<sup>17</sup> See supra note 1.

<sup>18</sup> Id.

available to all Users, and MOC and LOC orders from all Users will be handled in the same manner. The use of MOC and LOC orders will be voluntary. The Exchange does not believe the proposed rule change will impose any burden on intermarket competition because the proposed change is based on rules that allow for substantially the same order types that are available on another options exchange.<sup>19</sup>

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

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

**Item 6. Extension of Time Period for Commission Action**

Not applicable.

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

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act<sup>20</sup> and Rule 19b-4(f)(6)<sup>21</sup> thereunder.

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

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<sup>19</sup> See supra note 7.

<sup>20</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>21</sup> 17 CFR 240.19b-4(f)(6).

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

The Exchange does not believe that the proposed change to allow for Users to submit MOC and LOC orders will significantly affect the protection of investors or the public interest. Rather, the Exchange believes that the proposed change benefits investors by allowing for increased flexibility in participating near the close, a time in which maximum significant number of participants interact on the Exchange, therefore encouraging an overall increase in investor participation near the close. The Exchange believes that the overall increase in investor participation near the close will contribute to enhanced price discovery and transparency, thus, resulting in a closing price point that more closely reflects the interest of investors. The Exchange also believes that the proposed change will benefit investors by fostering increased liquidity near the close.

The Exchange does not believe that the proposed change specifying that the MOC and LOC may execute no more than three minutes from the close will significantly affect the protection of investors, but instead believes that it will serve to protect investors because it allows Users greater flexibility for their orders and/or their customers' orders. The Exchange believes that the three minutes for a User to interact in active markets and utilize MOC and LOC orders is a reasonable time prior to the market close and will serve to protect investors because it provides those orders with sufficient times to interact with contra-side interest and to potentially execute at a time close to RTH market close.

The Exchange does not believe that the proposed amendment to make explicit that bulk messages may not be MOC and LOC orders will significantly affect the protection

of investors and the public interest, but rather serves to benefit investors and the public interest by providing functionality that is consistent with the purpose of bulk messages. As described in detail above, bulk messages are currently restricted to designation as time-in-force of Day to encourage Users to provide liquidity to the Exchange's market during RTH and update bulk messages in response to day-to-day changed market conditions.<sup>22</sup> MOC and LOC orders are only available for execution for three minutes prior to the RTH close, as opposed to during the entire RTH session. Therefore, to allow MOC or LOC orders to be bulk messages would be inconsistent with the purpose of bulk messages and not permitting bulk messages to be designated as MOC or LOC orders ensures that functionality available to Users is consistent with the purpose of bulk messages.

Moreover, the Exchange also believes that rejecting MOC and LOC orders if designated as "All Sessions" will not significantly affect the protection of investors and the public interest, but rather benefit investors and the public interest by providing rules that are consistent with the purpose of MOC and LOC orders. As described above, because MOC and LOC orders are linked to the RTH close, allowing MOC or LOC orders to be marked for All Sessions (which includes RTH and GTH) would be inconsistent with the function of MOC and LOC orders. Therefore, the Exchange believes that not permitting MOC and LOC orders to be marked as All Sessions will ensure that a User's instructions for MOC and LOC orders are consistent with their purpose.

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<sup>22</sup> See supra note 6.

The Exchange does not believe that the proposed additional order handling for MOC during a Limit or Straddle State will significantly affect the protection of investors or the public interest. Rather, the Exchange believes the proposed change protects investors and the public interest because it is consistent with the Limit Up-Limit Down Plan and prevents a market order from executing outside of the specified price bands.

The Exchange also notes that the proposed change to allow Users to submit MOC and LOC orders, as well as MOC order handling during a Limit or Straddle State, are reasonable and do not present any novel or unique issues as the proposed change is based on the rules of Cboe Options, previously filed with the Commission.<sup>23</sup> As stated, the proposed rule change is generally intended to align the functionality offered by the Exchange with functionality currently offered by Cboe Options in order to provide a consistent technology offering for the Cboe Affiliated Exchanges.<sup>24</sup> The Exchange believes that this will protect investors and the public interest because a consistent technology offering will simplify the technology implementation, changes, and maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges.<sup>25</sup>

In addition to the above, the Exchange does not believe that the proposed change will impose any significant burden on intramarket competition because as the proposed rule change will apply in the same manner to all orders submitted as MOC or as LOC. MOC and LOC orders will be available to all Users, and MOC and LOC orders from all Users will be handled in the same manner. In addition to this, the Exchange notes that the

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<sup>23</sup> See supra notes 7-8.

<sup>24</sup> See supra note 1.

<sup>25</sup> Id.

use of MOC and LOC orders will be voluntary. The Exchange does not believe the proposed rule change will impose any significant burden on intermarket competition because the proposed change is based on rules that provide for substantially the same order types already in place on another options exchange.<sup>26</sup>

For the foregoing reasons, this rule filing qualifies as a “non-controversial” rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved. 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 Exchange believes that a waiver is consistent with the protection of investors and the public interest as the proposed order types currently exist on the Exchange’s affiliated exchange, Cboe Options. As such, the proposed rule change does not present any new functionality or novel issues for investors or the public interest. As noted above, the Exchange intends to implement MOC and LOC orders on June 21, 2019. Waiver of the operative delay will ensure that the migration of functionality across the Cboe Affiliated Exchanges<sup>27</sup> is implemented in a timely manner. For these reasons, the Exchange believes that a waiver of the 30-day operative delay will serve to benefit investors

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<sup>26</sup> See supra note 7.

<sup>27</sup> See supra note 1.

participating across the Cboe Affiliated Exchanges, therefore, the Exchange respectfully requests that the Commission waive the 30-day operative delay.

(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 based on Cboe Options Rule 6.53 and Rule 6.45. The current Cboe Options rule defines a “market-on-close” order as a *market* or *limit* order that may be designated a market-on-close order to be executed as close as possible to the close of the market near to or at the closing price for the particular option series. The Exchange notes that in connection with migration, Cboe Options intends to propose similar (separate) definitions of market- and limit-on-close orders as proposed in this rule filing. The Exchange notes that the proposed MOC and LOC definitions differ from the current Cboe Options definition in that the proposed definitions specify a time of three minutes prior to close whereas the current Cboe Options rule provides for a time near the close. The Exchange believes that this is a de minimus difference, as the purpose of the order types remains the same and specification of three minutes in the rules provides greater transparency to investors. Also, as stated above, the Exchange understands that Cboe Options currently triggers market and limit on close orders three minutes prior to the RTH market close. In addition to this, the Cboe Options definition does not describe how its system will handle market and limit on close orders once they are elected; however, the proposed rule change is consistent with the handling of market and limit orders on the Exchange (which is what MOC and LOC orders become once triggered), and the Exchange understands the proposed rule change is consistent with current Cboe

Options functionality. The Cboe Options rule also states the MOC and LOC are types of orders, and are thus not available for quotes (which are equivalent to bulk messages on the Exchange). Additionally, Cboe Options uses different servers and hardware, as well as different Books, for GTH and RTH. Therefore, the Cboe Options rules do not provide for All Sessions or RTH Only designations. However, Cboe Options Rule 6.1A(f) explicitly prohibits an MOC order (which, as stated, is currently a market or limit order under Cboe Options rules) during GTH, and Cboe Options Rule 6.1A(g) provides that any order on the GTH book at the end of GTH are cancelled. Therefore, the Cboe Options rules do not permit MOC or LOC orders to be submitted or executed during GTH, which functions in the same manner as prohibiting MOC or LOC orders from be marked as All Sessions, as proposed.

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

Not applicable.

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

Not applicable.

**Item 11. Exhibits**

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

Exhibit 5. Proposed rule text.

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CboeEDGX-2019-035]

[Insert date]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Adopt Limit-on-Close (“LOC”) and Market-on-Close (“MOC”) Orders

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on [insert date], Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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 Options”) proposes to adopt limit-on-close (“LOC”) and market-on-close (“MOC”) orders. The text of the proposed rule change is provided in Exhibit 5.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

The text of the proposed rule change is also available on the Exchange's website ([http://markets.cboe.com/us/options/regulation/rule\\_filings/edgx/](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

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. ("Cboe Global"), which is also the parent company of Cboe Exchange, Inc. ("Cboe Options") and Cboe C2 Exchange, Inc. ("C2"), acquired the Exchange, Cboe EDGA Exchange, Inc. ("EDGA"), Cboe BZX Exchange, Inc. ("BZX or BZX Options"), and Cboe BYX Exchange, Inc. ("BYX" and, together with the Exchange, C2, Cboe Options, EDGA, and BZX, the "Cboe Affiliated Exchanges"). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of a technology migration. Cboe Options intends to migrate its technology to the same trading platform used by the Exchange, C2 and BZX Options in the fourth quarter of 2019. The proposal set forth below is intended to add certain functionality to the Exchange's System that is available on Cboe Options in order to ultimately provide a consistent technology offering for market participants who

interact with the Cboe Affiliated Exchanges.<sup>5</sup> Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent practicable will reduce potential confusion for Users.

The Exchange proposes to adopt LOC and MOC orders under Rule 21.1(f). Proposed Rule 21.1(f)(7) defines an LOC order as a limit order, and proposed Rule 21.1(f)(8) defines a MOC order as a market order, respectively, that it may only execute on the Exchange no earlier than three minutes prior to Regular Trading Hours (“RTH”) market close. The System enters LOC and MOC orders into the Book in time sequence (based on the times at which the Exchange initially received them), where they may be processed in accordance with Rule 21.8.<sup>6</sup> The Exchange notes that it does not have a closing auction in which market participants may participate in an auction rotation that determines the closing price for a series, like that of the equities space, but that the proposed MOC and LOC orders merely become executable three minutes prior to the close of RTH. The Exchange queues LOC and MOC orders in the System until three minutes before the RTH market close. At that time, the System handles a LOC or MOC order as a limit order or market order, as applicable, and processes them in accordance with Rule 21.8. The Exchange believes that three minutes prior to the RTH market close is a reasonable time prior to the market close to trigger MOC and LOC orders, as it provides those orders with sufficient time to interact with contra-side interest and

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<sup>5</sup> The Exchange also notes that its affiliated exchanges, C2 and BZX Options, are simultaneously proposing to make similar changes in order to align functionality with Cboe Options.

<sup>6</sup> Rule 21.8 describes how the System processes orders and quotes in the Book.

potentially execute at a time close to the RTH market close.<sup>7</sup> The proposed LOC and MOC order definitions also provide that the System cancels an LOC order or an MOC order (or an unexecuted portion of an LOC or MOC order) that does not execute by the RTH market close. This is consistent with the purpose of these orders, which is to execute near the RTH market close on the day they were submitted to the Exchange. As the execution of MOC and LOC orders is linked to the RTH market close, such orders will be valid only during RTH; however, the System will accept such orders during any trading session.<sup>8</sup> A User may not designate an MOC or LOC order as “All Sessions”;<sup>9</sup> any MOC or LOC order designated as All Sessions will be rejected. In addition to this, the Exchange notes that Users may not designate bulk messages as MOC or LOC, which is consistent with the current requirement that bulk messages must have a time-in-force of Day to encourage Users to provide liquidity to the Exchange’s market throughout the trading day and update bulk messages in response to changed market conditions day-to-day.<sup>10</sup> The proposed order types are based on substantially similar order types available

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<sup>7</sup> The Exchange notes that Cboe Options currently triggers the MOC and LOC orders three minutes prior to the RTH market close.

<sup>8</sup> The Exchange notes that an RTH Only MOC or LOC order submitted during Global Trading Hours (“GTH”) will remain on the book until the close of RTH.

<sup>9</sup> See Rule 21.1(d)(13) which defines “All Sessions” as an order a User designates as eligible to trade during both Global Trading Hours (“GTH”) and RTH. . The Exchange also notes that Rule 21.1(d)(14) defines “RTH Only” as an order a User designates as eligible to trade only during RTH or not designated as All Sessions. Therefore, the default instruction is RTH Only and an unmarked MOC or LOC order will be treated as RTH Only. See also Securities Exchange Act Release No. 85797 (May 7, 2019), 84 FR 20920 (May 13, 2019) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend the Exchange’s Opening Process and add a Global Trading Hours Session for XSP Options) (SR-CboeEDGX-2019-027).

<sup>10</sup> See Rule 21.1(f)(3), which defines time-in-force of “Day” as an order so designated, a limit order to buy or sell which, if not executed expires at the RTH

on Cboe Options.<sup>11</sup> MOC and LOC orders allow a User to execute orders in a series close to the close time.

The Exchange also proposes to include in the proposed MOC definition additional order handling for MOC orders during a “Limit State” or “Straddle State” as defined in the Regulation NMS Plan to Address Extraordinary Market Volatility (“Limit Up-Limit Down Plan”). The proposed change provides that a MOC order will not be elected if the underlying security is in a Limit or Straddle State three minutes prior to the RTH market close. If the underlying security exits the Limit or Straddle State prior to the RTH market close, the System will attempt to re-evaluate, elect, and execute the order. The Exchange notes that the proposed handling of MOC orders in a Limit or Straddle State is consistent with the Limit Up-Limit Down Plan and is based on the corresponding Cboe Options rule regarding handling of MOC orders,<sup>12</sup> as well as other order type definitions within the Exchange Rules that provide for similar additional handling during Limit and Straddle States.<sup>13</sup>

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market close. All bulk messages have a time-in-force of Day. See also Securities Exchange Act Release No. 84929 (December 21, 2018), 84 FR 67785 (December 31, 2018) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Discontinue Bulk Order Functionality and Implement Bulk Message Functionality, and Make Other Nonsubstantive Changes) (SR-CboeEDGX-2018-060). Note Users may submit bulk messages within three minutes of the RTH market close, which would ultimately be handled in the same manner as an LOC order.

<sup>11</sup> See Cboe Options Rule 6.53, which defines a “market-on-close” order as a market or limit order to be executed as close as possible to the close of the market near to or at the closing price for the particular option series. The Exchange notes that in connection with migration, Cboe Options intends to propose the same definitions of market- and limit-on-close orders as proposed in this rule filing.

<sup>12</sup> See Cboe Options Rule 6.45(d)(2).

<sup>13</sup> See Rule 21.1(d)(5) and (d)(11), which provide additional order handling for Market Orders and Stop Orders, respectively, in a Limit and/or Straddle State.

## 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.<sup>14</sup>

Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>15</sup> 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)<sup>16</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that the proposed adoption of MOC and LOC orders serves to benefit investors by allowing Users flexibility to have orders only be eligible for execution near the close, a time in which maximum significant number of participants interact on the Exchange. The Exchange believes that the proposed change promotes just and equitable principles of trade because it encourages increased participation near the close, thereby contributing to enhanced price discovery and

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The Exchange notes that during a Limit or Straddle State limit orders are not impacted and continue to be eligible for execution.

<sup>14</sup> 15 U.S.C. 78f(b).

<sup>15</sup> 15 U.S.C. 78f(b)(5).

<sup>16</sup> Id.

transparency that will result in a closing price point that more closely reflects the interest of market participants. The Exchange also believes that the proposed change will benefit investors by fostering increased liquidity near the close. As stated, the proposed change is based on Cboe Options rules.<sup>17</sup>

Furthermore, the Exchange believes specifying that the MOC and LOC may execute no more than three minutes from the RTH close removes impediments to and perfects the mechanism of a free and open market and national market system and protects investors because it will allow Users greater flexibility regarding the execution of their orders and/or their customers' orders. The Exchange believes this three minute time-frame prior to the RTH market close is a reasonable time prior to the market close to trigger MOC and LOC orders, because it provides those orders with sufficient times to interact with contra-side interest and to potentially execute at a time close to RTH market close.

The Exchange also believes not permitting bulk messages to be MOC and LOC orders will remove impediments to and perfect the mechanism of a free and open market and protect investors because it is consistent with the purpose of bulk messages. As stated, bulk messages are currently restricted to designation as time-in-force of Day in order to encourage Users to provide liquidity to the Exchange's market during RTH and update bulk messages in response to day-to-day changed market conditions.<sup>18</sup> Because MOC and LOC orders are only available for execution for three minutes prior to the RTH market close, as opposed to during the entire RTH session, Exchange believes that not

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<sup>17</sup> See supra note 11.

<sup>18</sup> See supra note 10.

permitting bulk messages to be MOC or LOC orders ensures that functionality available to Users is consistent with the purpose of bulk messages.

Moreover, the Exchange also believes that rejecting MOC and LOC orders if designated as “All Sessions” serves to remove impediments to and perfect the mechanism of a free and open market and protect investors by providing functionality that is consistent with the purpose of MOC and LOC orders. As described above, because MOC and LOC orders are linked to the RTH close, allowing MOC or LOC orders to be marked for All Sessions (i.e. RTH and GTH) would be inconsistent with the function of MOC and LOC orders. Therefore, the Exchange believes that not permitting MOC and LOC orders to be marked as All Sessions will protect investors by ensuring instructions for MOC and LOC orders are consistent with their purpose.

Additionally, the Exchange believes that the proposed additional order handling for MOC during a Limit or Straddle State protects investors because it is consistent with the Limit Up-Limit Down Plan and prevents a market order from executing outside of the specified price bands. This order handling is consistent with that of Cboe Options rules,<sup>19</sup> as well as other order type definitions within the Exchange Rules that provide for similar additional handling during Limit and Straddle States.<sup>20</sup>

Lastly, the Exchange notes that the proposed rule change is generally intended to align the functionality offered by the Exchange with functionality currently offered by Cboe Options in order to provide a consistent technology offering for the Cboe Affiliated Exchanges.<sup>21</sup> A consistent technology offering, in turn, will simplify the

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<sup>19</sup> See supra note 12.

<sup>20</sup> See supra note 13.

<sup>21</sup> See supra note 5.

technology implementation, changes, and maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges.<sup>22</sup> The Exchange believes this consistency will promote a fair and orderly national options market system. When Cboe Options migrates to the same technology as that of the Exchange and other Cboe Affiliated Exchanges, Users of the Exchange and other Cboe Affiliated Exchanges will have access to similar functionality on all Cboe Affiliated Exchanges. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change will impose any burden on intramarket competition, as the proposed rule change will apply in the same manner to all orders submitted as MOC or as LOC. MOC and LOC orders will be available to all Users, and MOC and LOC orders from all Users will be handled in the same manner. The use of MOC and LOC orders will be voluntary. The Exchange does not believe the proposed rule change will impose any burden on intermarket competition because the proposed change is based on rules that allow for substantially the same order types that are available on another options exchange.<sup>23</sup>

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<sup>22</sup> Id.

<sup>23</sup> See supra note 11.

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<sup>24</sup> and Rule 19b-4(f)(6)<sup>25</sup> 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:

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<sup>24</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>25</sup> 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](mailto:rule-comments@sec.gov). Please include File Number SR-CboeEDGX-2019-035 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-2019-035. 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-2019-035 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.<sup>26</sup>

Secretary

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<sup>26</sup> 17 CFR 200.30-3(a)(12).

## EXHIBIT 5

(additions are underlined; deletions are [bracketed])

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**Rules of Cboe EDGX Exchange, Inc.**

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**Rule 21.1. Definitions**

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

(a) – (e) No change.

(f) The term “Time in Force” means the period of time that the System will hold an order, subject to the restrictions set forth in paragraph (j) below with respect to bulk messages submitted through bulk ports, for potential execution. Unless otherwise specified in the Rules or the context indicates otherwise, the Exchange determines which of the following Times-in-Force are available on a class, system, or trading session basis. Rule 21.20 sets forth the Times-in-Force the Exchange may make available for complex orders.

(1) – (6) No change.

(7) “Limit-on-Close” or “LOC” shall mean, for an order so designated, a limit order that may not execute on the Exchange until three minutes prior to RTH market close. At that time, the System enters LOC orders into the Book in time sequence (based on the times at which the System initially received them), where they may be processed in accordance with Rule 21.8. The System cancels an LOC order (or unexecuted portion) that does not execute by the RTH market close. Users may not designate an LOC order as All Sessions. Users may not designate bulk messages as an LOC.

(8) “Market-on-Close” or “MOC” shall mean, for an order so designated, a market order that may not execute on the Exchange until three minutes prior to RTH market close. At that time, the System enters MOC orders into the Book in time sequence (based on the times at which the System initially received them), where they may be processed in accordance with Rule 21.8. The System cancels an MOC order (or unexecuted portion) that does not execute by the RTH market close. A MOC order will not be elected if the underlying security is in a “Limit State” or “Straddle State”, as defined in the Limit Up-Limit Down Plan, three minutes prior to the RTH market close. If the underlying security exits the Limit State or Straddle State prior to the RTH market close, the System will attempt to re-evaluate, elect, and execute the order. Users may not designate an MOC order as All Sessions. Users may not designate bulk messages as an MOC.

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