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

File No.* SR - 2019 - * 039
Amendment No. (req. for Amendments *)

Filing by Cboe EDGX Exchange, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☐	☑	☐

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

Rule

☐ 19b-4(f)(1)	☐ 19b-4(f)(4)
☐ 19b-4(f)(2)	☐ 19b-4(f)(5)
☐ 19b-4(f)(3)	☑ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *	Section 806(e)(2) *
☐	☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

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

The Exchange proposes to add stock-option order functionality and complex qualified contingent cross (“QCC”) order with stock functionality, and to make other changes to its Rules.

Contact Information

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

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

Signature

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

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

Date 06/27/2019

By Laura G. Dickman

(Name *)

(Title *)

Vice President, Associate General Counsel

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

dickman@cboe.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information * Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Item 1. Text of the Proposed Rule Change

(a) Cboe EDGX Exchange, Inc. (the "Exchange" or "EDGX") proposes to add stock-option order functionality and complex qualified contingent cross ("QCC") order with stock functionality, and to make other changes to its Rules. 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 June 12, 2019. At a time following the effective and operative date of this rule change, the Exchange will announce the implementation date for the proposed changes via Exchange Notice, which date is currently expected to be July 29, 2019.

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

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

(a) Purpose

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. ("Cboe Global"), which is the parent company of Cboe Exchange, Inc. ("Cboe Options") and Cboe C2 Exchange, Inc. ("C2"), acquired the Exchange, Cboe EDGA Exchange, Inc. ("EDGA"), Cboe BZX Exchange, Inc. ("BZX or BZX Options"), and Cboe BYX Exchange, Inc.

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

The Exchange proposes to adopt stock-option order functionality.[1] Stock-option orders facilitate the execution of the stock component of qualified contingent trades ("QCTs"). The proposed rule change defines a stock-option order as the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of an option contract(s)[2] on the opposite side of the market representing either (1) the same number of units of the underlying stock or convertible security or (2) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option leg(s) to the total number of units of the underlying stock

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1 See proposed Rule 21.20(b).

2 This proposed definition permits stock-option orders to have one or more option leg, all of which will be handled in the same manner.

or convertible security in the stock leg. Only those stock-option orders in the classes designated by the Exchange[3] with no more than the applicable number of legs are eligible for processing.[4] Stock-option orders execute in the same manner as other complex orders, except as otherwise provided in Rule 21.20 as proposed.

Currently, to execute a QCT, a User would need to submit an option order to the Exchange and separately submit the stock order to a stock execution venue.[5] The option order represents one component of a QCT and must be paired with a stock order. When a User enters the option component of a QCT, the User is responsible for executing the associated stock component of the QCT within a reasonable period of time after the option order is executed. The Exchange conducts surveillance of Users to ensure that Users execute the stock component of a QCT at or near the same time as the options component. While the Exchange does not specify how the User should go about executing the stock component of the trade, this process is often manual and is therefore a compliance risk for

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3 Pursuant to Rule 16.3, the Exchange announces all determinations it makes pursuant to the Rules via specifications, Notices, or Regulatory Circulars with appropriate advanced notice, which will be posted on the Exchange's website, or as otherwise provided in the Rules; electronic message; or other communication method as provided in the Rules. All determinations the Exchange makes pursuant to Rule 21.20 will be made in accordance with Rule 16.3.

4 See proposed Rule 21.20(b). This definition is virtually identical to the Cboe Options definition, except the proposed definition does not provide the Exchange with flexibility to lower the permissible ratio of stock-option orders like the Cboe Options definition, as the Exchange does not believe it needs this flexibility. See Cboe Options Rule 6.53C(a)(1). The proposed definition is also substantially the same as the definition of stock-option order of other options exchanges. See, e.g., Miami International Securities Exchange, LLC ("MIAX") Rule 518(a)(5); and NASDAQ ISE, LLC ("ISE") Options 3, Section 14(a)(2) and (3). The definition is also consistent with the definition of a Complex Trade in the linkage rules in Rule 27.1(a)(4).

5 The Exchange currently permits the submission of qualified contingent cross ("QCC") orders with stock, which is a specific type of stock-option order. See current Rule 21.20(c)(7) (proposed Rule 21.20(l)(3)).

Users if they do not execute the stock component within a reasonable time period of execution of the options component. Thus, the Exchange is proposing to offer stock-option order functionality, pursuant to which the Exchange will automatically communicate the stock component of a QCT to a designated broker-dealer for execution in connection with the execution of the option order on the Exchange. Use of stock-option order functionality will be voluntary, and Users may continue to execute components of a QCT in the manner they do today (as described above).

Pursuant to proposed Rule 21.20, Interpretation and Policy .03, a User may only submit a stock-option order (including a QCC with Stock Order) if it complies with the QCT exemption from Rule 611(a) of Regulation NMS ("QCT exemption").[6] A User submitting a stock-option order represents that it complies with the QCT exemption. To submit a stock-option order to the Exchange for execution, a User must enter into a brokerage agreement with one or more broker-dealers that are not affiliated with the Exchange, which broker-dealer(s) the Exchange has identified as having connectivity to

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6 See Rule 21.1(d)(10)(A) for the definition of a qualified contingent trade. A "qualified contingent trade" is a transaction consisting of two or more component orders, executed as agent or principal, where: (1) at least one component is an NMS stock, as defined in Rule 600 of Regulation NMS under the Exchange Act; (2) all components are effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent; (3) the execution of one component is contingent upon the execution of all other components at or near the same time; (4) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed; (5) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and (6) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade. Other options exchanges impose the same requirement. See, e.g., Cboe Options Rule 6.53C, Interpretation and Policy .06(a); MIAX Rule 518, Interpretation and Policy .01(a); and ISE Options 3, Section 14, Supplemental Material .07.

electronically communicate the stock components of stock-option orders to stock trading venues.[7]

Proposed subparagraph (l)(1) states when a User submits to the System a stock-option order, it must designate a specific broker-dealer with which it has entered into a brokerage agreement pursuant to proposed Interpretation and Policy .03 (the "designated broker-dealer") to which the Exchange will electronically communicate the stock component of the stock-option order on behalf of the User.[8]

Proposed Rule 21.20(l)(2) describes how stock-option orders will execute. A stock-option order may execute against other stock-option orders (or COA Responses, if applicable), but may not execute against orders in the Simple Book.[9] A stock-option order may only execute if the price complies with proposed Rule 21.20(f)(2)(B).[10] If a stock-

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7 Other options exchanges impose a similar requirement. See Cboe Options Rule 6.53C, Interpretation and Policy .06(a); see also MIAX Rule 518, Interpretation and Policy .01.

8 As is the case with all orders submitted to the Exchange, a User must also designate a Clearing Member that is a Designated Give-Up pursuant to Rule 21.12 on a stock-option order submitted to the Exchange for processing.

9 See proposed Rule 21.20(g)(5) and (l)(2) (the Exchange does not list stock for trading, and therefore, the stock leg would not be able to Leg). A stock-option order may only execute if the stock leg is executable at the price(s) necessary to achieve the desired net price. See proposed Rule 21.20(f)(2)(B).

10 See current Rule 21.20(c)(1)(B) and (C) (proposed Rule 21.20(f)(2)). The System will not execute a complex order pursuant to Rule 21.20 at a net price (i) that would cause any component of the complex strategy to be executed at a price of zero; (ii) worse than the SBBO or equal to the SBBO when there is a Priority Customer Order at the SBBO; (iii) that would cause any component of the complex strategy to be executed at a price worse than the individual component prices on the Simple Book; (iv) worse than the price that would be available if the complex order Legged into the Simple Book; or (v) that would cause any component of the complex strategy to be executed at a price ahead of a Priority Customer Order on the Simple Book without improving the BBO of at least one component of the complex strategy. The proposed rule change amends the definitions of SBBO and SNBBO to provide that the NBBO of the stock

option order can execute upon entry or following a COA, or if it can execute following evaluation while resting in the COB pursuant to Rule 21.20(i), the System executes the option component (which may consist of one or more option legs) of a stock-option order against the option component of other stock-option orders resting in the COB or COA responses (in time priority) (which is consistent with how other complex orders execute against each other pursuant to proposed subparagraphs (d)(5)(ii) and (e)(2)), as applicable. However, the Exchange does not immediately send the User a trade execution report for this option execution.[11] Because the User submitted a stock-option order to execute as a package, the Exchange waits to send a trade execution report to the User until after it has determined whether all components of the stock-option order have executed, as described below. After the option component is executed, the Exchange will then automatically communicate the stock component to the designated broker-dealer for execution, as further described below.

If the System receives an execution report for the stock component of a stock-option order from the designated broker-dealer, the Exchange sends the User the trade execution report for the stock-option order, including execution information for both the stock and option components. However, if the System receives a report from the designated broker-dealer that the stock component of the stock-option order cannot

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component of a stock-option order is used to calculate the SBBO and SNBBO for a stock-option order. See proposed Rule 21.20(a); see also Cboe Options Rule 1.1 (definitions of national spread market (equivalent to SNBBO) and exchange spread market (equivalent to SBBO)).

11 Even though the Exchange does not send the User an execution report immediately following execution of the option component, the Exchange disseminates the trade at that time pursuant to the OPRA Plan and creates a record to be sent to the Clearing Corporation.

execute,[12] the Exchange nullifies the option component trade and notifies the User of the reason for the nullification.[13] If a stock-option order is not marketable, it rests in the COB (if eligible to rest), subject to a User's instructions. The proposed rule change prevents execution of the option component of a QCT where the stock component has not been successfully executed, just as the proposed rule change prevents execution of the stock component of a QCT where the option component has not been successfully executed by cancelling the stock component if the option component cannot execute. This proposed execution process is the same process the Exchange currently uses to execute QCC with Stock Orders, which are a type of stock-option order (and thus the Exchange merely expands this process to all stock-option orders, as all stock-option orders must satisfy the same QCT Exemption).[14] This proposed process is also similar to that of other options exchanges.[15]

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12 For example, if the stock execution venue to which the designated broker-dealer routed the stock component is experiencing system issues, the stock component may not be able to execute. Additionally, the Exchange understands certain stock execution venues apply risk controls to the stock components of QCTs, which may prevent execution of the stock components at certain prices.

13 The Exchange will nullify the option component trade in the same manner as it currently nullifies any other trades (when nullification is permitted under the Rules). See Rule 20.6.

14 See current Rule 21.20(c)(7) (proposed Rule 21.20(l)(3)).

15 See, e.g., Cboe Options Rule 6.53C, Interpretation and Policy .06(a), which states a stock-option order will not be executed unless the stock leg is executable at the price(s) necessary to achieve the desired net price; see also ISE Options 3, Section14, Supplementary Material .02 (which states a "trade" of a stock-option order or stock-complex order will be automatically cancelled if market conditions prevent the execution of the stock or option leg(s) at the prices necessary to achieve the agreed upon net price); and MIAX Rule 518, Interpretation and Policy .01(b) (pursuant to which the stock components will attempt execution prior to the option components, but ultimately require both the stock and option components to execute). The proposed rule change ensures the option can trade before the

Currently, whenever a stock trading venue nullifies the stock leg of a QCT or whenever the stock leg cannot execute, the Exchange will nullify the option leg upon request of one of the parties to the transaction or on an Exchange Official's own motion in accordance with the Rules.[16] To qualify as a QCT, the execution of one component is contingent upon the execution of all other components at or near the same time.[17] Given this requirement, if the stock component does not execute at or near the same time as the option component, it is reasonable to expect a User that submitted a stock-option order to request such nullification.[18] If the stock component does not execute, rather than require the User that submitted the stock-option order to contact the Exchange to request the nullification of the option component execution pursuant to Rule 20.6, Interpretation and Policy .04(c), the proposed rule eliminates this requirement for the submitting User to

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stock can trade, rather than potentially execute stock component and not execute option component, which creates compliance risk for Users.

16 See Rule 20.6, Interpretation and Policy .04(c).

17 See Securities Exchange Act Release No. 54389 (August 31, 2006), 71 FR 52829, 52831 (September 7, 2006) (Order Granting an Exemption for Qualified Contingent Trades from Rule 611(a) of Regulation NMS Under the Securities Exchange Act of 1934) ("QCT Exemption Order"), which requires the execution of one component of the QCT to be contingent upon the execution of all other components at or near the same time to qualify for the exemption. In its Exemption Request, the Securities Industry Association stated that for contingent trades, the execution of one order is contingent upon the execution of the other order. SIA further stated that, by breaking up one or more components of a contingent trade and requiring that such components be separately executed, one or more parties may trade "out of hedge." See Letter to Nancy M. Morris, Secretary, Commission, from Andrew Madoff, SIA Trading Committee, SIA, dated June 21, 2006 ("SIA Exemption Request"), at 3.

18 See QCT Exemption Order at 52831. In the SIA Exemption Request, the SIA indicated parties to a contingent transaction are focused on the spread or ratio between the transaction prices for each of the component instruments, rather than on the absolute price of any single component instrument. The SIA also noted the economics of a contingent trade are based on the relationship between the prices of the security and related derivative or security. See SIA Exemption Request at 2.

make such a request. Instead, the proposed rule change provides that the Exchange will automatically nullify the option transaction if the stock component does not execute. The Exchange believes such nullification without a request from the User is consistent with the definition of a QCT order. The proposed rule change merely automates an otherwise manual process for Users.

Additionally, the Exchange believes this automatic nullification will reduce any compliance risk for the User associated with execution of a stock-option order and lack of execution of a stock order at or near the same time.[19] The Exchange conducts surveillance to ensure a User executes the stock component of a QCT, which will also apply to QCC with Stock Orders, if the option component executed. As a result, if the stock component does not execute when initially submitted to a stock trading venue by the designated broker-dealer, a User may be subject to compliance risk if it does not execute the stock component within a reasonable time period of the execution of the option component. The proposed rule change reduces this compliance risk for Users.

If a stock-option order can execute, the System executes the buy (sell) stock leg of a stock-option order pursuant to Rule 21.20 up to a buffer amount above (below) the NBO (NBB), which amount the Exchange determines.[20] The Exchange believes that Users may be willing to trade a stock-option order with the stock leg at a price outside of the NBBO (which is permissible pursuant to the QCT exemption) of the stock leg in

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19 In the SIA Exemption Request, the SIA stated that parties to a contingent trade will not execute one side of the trade without the other component or components being executed in full (or in ratio) and at the specified spread or ratio. See SIA Exemption Request at 2. While a broker-dealer could re-submit the stock component to a stock trading venue or execution after it initially fails to execute, there is a compliance risk that the time at which the stock component executes is not close enough to the time at which the option component executed.

20 See proposed Rule 21.20(f)(2)(B).

order to achieve the desired net price. However, the buffer may prevent execution with a stock price "too far" away from the market price, which may be inconsistent with then-current market conditions. This may ultimately prevent execution at potentially erroneous prices. This is similar to the Exchange's current fat finger protection (which will not permit a complex order to be more than a specified amount outside of the SNBBO, which will include the NBBO of the stock leg, as described above),[21] except it also applies a buffer to the individual stock leg as opposed to the net price.

The option component of a stock-option order executes in accordance with same priority principles as any other option order. For a stock-option order with one option leg, the option leg may not trade at a price worse than the individual component price on the Simple Book or at the same price as a Priority Customer Order on the Simple Book. For a stock-option order with more than one option leg, the option legs must trade at prices consistent with priority applicable to a complex order with all option legs.[22]

Proposed Rule 21.20(f)(1) states that Users may express bids and offers for a stock-option order (including a QCC with Stock Order, as discussed below) in any decimal price

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21 See supra note 11. Additionally, stock exchanges provide similar protections for execution prices of stock orders. See, e.g., NASDAQ Stock Market Rule 4757(c) (which prevents stock limit orders from being accepted at prices outside of pre-set standard limits, which is based on the NBBO).

22 See proposed Rule 21.20(f)(2)(B). The System does not execute a complex order pursuant to this Rule 21.20 at a net price (i) that would cause any component of the complex strategy to be executed at a price of zero; (ii) worse than the SBBO or equal to the SBBO when there is a Priority Customer Order at the SBBO, except AON complex orders may only execute at prices better than the SBBO; (iii) that would cause any component of the complex strategy to be executed at a price worse than the individual component prices on the Simple Book; (iv) worse than the price that would be available if the complex order Legged into the Simple Book; or (v) that would cause any component of the complex strategy to be executed at a price ahead of a Priority Customer Order on the Simple Book without improving the BBO of at least one component of the complex strategy. See proposed Rule 21.20(f)(2)(A).

the Exchange determines. The option leg(s) of a stock-option order may be executed in $0.01 increments, regardless of the minimum increments otherwise applicable to the option leg(s), and the stock leg of a stock-option order may be executed in any decimal price permitted in the equity market.[23] Smaller minimum increments are appropriate for stock-option orders as the stock component can trade at finer decimal increments permitted by the equity market. Furthermore, the Exchange notes that even with the flexibility provided in the proposed rule, the individual options and stock legs must trade at increments allowed by the Commission in the options and equities markets.

The proposed rule change moves the provision regarding the execution of QCC with Stock Orders from current Rule 21.20(c)(7) to proposed Rule 21.20(l)(3). The proposed rule change amends this provision to provide that the QCC portion of a QCC with Stock Order may consist of a QCC Order (with one option leg) or a Complex QCC Order (with multiple option legs).[24] A QCC with Stock Order with multiple option legs will execute in the same manner as a QCC with Stock Order with one option leg. The option component of a Complex QCC with Stock Order (*i.e.*, a Complex QCC Order) will be subject to the same execution requirements as a Complex QCC Order, including

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[23] Other options exchanges have the same minimum increment requirements for stock-option orders. See Cboe Options Rule 6.53C(c)(ii); and ISE Options 3, Section 14(c)(1).

[24] See Rule 21.1(d)(10) (which describes QCC and Complex QCC Orders). Other options exchanges have similar Complex QCC with Stock order functionality. See, e.g., Cboe Options Rule 6.53C, Interpretation and Policy .06(g)(1)(A) (which provides a QCC with Stock Order may have multiple option components); and ISE Options 3, Section 12(f) (which describes complex QCC with stock orders). In addition to the other changes to the QCC with Stock rule provisions described below, the proposed rule change makes nonsubstantive changes, including changes to consolidate provisions that apply to all stock-option orders in Rule 21.20, update paragraph numbering and lettering, conform cross-references, and adds certain clarifying language.

the requirement that no option leg executes at a price of zero or at the same price as a Priority Customer Order in the Simple Book, that each option leg must execute at a price at or between the NBBO for the applicable series, and the execution price is better than the price of an complex order resting in the COB (unless the Complex QCC Order is a Priority Customer Order and the resting complex order is a non-Priority Customer Order, in which case the execution price may be the same as or better than the price of the resting complex order).[25]

The proposed rule change also updates an inadvertent cross-reference to Rule 21.8 regarding the execution of the option component of a QCC Order, as the option component of a QCC Order (including a Complex QCC Order) will automatically execute upon entry pursuant to Rule 21.1(d)(10) if the conditions are satisfied. The proposed rule change deletes current Rule 21.20(c)(7)(A)(ii) regarding the need to give up a Clearing Member in accordance with Rule 21.12, as all orders submitted to the Exchange (including QCC Orders) must designate a give up in accordance with Rule 21.12, making this requirement redundant. Additionally, as noted above, the proposed rule change adopts Rule 21.20, Interpretation .03, which requires a User that submits a stock-option order to designate a specific broker-dealer to which the stock components will be communicated when entering a stock-option order. Because a QCC with Stock

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25 See Rule 21.1(d)(10). The proposed rule change deletes the reference to current Rule 21.20(c)(1)(C), as that rule provides no component may execute at a price of zero or ahead of a Priority Customer Order on the Simple Book without improving the BBO of at least one component of the complex strategy. This second requirement is not necessary, because each leg of a Complex QCC must improve the price of a Priority Customer Order in any leg (and may not be worse than the NBBO of any leg), and the proposed rule change adds the requirement that no component may execute at a price of zero to proposed Rule 21.1(d)(10)(C).

Order is a type of a stock-option order, proposed Rule 21.20 will apply to QCC with Stock Orders (including Complex QCC with Stock Orders), and thus the Exchange proposes to delete current Rule 21.20(c)(7)(A)(iii), as it is redundant.

The proposed rule change also adds subparagraph (l)(4), which provides that if a User submits to the System a stock-option order with a stock leg to sell, the User must market the stock leg "long," "short," or "short exempt" in compliance with Regulation SHO under the Exchange Act. Additionally, the Exchange will only execute the stock leg of a stock-option order at a price permissible under Regulation SHO. If a stock-option order cannot execute, the System calculates the SBBO or SNBBO with a price for the stock leg that would be permissible under Regulation SHO, and posts the stock-option order on the COB at that price (if eligible to rest), subject to a User's instructions.[26]

Similarly, proposed subparagraph (j)(3) provides that the Exchange will only execute the stock leg of a stock-option order at a price permissible under the Limit Up-Limit Down Plan. If a stock-option order cannot execute, the System calculates the SBBO or SNBBO with a price for the stock leg that would be permissible under that Plan, and posts

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26 Specifically, Rule 201 of Regulation SHO provides that when the short sale price test is triggered for an NMS stock, a trading center (such as the Exchange) must comply with Rule 201. Other options exchanges have similar marking requirements. See Cboe Options Rule 6.53C, Interpretation and Policy .06(e) (which requires marking in accordance with Regulation SHO); see also MIAX Rule 518, Interpretation and Policy .01(b) (which requires marking and execution price in accordance with Regulation SHO); and ISE Options 3, Section 14, Supplementary Material .13 (which requires marking in accordance with Regulation SHO).

the stock-option order on the COB at that price (if eligible to rest), subject to a User's instructions.[27]

Current Rule 21.20, Interpretations and Policies .04 and .06 describes price protection mechanisms and risk controls applicable to complex orders. The proposed rule change moves these to Rule 21.17(b) to consolidate all price protection mechanisms and risk controls available on the Exchange into a single place within the Rules.[28] The price protection mechanisms and risk controls will apply to stock-option orders (or the options components of stock-option orders, as applicable) submitted to the Exchange. The proposed rule change adds the buy-write/married put check, which will be a price protection mechanism applicable specifically to stock-option orders.[29] If the Exchange applies the buy-write/married put check to a class, the System cancels or rejects a stock-option order to buy the stock leg and sell a call (buy a put) for the option leg with a price

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[27] Other options exchanges have similar restrictions on stock leg execution prices. See Cboe Options Rule 6.53C, Interpretation and Policy .06(f); see also MIAX Rule 518, Interpretation and Policy .01(f).

[28] The proposed rule change makes corresponding changes to the introductory language and the paragraph lettering in Rule 21.17 (including moving current price protections related to simple orders into proposed paragraph (a)) and makes corresponding changes to cross-references. The proposed rule change also adds to the maximum value acceptable price range check that it applies to auction responses, as other price protections do. Auction responses may execute in the same manner as orders, and thus application of this check to auction responses may prevent execution of an auction response at a potentially erroneous price. The proposed rule change makes no other substantive changes to the complex order price protections, and only makes nonsubstantive changes to make the language plain English, to simplify the rule provisions, and to conform the language to the corresponding C2 rules. See C2 Rule 6.14(b).

[29] See proposed Rule 21.17(b)(9).

that is more than the strike price of the call (put) plus (minus) a buffer amount (which the Exchange determines on a class-by-class basis).[30]

The proposed rule change also amends the debit/credit price reasonability check in proposed Rule 21.17(b)(3)(B) to provide how that check will apply to stock-option orders. If the stock component of a stock-option order is to buy, the stock-option order is a debit, and if the stock component of a stock-option order is to sell, the stock-option order is a credit. Pursuant to the current debit/credit price reasonability check, if all pairs and loners are a debit (credit) (and a buy (sell) stock leg would always be a loner and thus a debit (credit), ultimately, whether the stock leg is a buy or sell would dictate whether a stock-option order is a debit or credit. Therefore, the Exchange believes this is a reasonable handling of stock-option orders designed to help mitigate potential risks associated with stock-option orders trading at prices that are potentially erroneous. Additionally, the proposed rule change deletes the exception for complex orders with European-style exercise. The Exchange no longer believes this exception is necessary and will expand this check to index options with all exercise styles.

The proposed rule change adds detail to the complex order drill-through protection in proposed Rule 21.17(b)(6), to provide that if the SBBO changes while an order rests on the COB at the drill-through price prior to the end of the specified time period, if the complex order cannot Leg, and the new SBO (SBB) crosses the drill-through price, the System changes the displayed price of the buy (sell) complex order to the new SBO (SBB) minus (plus) $0.01, and the order is not cancelled at the end of the time period. This proposed change codifies current functionality, and merely permits an order to remain on

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30 The proposed buy-write/married put price check is similar to the parity price protection in MIAX Rule 518, Interpretation and Policy .01(g).

the COB since the Exchange's market reflects interest to trade (but the order is not currently executable due to Legging Restrictions) that was not there was not at the beginning of the time period. This provides complex orders with additional execution opportunities prior to cancellation.

The proposed rule change makes various changes to Rule 21.20 regarding complex orders to simplify the Rule, make certain clarifications, codify certain functionality in the Rule, delete redundant provisions, re-organize the Rule, and conform the rule text to the corresponding C2 rule regarding complex orders.[31] The proposed rule change moves the provision stating that trading of complex orders is subject to all other Rules applicable to the trading of orders, unless otherwise provided in Rule 21.10 from current paragraph (c) to the introduction of Rule 21.20. The proposed rule change alphabetizes the defined terms in Rule 21.20(a), makes nonsubstantive changes to definitions to conform the rule language to that of corresponding definitions in C2 Rule 6.13, and removes the paragraph lettering.

The proposed rule change amends the definition of "BBO" to mean the best bid or offer disseminated by the Exchange. The term BBO generally refers to the prices of quotes the Exchange sends to OPRA. While the bids and offers of most orders on the Simple Book are sent to OPRA, certain ones (such as the bids and offers of AON orders, which are not displayed on the Simple Book)[32] are not disseminated. The proposed rule

31 See C2 Rule 6.13. The proposed rule change also modifies a corresponding cross-reference in Rule 21.1(d)(10)(E).

32 See Rule 21.1(d)(4).

change updates the term BBO to accurately reflect that it represents displayed, disseminated interest.[33]

The proposed rule change amends the definition of "complex order" to provide that it is an order involving the concurrent purchase and/or sale of two or more different series in the same class. This merely accounts for the fact that a complex order may be in an index class (for which there is an underlying index) as well as an equity option class (for which there is an underlying security).[34] The proposed rule change also deletes the Exchange's flexibility to designate in which classes complex orders may be entered and that the Exchange will determine the permissible number of legs on a class-by-class basis. Currently, the Exchange makes complex order functionality available in all classes that trade on the Exchange and has the same limit on the number of legs that may be submitted for a complex order in all classes. The proposed rule change codifies in proposed paragraph (b) that complex orders are available in all classes listed for trading on the Exchange, which is consistent with this current definition of complex order, as well as current paragraph (b), which permits the Exchange to determine when complex orders are available for use on the Exchange.

The proposed rule change adds to paragraph (b) that Users may designate complex orders as Attributable or Non-Attributable. These order instructions are defined in Rule 21.1(c) and are currently available for complex orders. The proposed rule change codifies in the Rules that these order instructions are available for complex orders. This provides Users with additional functionality and flexibility with respect to complex order

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33 This proposed definition of BBO is identical to C2's definition of BBO. See C2 Rule 1.1.

34 This is consistent with the definition of complex order in C2 Rule 1.1.

entry that they currently have for simple orders. The proposed rule change is the same as the C2 rule, which similarly permits Users to designate complex orders as Attributable or Non-Attributable.[35]

The proposed rule change moves the provision regarding the Exchange determining which Capacities[36] are eligible for entry onto the COB from current paragraph (c) to proposed paragraph (b), which includes all other information regarding the Exchange's authority to limit the availability of certain orders with respect to complex order functionality.

The proposed rule change moves the provisions regarding COA eligibility from current subparagraph (d)(1) and Interpretation and Policy .02 to the definition of a COA-eligible order in current paragraph (b)(2) (proposed paragraph (b)) so that all terms regarding COA eligibility of a complex order are included in the same place within the rule. The proposed rule change clarifies in the definition of complex only order in current subparagraph (b)(1) (proposed paragraph (b)) that complex orders may not leg into the Simple Book (which is consistent with the definition that currently states these orders will only check against the COB). This is also consistent with the definition of COA-Eligible and Do-Not-COA Order in the C2 Rules.[37] The proposed rule change makes no substantive changes to what orders will and will not initiate a COA.

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[35] See C2 Rule 6.13(b).

[36] The Exchange notes the term "Capacity" refers to origin code. The Exchange is submitting a separate rule filing to add the definition of Capacity, as well as the different Capacities available on the Exchange. This is the term currently used in C2 Rules when referring to origin code. See, e.g., C2 Rule 6.13(b).

[37] See C2 Rule 6.13(b).

The proposed rule change clarifies in current subparagraph (b)(3) (proposed paragraph (b)) that if a complex order would execute against a complex order in the COB with an MTP Modifier with the same Unique Identifier, the System handles the complex orders with an MTP Modifier as described in Rule 21.1(g). This is consistent with current functionality and adds detail to the Rules of how the System handles these orders. This is also consistent with the definition of Complex Orders with MTP Modifiers in the C2 Rules.[38] The proposed rule change makes no substantive changes to how the System handles complex orders with MTP Modifiers.

The proposed rule change alphabetizes the types of complex orders available on the Exchange in paragraph (b). The changes described above, which do not modify any existing functionality and merely add detail and clarity to the Rules. The proposed rule makes additional nonsubstantive changes to these definitions, including to make them plain English, to reorganize certain provisions, to simplify the language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[39]

The proposed rule change moves the provisions regarding minimum increments and trade prices for complex orders from current paragraph (c) (which is primarily about the COB Opening Process) to proposed paragraph (f)(1) and (2), respectively. The proposed rule change makes no substantive changes to these provisions, and makes nonsubstantive changes, including to make them plain English, to reorganize certain provisions, to simplify the language, update paragraph lettering and numbering and cross-

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[38] See C2 Rule 6.13(b).

[39] See C2 Rule 6.13(b).

references, and to conform them to other portions of the rule and to the corresponding C2 rule.[40]

The proposed rule change consolidates all provisions regarding the COB Opening Process into proposed paragraph (c). Current subparagraph (c)(2)(A) becomes the introductory sentence for paragraph (c). The provisions regarding when Users may submit complex orders for participation in the COB Opening Process, as well as when the Exchange disseminates messages with information regarding the opening process, move from current subparagraph (c)(2)(A) to proposed subparagraph (c)(1). Current subparagraph (c)(2)(B) states the COB Opening Process will commence when all legs of the complex strategy are open on the Simple Book. However, pursuant to proposed subparagraph (c)(2), the System initiates the COB Opening Process for a complex strategy after a number of seconds (determined by the Exchange) after all legs of the strategy in the Simple Book are open for trading.[41] The delay provides time for the market prices to stabilize before trading may begin.[42] This is consistent with current functionality as set forth in the technical specifications for the COB opening process available on the Exchange's website.[43] The Exchange believes this is a more accurate

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40 See C2 Rule 6.13(f). The Exchange notes C2 has no Priority Customer overlay, and thus has different execution price requirements regarding components of complex orders with respect to the Simple Book.

41 See proposed Rule 21.20(c)(2).

42 The Exchange notes it applies a similar delay after occurrence of the opening rotation trigger for the simple market opening auction process. See Rule 21.7(d)(1).

43 See http://cdn.cboe.com/resources/membership/US_Options_Opening_Process.pdf.

description of the time when the COB opens.[44] The rule provisions regarding how the Exchange determines the COB Opening Price, how the Exchange transitions to Regular Trading, and what happens if there are no matching complex orders or no valid COB Opening Price move from current subparagraphs (c)(2)(C) through (D) to proposed subparagraphs (c)(2)(A) through (C). The proposed rule change makes no substantive changes to how the COB opening process occurs, and makes nonsubstantive changes, including to make them plain English, to reorganize certain provisions, to simplify the language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[45]

The proposed rule change moves the provisions in current subparagraph (c)(2)(E) regarding prices for complex strategy executions to proposed paragraph (f)(2) (along with the provisions in current (c)(1)(B) and (C) as discussed above) and (3) so that all provisions regarding prices at which complex orders may execute in any manner are included in a single place within Rule 21.20. The proposed rule change makes no substantive changes to the prices at which complex orders may execute, and makes nonsubstantive changes, including to make them plain English, to reorganize certain provisions, to simplify the language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[46]

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[44] This is also the same as the COB opening process for C2. See C2 Rule 6.13(c)(2).

[45] See C2 Rule 6.13(c).

[46] See C2 Rule 6.13(f).

The proposed rule change moves the provision regarding incoming complex orders with prices that do not satisfy the pricing requirements described in the previous paragraph from current subparagraph (c)(2)(E) to proposed subparagraph (d)(5) and (e), to include all provisions regarding System handling of complex orders that are unable to execute (either following a COA or upon submission to the COB, respectively) in a single place with in Rule 21.20. The proposed rule change makes no substantive changes to this provision.

The proposed rule change moves provisions regarding restrictions on the Legging[47] of complex orders into the Simple Book from current paragraph (c)(2)(F) to proposed paragraph (g). The proposed rule change makes no substantive changes to the Legging restrictions on complex orders, and makes nonsubstantive changes, including to make them plain English, to reorganize certain provisions, to simplify the language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[48]

The proposed rule change moves and combines the provisions regarding initial and continual evaluation of complex orders from current subparagraphs (c)(1)(G) and (c)(5) to proposed paragraph (i) so that all provisions regarding evaluation of complex orders are included in a single place and in a simple manner within Rule 21.20. The proposed rule change makes no substantive changes to the evaluation process, and makes

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47 The proposed rule change also adds to Rule 21.20(a) a defined term for Legging, which is defined in proposed paragraph (g) as a complex order executing against orders an quotes in the Simple Book if it can execute in full or in a permissible ratio and if it has more than a maximum number of legs (which the Exchange determines on a class-by-class basis and may two, three, or four). This is consistent with current Rule 21.20(c)(1)(F) and merely adds a defined term.

48 See C2 Rule 6.13(g).

nonsubstantive changes to these provisions, including to make them plain English, to reorganize certain provisions, to simplify the language and delete redundant language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[49]

The proposed rule change moves the provisions in subparagraph (c)(4)(A) and (B) regarding the repricing of complex orders on the COB in certain situations and the handling of Post Only complex orders that lock or cross a resting complex order in the COB or the then-current opposite side SBBO to proposed subparagraph (h)(1). The proposed rule change modifies the reference to applicable price protections in current subparagraph (c)(4)(B) to the drill-through protection in proposed subparagraph (h)(1), as this is the only applicable price protection in the context of this Rule. The proposed rule change moves current subparagraph (c)(4)(C) to proposed subparagraph (h)(2). The proposed rule change deletes the remainder of current subparagraph (c)(4) regarding the managed interest process, as the provisions in that subparagraph are covered in various other parts of Rule 21.20 (currently and as proposed), including proposed paragraphs (d) through (h),[50] making these provisions of the managed interest process redundant. The proposed rule change makes no substantive changes to the evaluation process, and makes nonsubstantive changes to these provisions, including to make them plain English, to

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49 See C2 Rule 6.13(i).

50 For example, the first portion of current subparagraph (c)(5)(A) describes the System evaluation of an order and whether it is COA-eligible, can execute against the COB or Leg into the Simple Book. As discussed above, this is described in proposed paragraph (g). Additionally, current subparagraph (c)(5)(A) describes pricing requirements for complex orders, which are included in paragraph (f), as described above. Current subparagraph (c)(5)(C) regarding whether an order is determined to be COA-eligible (and thus initiates a COA) is included in proposed subparagraph (d)(1) and paragraph (e).

reorganize certain provisions, to simplify the language and delete redundant language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[51]

The proposed rule change deletes current subparagraph (c)(4)(A), as proposed subparagraph (f)(2)(A) includes a provision that requires a complex order to execute at a price at least equal to the SBBO (*i.e.*, the bids and offers established in the marketplace that are no better than the bids or offers comprising the complex order price) or better than the SBBO when there is a Priority Customer Order at the SBBO,[52] and thus this provision is redundant. The proposed rule change moves the provision in current subparagraph (c)(4)(B) to proposed paragraph (e), which describes the allocation and priority in which a complex order may execute against other interest. The proposed rule change does not change the priority order in which, or the prices at which, complex orders currently execute. The proposed rule change makes nonsubstantive changes to these provisions, including to make them plain English, to reorganize certain provisions, to simplify the language and delete redundant language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rules.[53]

The proposed rule change moves the description of how a non-COA-eligible order will be handled from current subparagraph (c)(5)(D) to proposed paragraph (e).

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51 See C2 Rule 6.13(h).

52 Proposed paragraph (e) clarifies that a complex order must execute against any Priority Customer orders in the Simple Book at the same price, which is consistent with the current Rule that a complex order must improve the SBBO if there is a Priority Customer order at the BBO of any component.

53 See C2 Rule 6.13(e) and (f).

The proposed rule change deletes current subparagraph (c)(5)(D)(i), as the definitions of times-in-force that are not allowed to rest in the COB (for example, an immediate-or-cancel order is defined as being cancelled if it does not execute upon entry) include that fact, making this provision redundant. The proposed rule change makes no substantive changes to how the System handles non-COA-eligible orders. The proposed rule change makes nonsubstantive changes to these provisions, including to make them plain English, to reorganize certain provisions, to simplify the language and delete redundant language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[54]

The proposed rule change deletes current subparagraph (c)(6)(A) regarding complex market orders that may initiate a COA, because the definition of COA-eligible in proposed paragraph (b) permits market orders to be designated as COA-eligible (there is no prohibition on a User from designating a market order as COA-eligible), and because proposed subparagraph (d)(1) describes the auction price that will be used for a COA-eligible market order. Therefore, this provision is redundant. The proposed rule change deletes current subparagraph (c)(6)(B) regarding complex market orders that do not initiate a COA, because those will be handled in the same manner as any do-not-COA order pursuant to proposed paragraph (e), making this provision redundant. The proposed rule change makes no substantive changes to how the System handles complex market orders. The proposed rule change makes nonsubstantive changes to these provisions, including to make them plain English, to reorganize certain provisions, to simplify the language and delete redundant language, update paragraph lettering and

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[54] See C2 Rule 6.13(e).

numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[55]

The proposed rule change clarifies in proposed subparagraph (d)(1) that the COA price for a complex order may be the drill-through price if the order is subject to the drill-through protection in Rule 21.17(b). This is consistent with current functionality and the drill-through protection, which ensures that a complex order will not execute at a price too far away from the SNBBO. The current Rule states the price of a COA is subject to applicable price protections. However, the only applicable one is the drill-through protection, so the Exchange believes the proposed rule change provides additional specificity consistent with the current Rule.

The proposed rule change moves the provisions regarding when a COA may terminate early from current subparagraph (d)(5)(C) to proposed subparagraph (d)(3) so that all provisions regarding the length of time for which a COA lasts are included in the same place within Rule 21.20. The proposed rule change clarifies in subparagraph (d)(4)(B) that the System aggregates the size of COA Responses submitted at the same price for an EFID, and caps the size of the aggregated COA Responses at the size of the COA-eligible order. Current subparagraph (d)(4) permits multiple COA Responses from the same Member. The proposed rule change is consistent with current System entry requirements for COA Responses, and the proposed rule change merely adds this detail to the Rules. The System aggregates the size of COA Responses submitted at the same price for an EFID, and caps the size of the aggregated COA Responses at the size of the COA-eligible order. This provision prevents Users from taking advantage of a pro-rata

55 See C2 Rule 6.13(b), (d), and (e).

allocation by submitting responses larger than the COA-eligible order to obtain a larger allocation from that order. The proposed rule change in subparagraph (d)(4)(C) that provides that a modification of a COA Response to decrease its size will not result in loss of priority, as that is consistent with current the current Rule and System functionality.[56] The Exchange believes decreasing the size of a COA Response (similar to decrementation of an order or quote after partial execution), should not impact priority, as such a modification would potentially decrease the allocation to that response. The proposed rule change clarifies that COA Responses may only execute against the COA-eligible order for the COA to which a User submitted the COA Response, which is consistent with the current rules that require COA Responses to include a COA auction ID for the COA to which the User is submitting the COA Responses.

The proposed rule change states that unexecuted COA Responses are cancelled at the conclusion of the COA rather than immediately if they are not executable based on the price of the COA. The Exchange believes this proposed change will ensure that all Users participating in COAs have the same information regarding COAs if the Exchange determines to not include the price of a COA on the COA notification message pursuant to proposed subparagraph (d)(1). If the Exchange determines to not include the price of a COA on the COA notification message pursuant to proposed subparagraph (d)(1), rejection of unmarketable COA Responses may provide the submitting User with the ability to determine the COA price, which was not available to other Users.

The proposed rule change deletes current subparagraph (d)(6) regarding COA pricing, as it is redundant of the rule provisions in proposed (f)(2). The proposed rule

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[56] See current subparagraph (d)(4).

change moves the provision from current subparagraph (d)(7) regarding the allocation of COA-eligible orders to proposed subparagraph (d)(5).

The proposed rule change adds detail to the current rule provisions regarding COAs, as well as codifies current functionality and consolidates all provisions regarding COAs within a single paragraph in Rule 21.20 (including moving rule provision regarding concurrent COAs from current Interpretation and Policy .02 to proposed subparagraph (d)(2)). The proposed rule change makes no changes to how COAs occur or how the System allocates orders at the conclusion of a COA. The proposed rule change makes nonsubstantive changes to the COA provisions in paragraph (d), including to make them plain English, to reorganize certain provisions, to simplify the language and delete redundant language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[57]

The proposed rule change adds proposed subparagraph (h)(3), which states if there is a zero NBO for any leg, the System replaces the zero with a price $0.01 above NBB to calculate the SNBBO, and complex orders with any buy legs do not Leg into the Simple Book. If there is a zero NBB, the System replaces the zero with a price of $0.01, and complex orders with any sell legs do not Leg into the Simple Book. If there is a zero NBB and zero NBO, the System replaces the zero NBB with a price of $0.01 and replaces the zero NBO with a price of $0.02, and complex orders do not Leg into the Simple Book. The SBBO and SNBBO may not be calculated if the NBB or NBO is zero (as noted above, if the best bid or offer on the Exchange is not available, the System uses

57 See C2 Rule 6.13(d).

the NBB or NBO when calculating the SBBO). As discussed above, permissible execution prices are based on the SBBO. If the SBBO is not available, the System cannot determine permissible posting or execution pricing for a complex order (which are based on the SBBO), which could reduce execution opportunities for complex orders. If the System were to use the zero bid or offer when calculating the SBBO, it may also result in executions at erroneous prices (since there is no market indication for the price at which the leg should execute). For example, if a complex order has a buy leg in a series with no offer, there is no order in the leg markets against which this leg component could execute. This is consistent with current System functionality, and the proposed rule change is codifying this detail in the Rules. This is also consistent with the current Rule 21.20(c)(1)(C) and proposed Rule 21.20(f)(2) that states complex order executions are not permitted if the price of a leg would be zero. Additionally, this is similar to the proposed rule change described above to improve the posting price of a complex order by $0.01 if it would otherwise lock the SBBO. The proposed rule change is a reasonable process to ensure complex orders receive execution opportunities, even if there is no interest in the leg markets. Additionally, a User may always cancel a complex order if the User does not wish to have its order rest in the COB at that price. This proposed rule change is also identical to the corresponding C2 Rule.[58]

The proposed rule change moves provisions regarding how the System handles complex orders during trading halt from Interpretation and Policy .05 to proposed paragraph (k). The proposed rule change makes no substantive changes to how the System handles complex orders during a trading halt, and makes nonsubstantive changes

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58 See C2 Rule 6.13(h)(3).

to these provisions, including to make them plain English, to reorganize certain provisions, to simplify the language and delete redundant language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[59]

The proposed rule change makes no substantive changes to the rules regarding how complex orders execute, including rules related to priority. Complex orders will continue to trade in the same manner as they do today. The proposed rule change makes nonsubstantive changes to these provisions, including to make the rule text plain English, reorganize the Rule, simplify the language and delete redundant provisions, update paragraph lettering and numbering and cross-references, and conform to the corresponding C2 rule.[60]

Throughout Rule 21.20, the proposed rule change replaces references to Members with Users. An Options Member means a firm or organization that is registered with the Exchange pursuant to Chapter XVII of the Rules for purposes of participating in options trading on EDGX Options as an "Options Order Entry Firm" or "Options Market Maker."[61] A User is any Options Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3.[62] While the Exchange currently has no Sponsored Participants, a Sponsored Participant would have the ability to submit

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59 See C2 Rule 6.13(k).

60 See C2 Rule 6.13(d) and (e). Note C2 has different priority provisions, as it does not have Priority Customer priority and instead prioritizes all orders and quotes on the Simple Book (and allocates them pursuant to the applicable allocation algorithm pursuant to C2 Rule 6.12) ahead of all complex orders.

61 See Rule 16.1.

62 See Rule 16.1.

complex orders. Therefore, the term "User" in the context of Rule 21.20 is more appropriate.

The proposed rule change amends Rule 21.1(d)(10) to delete the cross-reference to Rule 21.20(c)(1)(C), which the Exchange proposes to move as described above, and replaces it to state that no option leg may execute at a price of zero. The Rule currently provides that no option leg may execute at the same price as a Priority Customer Order in the Simple Book, which makes the other provision of Rule 21.20(c)(1)(C) unnecessary to reference. This proposed change makes no change to the functionality of Complex QCC Orders.

The proposed rule change deletes provisions that state the Exchange will make certain determinations and announcements via Regulatory Circular.[63] Pursuant to Rule 16.3, the Exchange announces all determinations it makes pursuant to the Rules via specifications, Notices, or Regulatory Circulars with appropriate advanced notice, which will be posted on the Exchange's website, or as otherwise provided in the Rules; electronic message; or other communication method as provided in the Rules. All determinations the Exchange makes pursuant to Rule 21.20 will be made in accordance with Rule 16.3.

The proposed rule change makes additional nonsubstantive changes throughout Rule 21.20, including to make them plain English, to reorganize certain provisions and consolidate related provisions within a single portion of the Rule, to simplify the language and delete redundant language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the

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63 See Rules 21.17 (in the introductory paragraph and proposed paragraph (b)) and 21.20 (various provisions).

corresponding C2 rule.[64] The proposed rule change makes no changes to the allocation or priority of complex orders.

(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.[65] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[66] 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)[67] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed rule change benefits investors and promote just and equitable principles of trade because it provides investors with greater opportunities to manage risk through trading of additional types of complex orders. The proposed stock-option order and Complex QCC with Stock Order functionality are each optional for Users and will

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64 See C2 Rule 6.13.

65 15 U.S.C. 78f(b).

66 15 U.S.C. 78f(b)(5).

67 Id.

help them facilitate execution of components of a QCT. Currently, if a User wanted to execute a QCT, it could do so by entering the options components on the Exchange and separately executing the stock component of the QCT on another venue. Users will have the option to continue do this, or build their own technology to electronically communicate the stock component of any QCT to a broker-dealer for execution. However, the addition of stock-option order and Complex QCC with Stock Order functionality will provide Users with an optional, alternative means to execute the stock component of their QCTs.

The Exchange believes these proposed order types will reduce Users' compliance burden because it allows for the automatic submission of the stock component of a QCT in connection with the execution of the options component(s) as a stock-option order on the Exchange. The proposed functionality also provides benefits to the Exchange by establishing an audit trail for the execution all option components of a QCT with a reasonable period of time of each other, and of the stock component of a QCT within a reasonable period of time after the execution of the option components. The proposed rule change further reduces Users' compliance risk by providing that the Exchange will, in addition to cancelling the stock component if the option component cannot execute, nullify any option component execution when the stock component does not execute without a request from the User. Nullification of the option trade is consistent with the requirement that a User must execute the stock component of a QCT within a reasonable period of time after executing the option component on the Exchange. The proposed rule change simply eliminates the requirement that one party to the transaction request nullification of the option component trade before the Exchange nullifies the option trade, because such nullification is consistent with the definition of QCT. The proposed rule change merely automates a process that Users can manually do today. As noted above, to qualify as a QCT, the execution of one component is contingent upon the execution of all other components at or near the same time.[68] Since the purpose of stock-option orders is for all components to trade at or near the same time, if the stock component does not execute at or near the same time as the option component(s), it is reasonable to expect a User that submitted one of these orders to request such nullification to avoid any compliance risk associated with execution of the option components of these orders and lack of execution of a stock order at or near the same time.[69] This proposed execution process is the same process the Exchange currently uses to execute QCC with Stock Orders, which are a type of stock-option order (and thus the Exchange merely expands this process to all stock-option orders, as all stock-option orders must satisfy the same QCT Exemption).[70] This proposed process is also similar to that of other options exchanges.[71]

The Exchange conducts surveillance to ensure a User executes the stock component of a QCT, which will also apply to all of the proposed functionality, if the option component executed. As a result, if the stock component does not execute when initially submitted to a stock trading venue by the designated broker-dealer, a User may be subject to compliance risk if it does not execute the stock component within a reasonable time period of the execution of the option component. The proposed rule

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[68] See supra notes 6 and 14.

[69] See supra note 8.

[70] See current Rule 21.20(c)(7) (proposed Rule 21.20(l)(3)).

[71] See supra note 15.

change reduces this compliance risk for Users. The Exchange therefore believes the proposed rule change removes impediments to and perfects the mechanisms of a free and open market and a national market system, and in general, protects investors and the public interest.

The Exchange believes the proposed stock leg execution buffer, debit/credit reasonability check amendment, and buy-write/married put check for stock-option orders (in addition to the other existing price protection mechanisms applicable to complex orders that will apply to stock-option orders) will protect investors and the public interest and maintain fair and orderly markets by mitigating potential risks associated with market participants entering orders at clearly unintended prices and orders trading at prices that are extreme and potentially erroneous, which may likely have resulted from human or operational error. The Exchange believes these proposed price protection mechanisms will remove impediments to and perfects the mechanisms of a free and open market and a national market system, because they are similar to price protection mechanisms available on other exchanges. The proposed buy-write/married put price check is similar to the parity price protection in MIAX Rule 518, Interpretation and Policy .01(g). The proposed application of the debit/credit price reasonability check to stock-option orders is similar to Cboe Options Rule 6.53C, Interpretation and Policy .08(c). The proposed stock leg buffer is similar to the Exchange's current fat finger protection (which will not permit a complex order to be more than a specified amount outside of the SNBBO, which will include the NBBO of the stock leg, as described above), except it also applies a buffer to the individual stock leg as opposed to the net price. Additionally, stock exchanges provide similar protections for execution prices of stock orders.[72]

The proposed rule change to require Users to mark stock-option orders as required by Regulation SHO, and to execute stock-option orders at prices permitted by Regulation SHO (a Regulation adopted pursuant to the Act) and the Limit Up-Limit Down Plan (Regulation NMS Plan adopted pursuant to the Act), promote just and equitable principles of trade, as they are intended to ensure the Exchange will execute stock-option orders in accordance with these regulations, which are intended to reduce the negative impacts of sudden, unanticipated price movements in NMS stocks and protect investors.

The proposed rule change would also provide Users with access to stock-option order functionality and Complex QCC with Stock order functionality that is generally available on options exchanges, including Cboe Affiliated Exchanges, which may result in the more efficient execution of QCTs and provide Users with additional flexibility and increased functionality on the Exchange's System.[73] Additionally, the proposed functionality is consistent with the QCT exemption previously approved by the Commission.[74] The Exchange believes this consistency will promote a fair and orderly national options market system. The proposed rule change does not propose to implement new or unique functionality that has not been previously filed with the

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72 See, e.g., NASDAQ Stock Market Rule 4757(c) (which prevents stock limit orders from being accepted at prices outside of pre-set standard limits, which is based on the NBBO).

73 See, e.g., Cboe Options Rule 6.53C and Interpretation and Policy .06; MIAX Rule 518; and ISE Options 3, Section 14 (stock-option order functionality); and Cboe Options Rule 6.53C, Interpretation and Policy .06(g); and ISE Options 3, Section 12(f) (Complex QCC with Stock functionality).

74 See QCT Exemption Order.

Commission or is not available on Cboe Affiliated Exchanges (or other options exchanges).

The proposed rule change to codify the delay for a complex strategy to open after the legs have opened will benefit investors, as it will provide time for the market prices to stabilize before trading may begin in complex strategies.[75] This is consistent with current functionality as set forth in the technical specifications for the COB opening process available on the Exchange's website.[76] The Exchange believes this is a more accurate description of the time when the COB opens, and this additional transparency will benefit investors. Additionally, another options exchange has the same delay for its COB opening process.[77]

The proposed rule change to codify current functionality in the drill-through complex order protection will benefit investors, as it provides additional transparency in the Rules. Additionally, the proposed rule change provides complex orders with additional execution opportunities rather than cancels them when market prices reflect interest to trade at the price, but the order is not currently executable due to Legging Restrictions. Additionally, this functionality is the same as the drill-through complex order protection of another options exchange.[78]

The proposed rule change to codify current functionality regarding how the System determines possible execution prices for complex orders if the NBB or NBO of

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75 The Exchange notes it applies a similar delay after occurrence of the opening rotation trigger for the simple market opening auction process. See Rule 21.7(d)(1).

76 See http://cdn.cboe.com/resources/membership/US_Options_Opening_Process.pdf.

77 See C2 Rule 6.13(c)(2).

78 See C2 Rule 6.14(b)(6).

any component leg is zero will benefit investors, because it is a reasonable process provide complex orders with execution opportunities, even if there is no interest in the leg markets in a manner consistent with the pricing requirements of complex orders. A User may always cancel a complex order if the User does not wish to have its order rest in the COB at a price determined as set forth in the proposed rule change. Additionally, another options exchange offers the same functionality.[79]

The proposed rule change to permit Users to designate complex orders as Attributable or Non-Attributable will benefit investors, as it codifies current functionality and thus provides investors with transparency in the Rules. These instructions merely apply to information that is displayed for the orders (in the discretion of the User), and have no impact on the execution of complex orders. The Exchange believes this provides Users with greater control and flexibility over the manner in which they may submit complex orders, and provides them with functionality that is currently available for simple orders. Additionally, another options exchange offers investors the ability to designate complex orders as Attributable or Non-Attributable.[80]

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

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79 See C2 Rule 6.13(h)(3).

80 See C2 Rule 6.13(b).

Affiliated Exchanges will have access to similar functionality on all Cboe Affiliated Exchanges. Differences remain to the extent necessary to conform to the Exchange's current rules, retain intended differences based on the Exchange's market model, or make other nonsubstantive changes to simplify, clarify, eliminate duplicative language, or make the rule provisions plain English. 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.

To the extent a proposed rule change is based on an existing Cboe Affiliated Exchange rule, the language of Exchange Rules and Cboe Affiliated Exchange rules may differ to extent necessary to conform with existing Exchange rule text or to account for details or descriptions included in the Exchange's Rules but not in the applicable EDGX rule. Where possible, the Exchange has substantively mirrored Cboe Affiliated Exchange rules, because consistent rules will simplify the regulatory requirements and increase the understanding of the Exchange's operations for participants on other Cboe Affiliated Exchanges that are also EDGX Users. The proposed rule change would provide greater harmonization between the rules of the Cboe Affiliated Exchanges, resulting in greater uniformity and less burdensome and more efficient regulatory compliance. 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.

The Exchange also believes that the proposed amendments will contribute to the protection of investors and the public interest by making the Exchange's rules easier to understand. Where necessary, the Exchange has proposed language consistent with the Exchange's operations on EDGX technology, even if there are specific details not contained in the current structure of EDGX rules. The Exchange believes it is consistent with the Act to maintain its current structure and such detail, rather than removing such details simply to conform to the structure or format of EDGX rules, again because the Exchange believes this will increase the understanding of the Exchange's operations for all Users of the Exchange.

Item 4. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

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 stock-option order or Complex QCC with Stock Order functionality will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Stock-option orders and Complex QCC with Stock orders facilitate Users' compliance with the requirements associated with executing QCTs, and are not designed to impose any unnecessary burden on competition. These proposed order types will be available to all Users on a voluntary basis, and Users are not required to use either order type when executing QCTs. The proposed rule change has no impact on Users that elect to execute QCTs without using the proposed functionality. Those Users may continue to execute QCTs in the same manner as they do today by entering an option order on the Exchange and separately executing the stock component of the QCT another venue. A User can also build its own technology to electronically communicate the stock component of any QCT to a broker-dealer for execution.

For Users that elect to use proposed functionality to execute QCTs, the proposed rule change reduces those Users' compliance burdens to satisfy their obligation to execute all of the components of a QCT at or near the same time, as this functionality provides an automated means for satisfying this obligation. The proposed functionality will be available to all Users either through a User's electronic connection to the Exchange.

The Exchange does not believe stock-option orders or Complex QCC with Stock Order functionality will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because it is consistent with the QCT exemption previously approved by the Commission.[81] Additionally, the proposed functionality is similar to functionality offered by other options exchanges.[82]

The Exchange does not believe the proposed stock leg execution buffer, debit/credit reasonability check amendment, and buy-write/married put check for stock-option orders will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. These proposed price protection mechanisms will apply to stock-option orders of all Users in the same manner. The Exchange does not believe these price protection mechanisms will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because they are similar to price protection mechanisms available on

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81 See QCT Exemption Order.

82 See Cboe Options Rule 6.53C; ISE Options 3, Sections 12(f) and 14, and Supplementary Material .02 and .07; and MIAX Rule 518.

other exchanges.[83] These price protection mechanisms are intended to prevent executions of stock-option orders at potentially erroneous prices.

The Exchange does not believe the proposed rule change to permit Users to designate complex orders as Attributable or Non-Attributable will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because this proposed rule change codifies existing functionality. These designations will be available to all Users, and use of these designations will be voluntary. The Exchange does not believe the proposed rule change to permit Users to designate complex orders as Attributable or Non-Attributable will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because another Exchange makes these designations available for complex orders.[84]

The Exchange does not believe the proposed changes to the complex order drill-through, the pricing of orders when the NBBO in a leg of a complex strategy is zero, and to the COB Opening Process (to delay the opening of a complex strategy for a time period after the legs open) will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because these changes codify existing functionality. They apply in the same manner complex orders of all Users in the same manner. The Exchange does not believe these proposed rules changes will impose any burden on intermarket competition that is not necessary or appropriate in

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83 See MIAX Rule 518, Interpretation and Policy .01(g) (buy-write/married put check); Cboe Options Rule 6.53C, Interpretation and Policy .08(c) (debit/credit price reasonability check to stock-option orders); and NASDAQ Stock Market Rule 4757(c) (which prevents stock limit orders from being accepted at prices outside of pre-set standard limits, which is based on the NBBO).

84 See C2 Rule 6.13(b).

furtherance of the purposes of the Act, because they are the same as the rules of another options exchange.[85]

The proposed nonsubstantive changes to the Rules will have no impact on competition, as they do not modify any functionality. Rather, these proposed changes add clarity and transparency to the Rules and conform rule language with the corresponding rules of a Cboe Affiliated Exchange.

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[86] and Rule 19b-4(f)(6)[87] thereunder.

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

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85 See C2 Rules 6.13(c)(2) (COB Opening Process) and (h)(3) (pricing of orders when the NBBO in a leg of a complex strategy is zero); and 6.14(b)(6)(A) (complex order drill-through).

86 15 U.S.C. 78s(b)(3)(A).

87 17 CFR 240.19b-4(f)(6).

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

The Exchange believes the proposed stock-option order and Complex QCC with Stock Order functionality will not significantly affect the protection of investors or the public interest, as it is consistent with QCT rules. As noted above, Users that conduct QCTs have an obligation to execute the components of the QCT at or near the same time as each other. The proposed functionality reduces Users' compliance burdens as this functionality provides an automated means for satisfying this obligation. In addition, the proposed functionality benefits the Exchange's surveillance by providing an audit trail for the execution of all components of QCTs. The proposed nullification of any option component execution when the stock component does not execute without a request from the Users is also consistent with this QCT requirement. Users that do not wish to use this functionality can continue to execute the option legs of a QCT separately and execute the stock components of QCTs manually or through alternative electronic means, as they do today.

The Exchange also believes these proposed order types will not impose any significant burden on competition. The proposed functionality facilitates Users' compliance with the requirements associated with executing QCTs. The proposed functionality is available to Users on a voluntary basis, and Users are not required to use the proposed functionality when executing QCTs. The proposed rule change has no impact on Users that elect to execute QCTs without using the proposed functionality. Those Users may continue to execute QCTs in the same manner as they do today by entering the option component on the Exchange and separately executing the stock component of the QCT another venue. A User can also build its own technology to electronically communicate the stock component of any QCT to a broker-dealer for execution. For Users that elect to use the proposed functionality to execute QCTs, the proposed rule change reduces those Users' compliance burdens to satisfy their obligation to execute the components of the QCT at or near the same time after, as this functionality provides an automated means for satisfying this obligation. The proposed functionality will be available to all Users' through their electronic connection to the Exchange. Additionally, as discussed above and below, the proposed functionality is substantially similar to functionality offered by other options exchanges[88] and consistent with the QCT exemption previously approved by the Commission.[89]

The Exchange believes the proposed stock leg execution buffer, debit/credit reasonability check amendment, and buy-write/married put check for stock-option orders will not significantly affect the protection of investors or the public interest, because the Exchange believes they will mitigate potential risks associated with market participants entering orders at clearly unintended prices and orders trading at prices that are extreme and potentially erroneous, which may likely have resulted from human or operational error. The Exchange does not believe these proposed price protection mechanisms will impose any significant burden on competition, because they will apply to stock-option

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[88] See Cboe Options Rule 6.53C; ISE Options 3, Sections 12(f) and 14, and Supplementary Material .02 and .07; and MIAX Rule 518.

[89] See QCT Exemption Order.

orders of all Users in the same manner. Additionally, they are similar to price protection mechanisms available on other exchanges.[90]

The proposed rule change to permit Users to designate complex orders as Attributable or Non-Attributable will not significantly affect the protection of investors or the public interest, because it codifies current functionality and provides investors with transparency in the Rules. These instructions merely apply to information that is displayed for the orders (in the discretion of the User), and have no impact on the execution of complex orders. The Exchange believes this provides Users with greater control and flexibility over the manner in which they may submit complex orders, and provides them with functionality that is currently available for simple orders. The Exchange does not believe this proposed change will impose any significant burden on competition, because another options exchange offers investors the ability to designate complex orders as Attributable or Non-Attributable.[91]

The Exchange believes the proposed changes to the complex order drill-through, the pricing of orders when the NBBO in a leg of a complex strategy is zero, and to the COB Opening Process (to delay the opening of a complex strategy for a time period after the legs open) will not significantly affect the protection of investors or the public interest, because these changes codify existing functionality and thus provide additional transparency to the Rules. The drill-through functionality and pricing of orders when the NBBO in leg of a complex strategy is zero will provide Users with additional execution

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90 See MIAX Rule 518, Interpretation and Policy .01(g) (buy-write/married put check); Cboe Options Rule 6.53C, Interpretation and Policy .08(c) (debit/credit price reasonability check to stock-option orders); and NASDAQ Stock Market Rule 4757(c) (which prevents stock limit orders from being accepted at prices outside of pre-set standard limits, which is based on the NBBO).

91 See C2 Rule 6.13(b).

opportunities for their complex orders. The delay to the opening of a complex strategy will provide time for the market prices to stabilize before a User's complex orders may begin trading. The Exchange believes these proposed changes will not impose any significant burden on competition, because they apply in the same manner complex orders of all Users in the same manner. Additionally, they are the same as the rules of another options exchange.[92]

The proposed nonsubstantive changes to the Rules will protect investors, as they add clarity and transparency to the Rules and conform rule language with the corresponding rules of a Cboe Affiliated Exchange. These proposed changes have no impact on competition, as they do not modify any functionality. All of the proposed rule changes, as described above, are based on the rules of other options exchanges, and therefore there is nothing novel or unique about these changes.

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

(c) Not applicable.

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92 See C2 Rules 6.13(c)(2) (COB Opening Process) and (h)(3) (pricing of orders when the NBBO in a leg of a complex strategy is zero); and 6.14(b)(6)(A) (complex order drill-through).

(d) Not applicable.

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

As noted above, the proposed rule change The proposed definition of stock-option order in Rule 21.20(b)(6) is substantially similar to Cboe Options Rule 6.53C(a)(2), MIAX Rule 518(a)(5), and ISE Options 3, Section 14(a)(2). The proposed definition of stock-option order does not contain flexibility to reduce the permissible ratio, as the Cboe Options definition does. However, the Exchange does not believe such flexibility is necessary, and the definitions are materially the same.

Proposed Rule 21.20(f)(1)(B) regarding the minimum increments for stock-option orders is substantially the same as Cboe Options Rule 6.53C(c)(ii) and ISE Options 3, Section 14(c)(1). Proposed Rule 21.20(f)(2)(B) regarding the prices at which the options legs of a stock-option order may execute is substantially the same as Cboe Options Rule 6.53C, Interpretation and Policy .06(b).

Proposed Rule 21.20(g)(5) and (l)(3), which state stock-option orders will not Leg, is the same as ISE Options 3, Section 14(d)(2) (which currently does not permit stock-option orders to Leg) and MIAX Rule 518, Interpretation and Policy .01(a). Cboe Options Rule 6.53C, Interpretation and Policy .06(d) permits legging in limited circumstances when Cboe Options applies such functionality to a class; however, the Exchange understands Cboe Options currently does not apply this functionality in any class.

Proposed Rule 21.20(j)(3) regarding the execution of stock legs under the Limit Up-Limit Down Plan is similar to Cboe Options Rule 6.53C, Interpretation and Policy .06(f).

Proposed Rule 21.20(l)(1) is based on Cboe Options Rule 6.53C, Interpretation and Policy .06(a). The proposed rule change does not explicitly require a User to identify a give-up on a stock-option order (including a QCC with Stock Order). As discussed above, Rule 21.12 requires Users to identify a give-up on all orders submitted to the Exchange, which would include all stock-option orders (including QCC with Stock Orders), so the Exchange believes it is redundant to state this in the stock-option order rules. ISE Options 3, Sections 12(e), which describes similar QCC with Stock Order functionality, and 14 and Supplementary Material .02, which describe stock-option order functionality, do not require users to identify the give-up on such orders.

Proposed Rule 21.20(l)(2) and Interpretation and Policy .03 is similar to ISE Options 3, Section 14, Supplementary Material .02, which states a "trade" of a stock-option order or a stock-complex order will be automatically cancelled if market conditions prevent the execution of the stock or option leg at the prices necessary to achieve the agreed upon net price. It is also consistent with Cboe Options Rule 6.53C, Interpretation and Policy .06(a), which states a stock-option order will not be executed on the Cboe Options Hybrid System (which would only relate to the options component) unless the stock leg is executable at the prices necessary to achieve the desired net price. It is also the same as the manner in which QCC with Stock Orders (which are a specific type of stock-option order) currently execute on the Exchange, as set forth in current Rule 21.20(c)(7) (proposed Rule 21.20(l)(3)), and the proposed rule change merely expands this to all stock-option orders.

The proposed rule change to permit Users to designate complex orders as Attributable or Non-Attributable is the same as C2 Rule 6.13(b).

The proposed stock-leg buffer protection in Rule 21.20(f)(2)(B) is similar to the Exchange's current fat finger protection (which will not permit a complex order to be more than a specified amount outside of the SNBBO, which will include the NBBO of the stock leg, as described above),[93] except it also applies a buffer to the individual stock leg as opposed to the net price. Additionally, stock exchanges provide similar protections for execution prices of stock orders.[94]

The proposed buy-write/married put price check in Rule 21.17(b)(9) is substantially similar to MIAX Rule 518, Interpretation and Policy .01(g).

The proposed application of the debit/credit price reasonability check to stock-option orders in Rule 21.17(b)(3) is similar to Cboe Options Rule 6.53C, Interpretation and Policy .08(c), except the Cboe Options rule considers a buy stock leg as a loner debit and a sell stock leg as a loner credit (and then uses that to determine whether the stock-option order is a debit or credit based on the remainder of the check), while the proposed rule change considers a stock-option order with a buy stock leg to be a debit, and a stock-option order with a sell stock leg to be a credit. The Exchange believes the proposed rule change simplifies the determination of whether a stock-option order is a debit or credit and is still a reasonable determination consistent with the expectations of investors pricing of stock-option orders.

The proposed rule change to cancel all COA responses at the end of a COA rather than immediately in Rule 21.20(d)(4) is substantially the same as C2 Rule 6.13(d)(4) and Cboe Options Rule 6.53C(d).

The proposed rule change regarding the pricing of complex orders when the NBBO of a leg is zero in proposed Rule 21.20(h)(3) is the same as C2 Rule 6.13(h)(2).

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93 See proposed Rule 21.17(b)(7).

94 See, e.g., NASDAQ Stock Market Rule 4757(c) (which prevents stock limit orders from being accepted at prices outside of pre-set standard limits, which is based on the NBBO).

The proposed rule change regarding the delay in opening of a complex strategy after the opening of the legs in proposed Rule 21.20(c)(2) is the same as C2 Rule 21.20(c)(2).

The proposed rule change to the drill-through complex order protection in proposed Rule 21.17(b)(6) is the same as C2 Rule 6.14(b)(6).

The general nonsubtantive changes to Rule 21.20 are substantially the same as C2 Rule 6.13, except for the provisions related to priority, as the allocation model on C2 is different (as it does not have a Priority Customer overlay). Additionally, C2 Rule 6.13 permits the entry of Complex Reserve Orders, which the Exchange does not permit. Rule 21.20 permits the entry of complex AON orders and QCC with Stock Orders, which are not available on C2.

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-2019-039]

[Insert date]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Add Stock-Option Order Functionality and Complex Qualified Contingent Cross ("QCC") Order with Stock Functionality, and to Make Other Changes to its Rules

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on [insert date], Cboe EDGX Exchange, Inc. (the "Exchange" or ""EDGX"") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[3] and Rule 19b-4(f)(6) thereunder.[4] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe EDGX Exchange, Inc. (the "Exchange" or "EDGX") proposes to add stock-option order functionality and complex qualified contingent cross ("QCC") order with stock functionality, and to make other changes to its Rules. The text of the proposed rule change is provided in Exhibit 5.

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[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b-4.

[3] 15 U.S.C. 78s(b)(3)(A)(iii).

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

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

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

Exchanges. Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent practicable will reduce potential confusion for Users.

The Exchange proposes to adopt stock-option order functionality.[5] Stock-option orders facilitate the execution of the stock component of qualified contingent trades ("QCTs"). The proposed rule change defines a stock-option order as the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of an option contract(s)[6] on the opposite side of the market representing either (1) the same number of units of the underlying stock or convertible security or (2) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option leg(s) to the total number of units of the underlying stock or convertible security in the stock leg. Only those stock-option orders in the classes designated by the Exchange[7] with no more than the applicable number of legs are eligible for processing.[8] Stock-option orders execute in the same manner as other complex orders, except as otherwise provided in Rule 21.20 as proposed.

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5 See proposed Rule 21.20(b).

6 This proposed definition permits stock-option orders to have one or more option leg, all of which will be handled in the same manner.

7 Pursuant to Rule 16.3, the Exchange announces all determinations it makes pursuant to the Rules via specifications, Notices, or Regulatory Circulars with appropriate advanced notice, which will be posted on the Exchange's website, or as otherwise provided in the Rules; electronic message; or other communication method as provided in the Rules. All determinations the Exchange makes pursuant to Rule 21.20 will be made in accordance with Rule 16.3.

8 See proposed Rule 21.20(b). This definition is virtually identical to the Cboe

Currently, to execute a QCT, a User would need to submit an option order to the Exchange and separately submit the stock order to a stock execution venue.[9] The option order represents one component of a QCT and must be paired with a stock order. When a User enters the option component of a QCT, the User is responsible for executing the associated stock component of the QCT within a reasonable period of time after the option order is executed. The Exchange conducts surveillance of Users to ensure that Users execute the stock component of a QCT at or near the same time as the options component. While the Exchange does not specify how the User should go about executing the stock component of the trade, this process is often manual and is therefore a compliance risk for Users if they do not execute the stock component within a reasonable time period of execution of the options component. Thus, the Exchange is proposing to offer stock-option order functionality, pursuant to which the Exchange will automatically communicate the stock component of a QCT to a designated broker-dealer for execution in connection with the execution of the option order on the Exchange. Use of stock-option order functionality will be voluntary, and Users may continue to execute components of a QCT in the manner they do today (as described above).

Options definition, except the proposed definition does not provide the Exchange with flexibility to lower the permissible ratio of stock-option orders like the Cboe Options definition, as the Exchange does not believe it needs this flexibility. See Cboe Options Rule 6.53C(a)(1). The proposed definition is also substantially the same as the definition of stock-option order of other options exchanges. See, e.g., Miami International Securities Exchange, LLC ("MIAX") Rule 518(a)(5); and NASDAQ ISE, LLC ("ISE") Options 3, Section 14(a)(2) and (3). The definition is also consistent with the definition of a Complex Trade in the linkage rules in Rule 27.1(a)(4).

9 The Exchange currently permits the submission of qualified contingent cross ("QCC") orders with stock, which is a specific type of stock-option order. See current Rule 21.20(c)(7) (proposed Rule 21.20(l)(3)).

Pursuant to proposed Rule 21.20, Interpretation and Policy .03, a User may only submit a stock-option order (including a QCC with Stock Order) if it complies with the QCT exemption from Rule 611(a) of Regulation NMS ("QCT exemption").[10] A User submitting a stock-option order represents that it complies with the QCT exemption. To submit a stock-option order to the Exchange for execution, a User must enter into a brokerage agreement with one or more broker-dealers that are not affiliated with the Exchange, which broker-dealer(s) the Exchange has identified as having connectivity to electronically communicate the stock components of stock-option orders to stock trading venues.[11]

Proposed subparagraph (l)(1) states when a User submits to the System a stock-option order, it must designate a specific broker-dealer with which it has entered into a brokerage agreement pursuant to proposed Interpretation and Policy .03 (the "designated

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10 See Rule 21.1(d)(10)(A) for the definition of a qualified contingent trade. A "qualified contingent trade" is a transaction consisting of two or more component orders, executed as agent or principal, where: (1) at least one component is an NMS stock, as defined in Rule 600 of Regulation NMS under the Exchange Act; (2) all components are effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent; (3) the execution of one component is contingent upon the execution of all other components at or near the same time; (4) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed; (5) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and (6) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade. Other options exchanges impose the same requirement. See, e.g., Cboe Options Rule 6.53C, Interpretation and Policy .06(a); MIAX Rule 518, Interpretation and Policy .01(a); and ISE Options 3, Section 14, Supplemental Material .07.

11 Other options exchanges impose a similar requirement. See Cboe Options Rule 6.53C, Interpretation and Policy .06(a); see also MIAX Rule 518, Interpretation and Policy .01.

broker-dealer") to which the Exchange will electronically communicate the stock component of the stock-option order on behalf of the User.[12]

Proposed Rule 21.20(l)(2) describes how stock-option orders will execute. A stock-option order may execute against other stock-option orders (or COA Responses, if applicable), but may not execute against orders in the Simple Book.[13] A stock-option order may only execute if the price complies with proposed Rule 21.20(f)(2)(B).[14] If a stock-option order can execute upon entry or following a COA, or if it can execute following evaluation while resting in the COB pursuant to Rule 21.20(i), the System executes the option component (which may consist of one or more option legs) of a stock-option order against the option component of other stock-option orders resting in the COB or COA responses (in time priority) (which is consistent with how other complex orders execute

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12 As is the case with all orders submitted to the Exchange, a User must also designate a Clearing Member that is a Designated Give-Up pursuant to Rule 21.12 on a stock-option order submitted to the Exchange for processing.

13 See proposed Rule 21.20(g)(5) and (l)(2) (the Exchange does not list stock for trading, and therefore, the stock leg would not be able to Leg). A stock-option order may only execute if the stock leg is executable at the price(s) necessary to achieve the desired net price. See proposed Rule 21.20(f)(2)(B).

14 See current Rule 21.20(c)(1)(B) and (C) (proposed Rule 21.20(f)(2)). The System will not execute a complex order pursuant to Rule 21.20 at a net price (i) that would cause any component of the complex strategy to be executed at a price of zero; (ii) worse than the SBBO or equal to the SBBO when there is a Priority Customer Order at the SBBO; (iii) that would cause any component of the complex strategy to be executed at a price worse than the individual component prices on the Simple Book; (iv) worse than the price that would be available if the complex order Legged into the Simple Book; or (v) that would cause any component of the complex strategy to be executed at a price ahead of a Priority Customer Order on the Simple Book without improving the BBO of at least one component of the complex strategy. The proposed rule change amends the definitions of SBBO and SNBBO to provide that the NBBO of the stock component of a stock-option order is used to calculate the SBBO and SNBBO for a stock-option order. See proposed Rule 21.20(a); see also Cboe Options Rule 1.1 (definitions of national spread market (equivalent to SNBBO) and exchange spread market (equivalent to SBBO)).

against each other pursuant to proposed subparagraphs (d)(5)(ii) and (e)(2)), as applicable. However, the Exchange does not immediately send the User a trade execution report for this option execution.[15] Because the User submitted a stock-option order to execute as a package, the Exchange waits to send a trade execution report to the User until after it has determined whether all components of the stock-option order have executed, as described below. After the option component is executed, the Exchange will then automatically communicate the stock component to the designated broker-dealer for execution, as further described below.

If the System receives an execution report for the stock component of a stock-option order from the designated broker-dealer, the Exchange sends the User the trade execution report for the stock-option order, including execution information for both the stock and option components. However, if the System receives a report from the designated broker-dealer that the stock component of the stock-option order cannot execute,[16] the Exchange nullifies the option component trade and notifies the User of the reason for the nullification.[17] If a stock-option order is not marketable, it rests in the COB (if eligible to rest), subject to a User's instructions. The proposed rule change

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15 Even though the Exchange does not send the User an execution report immediately following execution of the option component, the Exchange disseminates the trade at that time pursuant to the OPRA Plan and creates a record to be sent to the Clearing Corporation.

16 For example, if the stock execution venue to which the designated broker-dealer routed the stock component is experiencing system issues, the stock component may not be able to execute. Additionally, the Exchange understands certain stock execution venues apply risk controls to the stock components of QCTs, which may prevent execution of the stock components at certain prices.

17 The Exchange will nullify the option component trade in the same manner as it currently nullifies any other trades (when nullification is permitted under the Rules). See Rule 20.6.

prevents execution of the option component of a QCT where the stock component has not been successfully executed, just as the proposed rule change prevents execution of the stock component of a QCT where the option component has not been successfully executed by cancelling the stock component if the option component cannot execute. This proposed execution process is the same process the Exchange currently uses to execute QCC with Stock Orders, which are a type of stock-option order (and thus the Exchange merely expands this process to all stock-option orders, as all stock-option orders must satisfy the same QCT Exemption).[18] This proposed process is also similar to that of other options exchanges.[19]

Currently, whenever a stock trading venue nullifies the stock leg of a QCT or whenever the stock leg cannot execute, the Exchange will nullify the option leg upon request of one of the parties to the transaction or on an Exchange Official's own motion in accordance with the Rules.[20] To qualify as a QCT, the execution of one component is contingent upon the execution of all other components at or near the same time.[21] Given

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18 See current Rule 21.20(c)(7) (proposed Rule 21.20(l)(3)).

19 See, e.g., Cboe Options Rule 6.53C, Interpretation and Policy .06(a), which states a stock-option order will not be executed unless the stock leg is executable at the price(s) necessary to achieve the desired net price; see also ISE Options 3, Section14, Supplementary Material .02 (which states a "trade" of a stock-option order or stock-complex order will be automatically cancelled if market conditions prevent the execution of the stock or option leg(s) at the prices necessary to achieve the agreed upon net price); and MIAX Rule 518, Interpretation and Policy .01(b) (pursuant to which the stock components will attempt execution prior to the option components, but ultimately require both the stock and option components to execute). The proposed rule change ensures the option can trade before the stock can trade, rather than potentially execute stock component and not execute option component, which creates compliance risk for Users.

20 See Rule 20.6, Interpretation and Policy .04(c).

21 See Securities Exchange Act Release No. 54389 (August 31, 2006), 71 FR 52829, 52831 (September 7, 2006) (Order Granting an Exemption for Qualified

this requirement, if the stock component does not execute at or near the same time as the option component, it is reasonable to expect a User that submitted a stock-option order to request such nullification.[22] If the stock component does not execute, rather than require the User that submitted the stock-option order to contact the Exchange to request the nullification of the option component execution pursuant to Rule 20.6, Interpretation and Policy .04(c), the proposed rule eliminates this requirement for the submitting User to make such a request. Instead, the proposed rule change provides that the Exchange will automatically nullify the option transaction if the stock component does not execute. The Exchange believes such nullification without a request from the User is consistent with the definition of a QCT order. The proposed rule change merely automates an otherwise manual process for Users.

Additionally, the Exchange believes this automatic nullification will reduce any compliance risk for the User associated with execution of a stock-option order and lack of

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Contingent Trades from Rule 611(a) of Regulation NMS Under the Securities Exchange Act of 1934) ("QCT Exemption Order"), which requires the execution of one component of the QCT to be contingent upon the execution of all other components at or near the same time to qualify for the exemption. In its Exemption Request, the Securities Industry Association stated that for contingent trades, the execution of one order is contingent upon the execution of the other order. SIA further stated that, by breaking up one or more components of a contingent trade and requiring that such components be separately executed, one or more parties may trade "out of hedge." See Letter to Nancy M. Morris, Secretary, Commission, from Andrew Madoff, SIA Trading Committee, SIA, dated June 21, 2006 ("SIA Exemption Request"), at 3.

[22] See QCT Exemption Order at 52831. In the SIA Exemption Request, the SIA indicated parties to a contingent transaction are focused on the spread or ratio between the transaction prices for each of the component instruments, rather than on the absolute price of any single component instrument. The SIA also noted the economics of a contingent trade are based on the relationship between the prices of the security and related derivative or security. See SIA Exemption Request at 2.

execution of a stock order at or near the same time.[23] The Exchange conducts surveillance to ensure a User executes the stock component of a QCT, which will also apply to QCC with Stock Orders, if the option component executed. As a result, if the stock component does not execute when initially submitted to a stock trading venue by the designated broker-dealer, a User may be subject to compliance risk if it does not execute the stock component within a reasonable time period of the execution of the option component. The proposed rule change reduces this compliance risk for Users.

If a stock-option order can execute, the System executes the buy (sell) stock leg of a stock-option order pursuant to Rule 21.20 up to a buffer amount above (below) the NBO (NBB), which amount the Exchange determines.[24] The Exchange believes that Users may be willing to trade a stock-option order with the stock leg at a price outside of the NBBO (which is permissible pursuant to the QCT exemption) of the stock leg in order to achieve the desired net price. However, the buffer may prevent execution with a stock price "too far" away from the market price, which may be inconsistent with then-current market conditions. This may ultimately prevent execution at potentially erroneous prices. This is similar to the Exchange's current fat finger protection (which will not permit a complex order to be more than a specified amount outside of the

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23 In the SIA Exemption Request, the SIA stated that parties to a contingent trade will not execute one side of the trade without the other component or components being executed in full (or in ratio) and at the specified spread or ratio. See SIA Exemption Request at 2. While a broker-dealer could re-submit the stock component to a stock trading venue or execution after it initially fails to execute, there is a compliance risk that the time at which the stock component executes is not close enough to the time at which the option component executed.

24 See proposed Rule 21.20(f)(2)(B).

SNBBO, which will include the NBBO of the stock leg, as described above),[25] except it also applies a buffer to the individual stock leg as opposed to the net price.

The option component of a stock-option order executes in accordance with same priority principles as any other option order. For a stock-option order with one option leg, the option leg may not trade at a price worse than the individual component price on the Simple Book or at the same price as a Priority Customer Order on the Simple Book. For a stock-option order with more than one option leg, the option legs must trade at prices consistent with priority applicable to a complex order with all option legs.[26]

Proposed Rule 21.20(f)(1) states that Users may express bids and offers for a stock-option order (including a QCC with Stock Order, as discussed below) in any decimal price the Exchange determines. The option leg(s) of a stock-option order may be executed in $0.01 increments, regardless of the minimum increments otherwise applicable to the option leg(s), and the stock leg of a stock-option order may be executed in any decimal price permitted in the equity market.[27] Smaller minimum increments are appropriate for stock-

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25 See supra note 15. Additionally, stock exchanges provide similar protections for execution prices of stock orders. See, e.g., NASDAQ Stock Market Rule 4757(c) (which prevents stock limit orders from being accepted at prices outside of pre-set standard limits, which is based on the NBBO).

26 See proposed Rule 21.20(f)(2)(B). The System does not execute a complex order pursuant to this Rule 21.20 at a net price (i) that would cause any component of the complex strategy to be executed at a price of zero; (ii) worse than the SBBO or equal to the SBBO when there is a Priority Customer Order at the SBBO, except AON complex orders may only execute at prices better than the SBBO; (iii) that would cause any component of the complex strategy to be executed at a price worse than the individual component prices on the Simple Book; (iv) worse than the price that would be available if the complex order Legged into the Simple Book; or (v) that would cause any component of the complex strategy to be executed at a price ahead of a Priority Customer Order on the Simple Book without improving the BBO of at least one component of the complex strategy. See proposed Rule 21.20(f)(2)(A).

27 Other options exchanges have the same minimum increment requirements for

option orders as the stock component can trade at finer decimal increments permitted by the equity market. Furthermore, the Exchange notes that even with the flexibility provided in the proposed rule, the individual options and stock legs must trade at increments allowed by the Commission in the options and equities markets.

The proposed rule change moves the provision regarding the execution of QCC with Stock Orders from current Rule 21.20(c)(7) to proposed Rule 21.20(l)(3). The proposed rule change amends this provision to provide that the QCC portion of a QCC with Stock Order may consist of a QCC Order (with one option leg) or a Complex QCC Order (with multiple option legs).[28] A QCC with Stock Order with multiple option legs will execute in the same manner as a QCC with Stock Order with one option leg. The option component of a Complex QCC with Stock Order (*i.e.*, a Complex QCC Order) will be subject to the same execution requirements as a Complex QCC Order, including the requirement that no option leg executes at a price of zero or at the same price as a Priority Customer Order in the Simple Book, that each option leg must execute at a price at or between the NBBO for the applicable series, and the execution price is better than the price of an complex order resting in the COB (unless the Complex QCC Order is a Priority Customer Order and the resting complex order is a non-Priority Customer Order,

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stock-option orders. See Cboe Options Rule 6.53C(c)(ii); and ISE Options 3, Section 14(c)(1).

28 See Rule 21.1(d)(10) (which describes QCC and Complex QCC Orders). Other options exchanges have similar Complex QCC with Stock order functionality. See, e.g., Cboe Options Rule 6.53C, Interpretation and Policy .06(g)(1)(A) (which provides a QCC with Stock Order may have multiple option components); and ISE Options 3, Section 12(f) (which describes complex QCC with stock orders). In addition to the other changes to the QCC with Stock rule provisions described below, the proposed rule change makes nonsubstantive changes, including changes to consolidate provisions that apply to all stock-option orders in Rule 21.20, update paragraph numbering and lettering, conform cross-references, and adds certain clarifying language.

in which case the execution price may be the same as or better than the price of the resting complex order).[29]

The proposed rule change also updates an inadvertent cross-reference to Rule 21.8 regarding the execution of the option component of a QCC Order, as the option component of a QCC Order (including a Complex QCC Order) will automatically execute upon entry pursuant to Rule 21.1(d)(10) if the conditions are satisfied. The proposed rule change deletes current Rule 21.20(c)(7)(A)(ii) regarding the need to give up a Clearing Member in accordance with Rule 21.12, as all orders submitted to the Exchange (including QCC Orders) must designate a give up in accordance with Rule 21.12, making this requirement redundant. Additionally, as noted above, the proposed rule change adopts Rule 21.20, Interpretation .03, which requires a User that submits a stock-option order to designate a specific broker-dealer to which the stock components will be communicated when entering a stock-option order. Because a QCC with Stock Order is a type of a stock-option order, proposed Rule 21.20 will apply to QCC with Stock Orders (including Complex QCC with Stock Orders), and thus the Exchange proposes to delete current Rule 21.20(c)(7)(A)(iii), as it is redundant.

The proposed rule change also adds subparagraph (l)(4), which provides that if a User submits to the System a stock-option order with a stock leg to sell, the User must

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29 See Rule 21.1(d)(10). The proposed rule change deletes the reference to current Rule 21.20(c)(1)(C), as that rule provides no component may execute at a price of zero or ahead of a Priority Customer Order on the Simple Book without improving the BBO of at least one component of the complex strategy. This second requirement is not necessary, because each leg of a Complex QCC must improve the price of a Priority Customer Order in any leg (and may not be worse than the NBBO of any leg), and the proposed rule change adds the requirement that no component may execute at a price of zero to proposed Rule 21.1(d)(10)(C).

market the stock leg "long," "short," or "short exempt" in compliance with Regulation SHO under the Exchange Act. Additionally, the Exchange will only execute the stock leg of a stock-option order at a price permissible under Regulation SHO. If a stock-option order cannot execute, the System calculates the SBBO or SNBBO with a price for the stock leg that would be permissible under Regulation SHO, and posts the stock-option order on the COB at that price (if eligible to rest), subject to a User's instructions.[30]

Similarly, proposed subparagraph (j)(3) provides that the Exchange will only execute the stock leg of a stock-option order at a price permissible under the Limit Up-Limit Down Plan. If a stock-option order cannot execute, the System calculates the SBBO or SNBBO with a price for the stock leg that would be permissible under that Plan, and posts the stock-option order on the COB at that price (if eligible to rest), subject to a User's instructions.[31]

Current Rule 21.20, Interpretations and Policies .04 and .06 describes price protection mechanisms and risk controls applicable to complex orders. The proposed rule change moves these to Rule 21.17(b) to consolidate all price protection mechanisms and risk controls available on the Exchange into a single place within the Rules.[32] The

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30 Specifically, Rule 201 of Regulation SHO provides that when the short sale price test is triggered for an NMS stock, a trading center (such as the Exchange) must comply with Rule 201. Other options exchanges have similar marking requirements. See Cboe Options Rule 6.53C, Interpretation and Policy .06(e) (which requires marking in accordance with Regulation SHO); see also MIAX Rule 518, Interpretation and Policy .01(b) (which requires marking and execution price in accordance with Regulation SHO); and ISE Options 3, Section 14, Supplementary Material .13 (which requires marking in accordance with Regulation SHO).

31 Other options exchanges have similar restrictions on stock leg execution prices. See Cboe Options Rule 6.53C, Interpretation and Policy .06(f); see also MIAX Rule 518, Interpretation and Policy .01(f).

32 The proposed rule change makes corresponding changes to the introductory

price protection mechanisms and risk controls will apply to stock-option orders (or the options components of stock-option orders, as applicable) submitted to the Exchange. The proposed rule change adds the buy-write/married put check, which will be a price protection mechanism applicable specifically to stock-option orders.[33] If the Exchange applies the buy-write/married put check to a class, the System cancels or rejects a stock-option order to buy the stock leg and sell a call (buy a put) for the option leg with a price that is more than the strike price of the call (put) plus (minus) a buffer amount (which the Exchange determines on a class-by-class basis).[34]

The proposed rule change also amends the debit/credit price reasonability check in proposed Rule 21.17(b)(3)(B) to provide how that check will apply to stock-option orders. If the stock component of a stock-option order is to buy, the stock-option order is a debit, and if the stock component of a stock-option order is to sell, the stock-option order is a credit. Pursuant to the current debit/credit price reasonability check, if all pairs and loners are a debit (credit) (and a buy (sell) stock leg would always be a loner and thus a debit (credit), ultimately, whether the stock leg is a buy or sell would dictate whether a stock-

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language and the paragraph lettering in Rule 21.17 (including moving current price protections related to simple orders into proposed paragraph (a)) and makes corresponding changes to cross-references. The proposed rule change also adds to the maximum value acceptable price range check that it applies to auction responses, as other price protections do. Auction responses may execute in the same manner as orders, and thus application of this check to auction responses may prevent execution of an auction response at a potentially erroneous price. The proposed rule change makes no other substantive changes to the complex order price protections, and only makes nonsubstantive changes to make the language plain English, to simplify the rule provisions, and to conform the language to the corresponding C2 rules. See C2 Rule 6.14(b).

33 See proposed Rule 21.17(b)(9).

34 The proposed buy-write/married put price check is similar to the parity price protection in MIAX Rule 518, Interpretation and Policy .01(g).

option order is a debit or credit. Therefore, the Exchange believes this is a reasonable handling of stock-option orders designed to help mitigate potential risks associated with stock-option orders trading at prices that are potentially erroneous. Additionally, the proposed rule change deletes the exception for complex orders with European-style exercise. The Exchange no longer believes this exception is necessary and will expand this check to index options with all exercise styles.

The proposed rule change adds detail to the complex order drill-through protection in proposed Rule 21.17(b)(6), to provide that if the SBBO changes while an order rests on the COB at the drill-through price prior to the end of the specified time period, if the complex order cannot Leg, and the new SBO (SBB) crosses the drill-through price, the System changes the displayed price of the buy (sell) complex order to the new SBO (SBB) minus (plus) $0.01, and the order is not cancelled at the end of the time period. This proposed change codifies current functionality, and merely permits an order to remain on the COB since the Exchange's market reflects interest to trade (but the order is not currently executable due to Legging Restrictions) that was not there was not at the beginning of the time period. This provides complex orders with additional execution opportunities prior to cancellation.

The proposed rule change makes various changes to Rule 21.20 regarding complex orders to simplify the Rule, make certain clarifications, codify certain functionality in the Rule, delete redundant provisions, re-organize the Rule, and conform the rule text to the corresponding C2 rule regarding complex orders.[35] The proposed rule change moves the provision stating that trading of complex orders is subject to all other

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[35] See C2 Rule 6.13. The proposed rule change also modifies a corresponding cross-reference in Rule 21.1(d)(10)(E).

Rules applicable to the trading of orders, unless otherwise provided in Rule 21.10 from current paragraph (c) to the introduction of Rule 21.20. The proposed rule change alphabetizes the defined terms in Rule 21.20(a), makes nonsubstantive changes to definitions to conform the rule language to that of corresponding definitions in C2 Rule 6.13, and removes the paragraph lettering.

The proposed rule change amends the definition of "BBO" to mean the best bid or offer disseminated by the Exchange. The term BBO generally refers to the prices of quotes the Exchange sends to OPRA. While the bids and offers of most orders on the Simple Book are sent to OPRA, certain ones (such as the bids and offers of AON orders, which are not displayed on the Simple Book)[36] are not disseminated. The proposed rule change updates the term BBO to accurately reflect that it represents displayed, disseminated interest.[37]

The proposed rule change amends the definition of "complex order" to provide that it is an order involving the concurrent purchase and/or sale of two or more different series in the same class. This merely accounts for the fact that a complex order may be in an index class (for which there is an underlying index) as well as an equity option class (for which there is an underlying security).[38] The proposed rule change also deletes the Exchange's flexibility to designate in which classes complex orders may be entered and that the Exchange will determine the permissible number of legs on a class-by-class basis. Currently, the Exchange makes complex order functionality available in all classes

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36 See Rule 21.1(d)(4).

37 This proposed definition of BBO is identical to C2's definition of BBO. See C2 Rule 1.1.

38 This is consistent with the definition of complex order in C2 Rule 1.1.

that trade on the Exchange and has the same limit on the number of legs that may be submitted for a complex order in all classes. The proposed rule change codifies in proposed paragraph (b) that complex orders are available in all classes listed for trading on the Exchange, which is consistent with this current definition of complex order, as well as current paragraph (b), which permits the Exchange to determine when complex orders are available for use on the Exchange.

The proposed rule change adds to paragraph (b) that Users may designate complex orders as Attributable or Non-Attributable. These order instructions are defined in Rule 21.1(c) and are currently available for complex orders. The proposed rule change codifies in the Rules that these order instructions are available for complex orders. This provides Users with additional functionality and flexibility with respect to complex order entry that they currently have for simple orders. The proposed rule change is the same as the C2 rule, which similarly permits Users to designate complex orders as Attributable or Non-Attributable.[39]

The proposed rule change moves the provision regarding the Exchange determining which Capacities[40] are eligible for entry onto the COB from current paragraph (c) to proposed paragraph (b), which includes all other information regarding the Exchange's authority to limit the availability of certain orders with respect to complex order functionality.

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39 See C2 Rule 6.13(b).

40 The Exchange notes the term "Capacity" refers to origin code. The Exchange is submitting a separate rule filing to add the definition of Capacity, as well as the different Capacities available on the Exchange. This is the term currently used in C2 Rules when referring to origin code. See, e.g., C2 Rule 6.13(b).

The proposed rule change moves the provisions regarding COA eligibility from current subparagraph (d)(1) and Interpretation and Policy .02 to the definition of a COA-eligible order in current paragraph (b)(2) (proposed paragraph (b)) so that all terms regarding COA eligibility of a complex order are included in the same place within the rule. The proposed rule change clarifies in the definition of complex only order in current subparagraph (b)(1) (proposed paragraph (b)) that complex orders may not leg into the Simple Book (which is consistent with the definition that currently states these orders will only check against the COB). This is also consistent with the definition of COA-Eligible and Do-Not-COA Order in the C2 Rules.[41] The proposed rule change makes no substantive changes to what orders will and will not initiate a COA.

The proposed rule change clarifies in current subparagraph (b)(3) (proposed paragraph (b)) that if a complex order would execute against a complex order in the COB with an MTP Modifier with the same Unique Identifier, the System handles the complex orders with an MTP Modifier as described in Rule 21.1(g). This is consistent with current functionality and adds detail to the Rules of how the System handles these orders. This is also consistent with the definition of Complex Orders with MTP Modifiers in the C2 Rules.[42] The proposed rule change makes no substantive changes to how the System handles complex orders with MTP Modifiers.

The proposed rule change alphabetizes the types of complex orders available on the Exchange in paragraph (b). The changes described above, which do not modify any existing functionality and merely add detail and clarity to the Rules. The proposed rule makes additional nonsubstantive changes to these definitions, including to make them

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41 See C2 Rule 6.13(b).

42 See C2 Rule 6.13(b).

plain English, to reorganize certain provisions, to simplify the language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[43]

The proposed rule change moves the provisions regarding minimum increments and trade prices for complex orders from current paragraph (c) (which is primarily about the COB Opening Process) to proposed paragraph (f)(1) and (2), respectively. The proposed rule change makes no substantive changes to these provisions, and makes nonsubstantive changes, including to make them plain English, to reorganize certain provisions, to simplify the language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[44]

The proposed rule change consolidates all provisions regarding the COB Opening Process into proposed paragraph (c). Current subparagraph (c)(2)(A) becomes the introductory sentence for paragraph (c). The provisions regarding when Users may submit complex orders for participation in the COB Opening Process, as well as when the Exchange disseminates messages with information regarding the opening process, move from current subparagraph (c)(2)(A) to proposed subparagraph (c)(1). Current subparagraph (c)(2)(B) states the COB Opening Process will commence when all legs of the complex strategy are open on the Simple Book. However, pursuant to proposed subparagraph (c)(2), the System initiates the COB Opening Process for a complex strategy after a number of seconds (determined by the Exchange) after all legs of the

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[43] See C2 Rule 6.13(b).

[44] See C2 Rule 6.13(f). The Exchange notes C2 has no Priority Customer overlay, and thus has different execution price requirements regarding components of complex orders with respect to the Simple Book.

strategy in the Simple Book are open for trading.[45] The delay provides time for the market prices to stabilize before trading may begin.[46] This is consistent with current functionality as set forth in the technical specifications for the COB opening process available on the Exchange's website.[47] The Exchange believes this is a more accurate description of the time when the COB opens.[48] The rule provisions regarding how the Exchange determines the COB Opening Price, how the Exchange transitions to Regular Trading, and what happens if there are no matching complex orders or no valid COB Opening Price move from current subparagraphs (c)(2)(C) through (D) to proposed subparagraphs (c)(2)(A) through (C). The proposed rule change makes no substantive changes to how the COB opening process occurs, and makes nonsubstantive changes, including to make them plain English, to reorganize certain provisions, to simplify the language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[49]

The proposed rule change moves the provisions in current subparagraph (c)(2)(E) regarding prices for complex strategy executions to proposed paragraph (f)(2) (along with the provisions in current (c)(1)(B) and (C) as discussed above) and (3) so that all provisions regarding prices at which complex orders may execute in any manner are

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45 See proposed Rule 21.20(c)(2).

46 The Exchange notes it applies a similar delay after occurrence of the opening rotation trigger for the simple market opening auction process. See Rule 21.7(d)(1).

47 See http://cdn.cboe.com/resources/membership/US_Options_Opening_Process.pdf.

48 This is also the same as the COB opening process for C2. See C2 Rule 6.13(c)(2).

49 See C2 Rule 6.13(c).

included in a single place within Rule 21.20. The proposed rule change makes no substantive changes to the prices at which complex orders may execute, and makes nonsubstantive changes, including to make them plain English, to reorganize certain provisions, to simplify the language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[50]

The proposed rule change moves the provision regarding incoming complex orders with prices that do not satisfy the pricing requirements described in the previous paragraph from current subparagraph (c)(2)(E) to proposed subparagraph (d)(5) and (e), to include all provisions regarding System handling of complex orders that are unable to execute (either following a COA or upon submission to the COB, respectively) in a single place with in Rule 21.20. The proposed rule change makes no substantive changes to this provision.

The proposed rule change moves provisions regarding restrictions on the Legging[51] of complex orders into the Simple Book from current paragraph (c)(2)(F) to proposed paragraph (g). The proposed rule change makes no substantive changes to the Legging restrictions on complex orders, and makes nonsubstantive changes, including to make them plain English, to reorganize certain provisions, to simplify the language,

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50 See C2 Rule 6.13(f).

51 The proposed rule change also adds to Rule 21.20(a) a defined term for Legging, which is defined in proposed paragraph (g) as a complex order executing against orders an quotes in the Simple Book if it can execute in full or in a permissible ratio and if it has more than a maximum number of legs (which the Exchange determines on a class-by-class basis and may two, three, or four). This is consistent with current Rule 21.20(c)(1)(F) and merely adds a defined term.

update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[52]

The proposed rule change moves and combines the provisions regarding initial and continual evaluation of complex orders from current subparagraphs (c)(1)(G) and (c)(5) to proposed paragraph (i) so that all provisions regarding evaluation of complex orders are included in a single place and in a simple manner within Rule 21.20. The proposed rule change makes no substantive changes to the evaluation process, and makes nonsubstantive changes to these provisions, including to make them plain English, to reorganize certain provisions, to simplify the language and delete redundant language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[53]

The proposed rule change moves the provisions in subparagraph (c)(4)(A) and (B) regarding the repricing of complex orders on the COB in certain situations and the handling of Post Only complex orders that lock or cross a resting complex order in the COB or the then-current opposite side SBBO to proposed subparagraph (h)(1). The proposed rule change modifies the reference to applicable price protections in current subparagraph (c)(4)(B) to the drill-through protection in proposed subparagraph (h)(1), as this is the only applicable price protection in the context of this Rule. The proposed rule change moves current subparagraph (c)(4)(C) to proposed subparagraph (h)(2). The proposed rule change deletes the remainder of current subparagraph (c)(4) regarding the managed interest process, as the provisions in that subparagraph are covered in various other parts of Rule 21.20 (currently and as proposed), including proposed paragraphs (d)

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[52] See C2 Rule 6.13(g).

[53] See C2 Rule 6.13(i).

through (h),[54] making these provisions of the managed interest process redundant. The proposed rule change makes no substantive changes to the evaluation process, and makes nonsubstantive changes to these provisions, including to make them plain English, to reorganize certain provisions, to simplify the language and delete redundant language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[55]

The proposed rule change deletes current subparagraph (c)(4)(A), as proposed subparagraph (f)(2)(A) includes a provision that requires a complex order to execute at a price at least equal to the SBBO (*i.e.*, the bids and offers established in the marketplace that are no better than the bids or offers comprising the complex order price) or better than the SBBO when there is a Priority Customer Order at the SBBO,[56] and thus this provision is redundant. The proposed rule change moves the provision in current subparagraph (c)(4)(B) to proposed paragraph (e), which describes the allocation and priority in which a complex order may execute against other interest. The proposed rule change does not change the priority order in which, or the prices at which, complex orders currently execute. The proposed rule change makes nonsubstantive changes to

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54 For example, the first portion of current subparagraph (c)(5)(A) describes the System evaluation of an order and whether it is COA-eligible, can execute against the COB or Leg into the Simple Book. As discussed above, this is described in proposed paragraph (g). Additionally, current subparagraph (c)(5)(A) describes pricing requirements for complex orders, which are included in paragraph (f), as described above. Current subparagraph (c)(5)(C) regarding whether an order is determined to be COA-eligible (and thus initiates a COA) is included in proposed subparagraph (d)(1) and paragraph (e).

55 See C2 Rule 6.13(h).

56 Proposed paragraph (e) clarifies that a complex order must execute against any Priority Customer orders in the Simple Book at the same price, which is consistent with the current Rule that a complex order must improve the SBBO if there is a Priority Customer order at the BBO of any component.

these provisions, including to make them plain English, to reorganize certain provisions, to simplify the language and delete redundant language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rules.[57]

The proposed rule change moves the description of how a non-COA-eligible order will be handled from current subparagraph (c)(5)(D) to proposed paragraph (e). The proposed rule change deletes current subparagraph (c)(5)(D)(i), as the definitions of times-in-force that are not allowed to rest in the COB (for example, an immediate-or-cancel order is defined as being cancelled if it does not execute upon entry) include that fact, making this provision redundant. The proposed rule change makes no substantive changes to how the System handles non-COA-eligible orders. The proposed rule change makes nonsubstantive changes to these provisions, including to make them plain English, to reorganize certain provisions, to simplify the language and delete redundant language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[58]

The proposed rule change deletes current subparagraph (c)(6)(A) regarding complex market orders that may initiate a COA, because the definition of COA-eligible in proposed paragraph (b) permits market orders to be designated as COA-eligible (there is no prohibition on a User from designating a market order as COA-eligible), and because proposed subparagraph (d)(1) describes the auction price that will be used for a COA-eligible market order. Therefore, this provision is redundant. The proposed rule change deletes current subparagraph (c)(6)(B) regarding complex market orders that do

57 See C2 Rule 6.13(e) and (f).

58 See C2 Rule 6.13(e).

not initiate a COA, because those will be handled in the same manner as any do-not-COA order pursuant to proposed paragraph (e), making this provision redundant. The proposed rule change makes no substantive changes to how the System handles complex market orders. The proposed rule change makes nonsubstantive changes to these provisions, including to make them plain English, to reorganize certain provisions, to simplify the language and delete redundant language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[59]

The proposed rule change clarifies in proposed subparagraph (d)(1) that the COA price for a complex order may be the drill-through price if the order is subject to the drill-through protection in Rule 21.17(b). This is consistent with current functionality and the drill-through protection, which ensures that a complex order will not execute at a price too far away from the SNBBO. The current Rule states the price of a COA is subject to applicable price protections. However, the only applicable one is the drill-through protection, so the Exchange believes the proposed rule change provides additional specificity consistent with the current Rule.

The proposed rule change moves the provisions regarding when a COA may terminate early from current subparagraph (d)(5)(C) to proposed subparagraph (d)(3) so that all provisions regarding the length of time for which a COA lasts are included in the same place within Rule 21.20. The proposed rule change clarifies in subparagraph (d)(4)(B) that the System aggregates the size of COA Responses submitted at the same price for an EFID, and caps the size of the aggregated COA Responses at the size of the

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59 See C2 Rule 6.13(b), (d), and (e).

COA-eligible order. Current subparagraph (d)(4) permits multiple COA Responses from the same Member. The proposed rule change is consistent with current System entry requirements for COA Responses, and the proposed rule change merely adds this detail to the Rules. The System aggregates the size of COA Responses submitted at the same price for an EFID, and caps the size of the aggregated COA Responses at the size of the COA-eligible order. This provision prevents Users from taking advantage of a pro-rata allocation by submitting responses larger than the COA-eligible order to obtain a larger allocation from that order. The proposed rule change in subparagraph (d)(4)(C) that provides that a modification of a COA Response to decrease its size will not result in loss of priority, as that is consistent with current the current Rule and System functionality.[60] The Exchange believes decreasing the size of a COA Response (similar to decrementation of an order or quote after partial execution), should not impact priority, as such a modification would potentially decrease the allocation to that response. The proposed rule change clarifies that COA Responses may only execute against the COA-eligible order for the COA to which a User submitted the COA Response, which is consistent with the current rules that require COA Responses to include a COA auction ID for the COA to which the User is submitting the COA Responses.

The proposed rule change states that unexecuted COA Responses are cancelled at the conclusion of the COA rather than immediately if they are not executable based on the price of the COA. The Exchange believes this proposed change will ensure that all Users participating in COAs have the same information regarding COAs if the Exchange determines to not include the price of a COA on the COA notification message pursuant

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60 See current subparagraph (d)(4).

to proposed subparagraph (d)(1). If the Exchange determines to not include the price of a COA on the COA notification message pursuant to proposed subparagraph (d)(1), rejection of unmarketable COA Responses may provide the submitting User with the ability to determine the COA price, which was not available to other Users.

The proposed rule change deletes current subparagraph (d)(6) regarding COA pricing, as it is redundant of the rule provisions in proposed (f)(2). The proposed rule change moves the provision from current subparagraph (d)(7) regarding the allocation of COA-eligible orders to proposed subparagraph (d)(5).

The proposed rule change adds detail to the current rule provisions regarding COAs, as well as codifies current functionality and consolidates all provisions regarding COAs within a single paragraph in Rule 21.20 (including moving rule provision regarding concurrent COAs from current Interpretation and Policy .02 to proposed subparagraph (d)(2)). The proposed rule change makes no changes to how COAs occur or how the System allocates orders at the conclusion of a COA. The proposed rule change makes nonsubstantive changes to the COA provisions in paragraph (d), including to make them plain English, to reorganize certain provisions, to simplify the language and delete redundant language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[61]

The proposed rule change adds proposed subparagraph (h)(3), which states if there is a zero NBO for any leg, the System replaces the zero with a price $0.01 above NBB to calculate the SNBBO, and complex orders with any buy legs do not Leg into the

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[61] See C2 Rule 6.13(d).

Simple Book. If there is a zero NBB, the System replaces the zero with a price of $0.01, and complex orders with any sell legs do not Leg into the Simple Book. If there is a zero NBB and zero NBO, the System replaces the zero NBB with a price of $0.01 and replaces the zero NBO with a price of $0.02, and complex orders do not Leg into the Simple Book. The SBBO and SNBBO may not be calculated if the NBB or NBO is zero (as noted above, if the best bid or offer on the Exchange is not available, the System uses the NBB or NBO when calculating the SBBO). As discussed above, permissible execution prices are based on the SBBO. If the SBBO is not available, the System cannot determine permissible posting or execution pricing for a complex order (which are based on the SBBO), which could reduce execution opportunities for complex orders. If the System were to use the zero bid or offer when calculating the SBBO, it may also result in executions at erroneous prices (since there is no market indication for the price at which the leg should execute). For example, if a complex order has a buy leg in a series with no offer, there is no order in the leg markets against which this leg component could execute. This is consistent with current System functionality, and the proposed rule change is codifying this detail in the Rules. This is also consistent with the current Rule 21.20(c)(1)(C) and proposed Rule 21.20(f)(2) that states complex order executions are not permitted if the price of a leg would be zero. Additionally, this is similar to the proposed rule change described above to improve the posting price of a complex order by $0.01 if it would otherwise lock the SBBO. The proposed rule change is a reasonable process to ensure complex orders receive execution opportunities, even if there is no interest in the leg markets. Additionally, a User may always cancel a complex order if the User does not wish to have its order rest in the COB at that price. This proposed rule change is also identical to the corresponding C2 Rule.[62]

The proposed rule change moves provisions regarding how the System handles complex orders during trading halt from Interpretation and Policy .05 to proposed paragraph (k). The proposed rule change makes no substantive changes to how the System handles complex orders during a trading halt, and makes nonsubstantive changes to these provisions, including to make them plain English, to reorganize certain provisions, to simplify the language and delete redundant language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[63]

The proposed rule change makes no substantive changes to the rules regarding how complex orders execute, including rules related to priority. Complex orders will continue to trade in the same manner as they do today. The proposed rule change makes nonsubstantive changes to these provisions, including to make the rule text plain English, reorganize the Rule, simplify the language and delete redundant provisions, update paragraph lettering and numbering and cross-references, and conform to the corresponding C2 rule.[64]

Throughout Rule 21.20, the proposed rule change replaces references to Members with Users. An Options Member means a firm or organization that is registered with the

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62 See C2 Rule 6.13(h)(3).

63 See C2 Rule 6.13(k).

64 See C2 Rule 6.13(d) and (e). Note C2 has different priority provisions, as it does not have Priority Customer priority and instead prioritizes all orders and quotes on the Simple Book (and allocates them pursuant to the applicable allocation algorithm pursuant to C2 Rule 6.12) ahead of all complex orders.

Exchange pursuant to Chapter XVII of the Rules for purposes of participating in options trading on EDGX Options as an "Options Order Entry Firm" or "Options Market Maker."[65] A User is any Options Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3.[66] While the Exchange currently has no Sponsored Participants, a Sponsored Participant would have the ability to submit complex orders. Therefore, the term "User" in the context of Rule 21.20 is more appropriate.

The proposed rule change amends Rule 21.1(d)(10) to delete the cross-reference to Rule 21.20(c)(1)(C), which the Exchange proposes to move as described above, and replaces it to state that no option leg may execute at a price of zero. The Rule currently provides that no option leg may execute at the same price as a Priority Customer Order in the Simple Book, which makes the other provision of Rule 21.20(c)(1)(C) unnecessary to reference. This proposed change makes no change to the functionality of Complex QCC Orders.

The proposed rule change deletes provisions that state the Exchange will make certain determinations and announcements via Regulatory Circular.[67] Pursuant to Rule 16.3, the Exchange announces all determinations it makes pursuant to the Rules via specifications, Notices, or Regulatory Circulars with appropriate advanced notice, which will be posted on the Exchange's website, or as otherwise provided in the Rules; electronic message; or other communication method as provided in the Rules. All

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65 See Rule 16.1.

66 See Rule 16.1.

67 See Rules 21.17 (in the introductory paragraph and proposed paragraph (b)) and 21.20 (various provisions).

determinations the Exchange makes pursuant to Rule 21.20 will be made in accordance with Rule 16.3.

The proposed rule change makes additional nonsubstantive changes throughout Rule 21.20, including to make them plain English, to reorganize certain provisions and consolidate related provisions within a single portion of the Rule, to simplify the language and delete redundant language, update paragraph lettering and numbering and cross-references, and to conform them to other portions of the rule and to the corresponding C2 rule.[68] The proposed rule change makes no changes to the allocation or priority of complex orders.

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.[69] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[70] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with

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68 See C2 Rule 6.13.

69 15 U.S.C. 78f(b).

70 15 U.S.C. 78f(b)(5).

the Section 6(b)(5)[71] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed rule change benefits investors and promote just and equitable principles of trade because it provides investors with greater opportunities to manage risk through trading of additional types of complex orders. The proposed stock-option order and Complex QCC with Stock Order functionality are each optional for Users and will help them facilitate execution of components of a QCT. Currently, if a User wanted to execute a QCT, it could do so by entering the options components on the Exchange and separately executing the stock component of the QCT on another venue. Users will have the option to continue do this, or build their own technology to electronically communicate the stock component of any QCT to a broker-dealer for execution. However, the addition of stock-option order and Complex QCC with Stock Order functionality will provide Users with an optional, alternative means to execute the stock component of their QCTs.

The Exchange believes these proposed order types will reduce Users' compliance burden because it allows for the automatic submission of the stock component of a QCT in connection with the execution of the options component(s) as a stock-option order on the Exchange. The proposed functionality also provides benefits to the Exchange by establishing an audit trail for the execution all option components of a QCT with a reasonable period of time of each other, and of the stock component of a QCT within a reasonable period of time after the execution of the option components. The proposed rule change further reduces Users' compliance risk by providing that the Exchange will,

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71 Id.

in addition to cancelling the stock component if the option component cannot execute, nullify any option component execution when the stock component does not execute without a request from the User. Nullification of the option trade is consistent with the requirement that a User must execute the stock component of a QCT within a reasonable period of time after executing the option component on the Exchange. The proposed rule change simply eliminates the requirement that one party to the transaction request nullification of the option component trade before the Exchange nullifies the option trade, because such nullification is consistent with the definition of QCT. The proposed rule change merely automates a process that Users can manually do today. As noted above, to qualify as a QCT, the execution of one component is contingent upon the execution of all other components at or near the same time.[72] Since the purpose of stock-option orders is for all components to trade at or near the same time, if the stock component does not execute at or near the same time as the option component(s), it is reasonable to expect a User that submitted one of these orders to request such nullification to avoid any compliance risk associated with execution of the option components of these orders and lack of execution of a stock order at or near the same time.[73] This proposed execution process is the same process the Exchange currently uses to execute QCC with Stock Orders, which are a type of stock-option order (and thus the Exchange merely expands this process to all stock-option orders, as all stock-option orders must satisfy the same

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72 See supra notes 10 and 18.

73 See supra note 12.

QCT Exemption).[74] This proposed process is also similar to that of other options exchanges.[75]

The Exchange conducts surveillance to ensure a User executes the stock component of a QCT, which will also apply to all of the proposed functionality, if the option component executed. As a result, if the stock component does not execute when initially submitted to a stock trading venue by the designated broker-dealer, a User may be subject to compliance risk if it does not execute the stock component within a reasonable time period of the execution of the option component. The proposed rule change reduces this compliance risk for Users. The Exchange therefore believes the proposed rule change removes impediments to and perfects the mechanisms of a free and open market and a national market system, and in general, protects investors and the public interest.

The Exchange believes the proposed stock leg execution buffer, debit/credit reasonability check amendment, and buy-write/married put check for stock-option orders (in addition to the other existing price protection mechanisms applicable to complex orders that will apply to stock-option orders) will protect investors and the public interest and maintain fair and orderly markets by mitigating potential risks associated with market participants entering orders at clearly unintended prices and orders trading at prices that are extreme and potentially erroneous, which may likely have resulted from human or operational error. The Exchange believes these proposed price protection mechanisms will remove impediments to and perfects the mechanisms of a free and open market and a national market system, because they are similar to price protection mechanisms

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74 See current Rule 21.20(c)(7) (proposed Rule 21.20(l)(3)).

75 See supra note 19.

available on other exchanges. The proposed buy-write/married put price check is similar to the parity price protection in MIAX Rule 518, Interpretation and Policy .01(g). The proposed application of the debit/credit price reasonability check to stock-option orders is similar to Cboe Options Rule 6.53C, Interpretation and Policy .08(c). The proposed stock leg buffer is similar to the Exchange's current fat finger protection (which will not permit a complex order to be more than a specified amount outside of the SNBBO, which will include the NBBO of the stock leg, as described above), except it also applies a buffer to the individual stock leg as opposed to the net price. Additionally, stock exchanges provide similar protections for execution prices of stock orders.[76]

The proposed rule change to require Users to mark stock-option orders as required by Regulation SHO, and to execute stock-option orders at prices permitted by Regulation SHO (a Regulation adopted pursuant to the Act) and the Limit Up-Limit Down Plan (Regulation NMS Plan adopted pursuant to the Act), promote just and equitable principles of trade, as they are intended to ensure the Exchange will execute stock-option orders in accordance with these regulations, which are intended to reduce the negative impacts of sudden, unanticipated price movements in NMS stocks and protect investors.

The proposed rule change would also provide Users with access to stock-option order functionality and Complex QCC with Stock order functionality that is generally available on options exchanges, including Cboe Affiliated Exchanges, which may result in the more efficient execution of QCTs and provide Users with additional flexibility and

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76 See, e.g., NASDAQ Stock Market Rule 4757(c) (which prevents stock limit orders from being accepted at prices outside of pre-set standard limits, which is based on the NBBO).

increased functionality on the Exchange's System.[77] Additionally, the proposed functionality is consistent with the QCT exemption previously approved by the Commission.[78] The Exchange believes this consistency will promote a fair and orderly national options market system. The proposed rule change does not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on Cboe Affiliated Exchanges (or other options exchanges).

The proposed rule change to codify the delay for a complex strategy to open after the legs have opened will benefit investors, as it will provide time for the market prices to stabilize before trading may begin in complex strategies.[79] This is consistent with current functionality as set forth in the technical specifications for the COB opening process available on the Exchange's website.[80] The Exchange believes this is a more accurate description of the time when the COB opens, and this additional transparency will benefit investors. Additionally, another options exchange has the same delay for its COB opening process.[81]

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77 See, e.g., Cboe Options Rule 6.53C and Interpretation and Policy .06; MIAX Rule 518; and ISE Options 3, Section 14 (stock-option order functionality); and Cboe Options Rule 6.53C, Interpretation and Policy .06(g); and ISE Options 3, Section 12(f) (Complex QCC with Stock functionality).

78 See QCT Exemption Order.

79 The Exchange notes it applies a similar delay after occurrence of the opening rotation trigger for the simple market opening auction process. See Rule 21.7(d)(1).

80 See http://cdn.cboe.com/resources/membership/US_Options_Opening_Process.pdf.

81 See C2 Rule 6.13(c)(2).

The proposed rule change to codify current functionality in the drill-through complex order protection will benefit investors, as it provides additional transparency in the Rules. Additionally, the proposed rule change provides complex orders with additional execution opportunities rather than cancels them when market prices reflect interest to trade at the price, but the order is not currently executable due to Legging Restrictions. Additionally, this functionality is the same as the drill-through complex order protection of another options exchange.[82]

The proposed rule change to codify current functionality regarding how the System determines possible execution prices for complex orders if the NBB or NBO of any component leg is zero will benefit investors, because it is a reasonable process provide complex orders with execution opportunities, even if there is no interest in the leg markets in a manner consistent with the pricing requirements of complex orders. A User may always cancel a complex order if the User does not wish to have its order rest in the COB at a price determined as set forth in the proposed rule change. Additionally, another options exchange offers the same functionality.[83]

The proposed rule change to permit Users to designate complex orders as Attributable or Non-Attributable will benefit investors, as it codifies current functionality and thus provides investors with transparency in the Rules. These instructions merely apply to information that is displayed for the orders (in the discretion of the User), and have no impact on the execution of complex orders. The Exchange believes this provides Users with greater control and flexibility over the manner in which they may submit complex orders, and provides them with functionality that is currently available for

82 See C2 Rule 6.14(b)(6).

83 See C2 Rule 6.13(h)(3).

simple orders. Additionally, another options exchange offers investors the ability to designate complex orders as Attributable or Non-Attributable.[84]

The proposed rule change is generally intended to align system functionality currently offered by the Exchange with Cboe Options functionality in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes, and maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges. 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. Differences remain to the extent necessary to conform to the Exchange's current rules, retain intended differences based on the Exchange's market model, or make other nonsubstantive changes to simplify, clarify, eliminate duplicative language, or make the rule provisions plain English. 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.

To the extent a proposed rule change is based on an existing Cboe Affiliated Exchange rule, the language of Exchange Rules and Cboe Affiliated Exchange rules may differ to extent necessary to conform with existing Exchange rule text or to account for details or descriptions included in the Exchange's Rules but not in the applicable EDGX rule. Where possible, the Exchange has substantively mirrored Cboe Affiliated Exchange

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[84] See C2 Rule 6.13(b).

rules, because consistent rules will simplify the regulatory requirements and increase the understanding of the Exchange's operations for participants on other Cboe Affiliated Exchanges that are also EDGX Users. The proposed rule change would provide greater harmonization between the rules of the Cboe Affiliated Exchanges, resulting in greater uniformity and less burdensome and more efficient regulatory compliance. 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.

The Exchange also believes that the proposed amendments will contribute to the protection of investors and the public interest by making the Exchange's rules easier to understand. Where necessary, the Exchange has proposed language consistent with the Exchange's operations on EDGX technology, even if there are specific details not contained in the current structure of EDGX rules. The Exchange believes it is consistent with the Act to maintain its current structure and such detail, rather than removing such details simply to conform to the structure or format of EDGX rules, again because the Exchange believes this will increase the understanding of the Exchange's operations for all Users of the Exchange.

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 stock-option order or Complex QCC with Stock Order functionality will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Stock-option orders and Complex QCC with Stock orders facilitate Users' compliance with the requirements associated with executing QCTs, and are not designed to impose any unnecessary burden on competition. These proposed order types will be available to all Users on a voluntary basis, and Users are not required to use either order type when executing QCTs. The proposed rule change has no impact on Users that elect to execute QCTs without using the proposed functionality. Those Users may continue to execute QCTs in the same manner as they do today by entering an option order on the Exchange and separately executing the stock component of the QCT another venue. A User can also build its own technology to electronically communicate the stock component of any QCT to a broker-dealer for execution.

For Users that elect to use proposed functionality to execute QCTs, the proposed rule change reduces those Users' compliance burdens to satisfy their obligation to execute all of the components of a QCT at or near the same time, as this functionality provides an automated means for satisfying this obligation. The proposed functionality will be available to all Users either through a User's electronic connection to the Exchange.

The Exchange does not believe stock-option orders or Complex QCC with Stock Order functionality will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because it is consistent with the QCT exemption previously approved by the Commission.[85] Additionally, the proposed functionality is similar to functionality offered by other options exchanges.[86]

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85 See QCT Exemption Order.

86 See Cboe Options Rule 6.53C; ISE Options 3, Sections 12(f) and 14, and Supplementary Material .02 and .07; and MIAX Rule 518.

The Exchange does not believe the proposed stock leg execution buffer, debit/credit reasonability check amendment, and buy-write/married put check for stock-option orders will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. These proposed price protection mechanisms will apply to stock-option orders of all Users in the same manner. The Exchange does not believe these price protection mechanisms will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because they are similar to price protection mechanisms available on other exchanges.[87] These price protection mechanisms are intended to prevent executions of stock-option orders at potentially erroneous prices.

The Exchange does not believe the proposed rule change to permit Users to designate complex orders as Attributable or Non-Attributable will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because this proposed rule change codifies existing functionality. These designations will be available to all Users, and use of these designations will be voluntary. The Exchange does not believe the proposed rule change to permit Users to designate complex orders as Attributable or Non-Attributable will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the

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87 See MIAX Rule 518, Interpretation and Policy .01(g) (buy-write/married put check); Cboe Options Rule 6.53C, Interpretation and Policy .08(c) (debit/credit price reasonability check to stock-option orders); and NASDAQ Stock Market Rule 4757(c) (which prevents stock limit orders from being accepted at prices outside of pre-set standard limits, which is based on the NBBO).

purposes of the Act, because another Exchange makes these designations available for complex orders.[88]

The Exchange does not believe the proposed changes to the complex order drill-through, the pricing of orders when the NBBO in a leg of a complex strategy is zero, and to the COB Opening Process (to delay the opening of a complex strategy for a time period after the legs open) will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because these changes codify existing functionality. They apply in the same manner complex orders of all Users in the same manner. The Exchange does not believe these proposed rules changes will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because they are the same as the rules of another options exchange.[89]

The proposed nonsubstantive changes to the Rules will have no impact on competition, as they do not modify any functionality. Rather, these proposed changes add clarity and transparency to the Rules and conform rule language with the corresponding rules of a Cboe Affiliated Exchange.

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.

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88 See C2 Rule 6.13(b).

89 See C2 Rules 6.13(c)(2) (COB Opening Process) and (h)(3) (pricing of orders when the NBBO in a leg of a complex strategy is zero); and 6.14(b)(6)(A) (complex order drill-through).

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[90] and Rule 19b-4(f)(6)[91] 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:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or

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[90] 15 U.S.C. 78s(b)(3)(A).

[91] 17 CFR 240.19b-4(f)(6).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeEDGX-2019-039 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-2019-039. 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-2019-039 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.[92]

Secretary

[92] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

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) – (c) No change.

(d) The term "Order Type" shall mean the unique processing prescribed for designated orders, subject to the restrictions set forth in paragraph (j) below with respect to orders and bulk messages submitted through bulk ports, that are eligible for entry into the System. Unless otherwise specified in the Rules or the context indicates otherwise, the Exchange determines which of the following Order Types are available on a class, system, or trading session basis. Rule 21.20 sets forth the Order Types the Exchange may make available for complex orders.

(1) – (9) No change.

(10) A "Qualified Contingent Cross Order" or "QCC Order" is comprised of an originating order to buy or sell at least 1,000 standard option contracts (or 10,000 mini-option contracts) that is identified as being part of a qualified contingent trade, as that term is defined in subparagraph (A) below, coupled with a contra-side order or orders totaling an equal number of contracts. If a QCC Order has more than one option leg (a "Complex QCC Order"), each option leg must have at least 1,000 standard option contracts (or 10,000 mini-option contracts). See Rule 21.20 for a definition of a QCC with Stock Order. For purposes of this order type:

(A) – (B) No change.

(C) Complex QCC Orders may execute automatically on entry without exposure if: (i) [each option leg executes at a price that complies with Rule 21.20(c)(1)(C), provided that] no option leg executes at a price of zero or at the same price as a Priority Customer Order in the Simple Book; (ii) each option leg executes at a price at or between the NBBO for the applicable series; and (iii) the execution price is better than the price of any complex order resting in the COB, unless the Complex QCC Order is a Priority Customer Order and the resting complex order is a non-Priority Customer Order, in which case the execution price may be the same as or better than the price of the resting complex order.

(D) No change.

(E) QCC Orders with one option leg may only be entered in the standard increments applicable to the options class under Rule 21.5, and Complex QCC Orders may be entered in the increments applicable to complex orders set forth in Rule 21.20([c]f)(1).

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Rule 21.17. Additional Price Protection Mechanisms and Risk Controls

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

(a) *Simple Orders.*

([a]1) *Market Order NBBO Width Protection.* If a User submits a Market Order to the System when the NBBO width is greater than x% of the midpoint of the NBBO, subject to minimum and maximum dollar values established by the Exchange, the System will reject or cancel back to the User the Market Order. The Exchange will establish "x" and the minimum and maximum values on a class-by-class basis. This protection does not apply to bulk messages.

([b]2) *Limit Order Fat Finger Check.* If a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount established by the Exchange above (below) the NBO (NBB), or, in the case of an order received prior to the conclusion of the RTH opening auction process, (i) the last disseminated NBBO on that trading day, or (ii) the midpoint of the prior trading day's closing NBBO, if no NBBO has been disseminated on that trading day, the System will reject or cancel back to the User the limit order. This check does not apply to bulk messages.

([c]3) *Buy Order Put Check.* If a User enters a buy limit order for a put with a price that is higher than or equal to the strike price of the option, the System will reject or cancel back to the User the limit order. If a User enters a buy Market Order for a put that would execute at (or the remaining portion would execute at) a price higher than or equal to the strike price of the option, the System will reject or cancel back to the User the Market Order (or remaining portion). This check does not apply to adjusted options or bulk messages.

([d]4) *Drill-Through Price Protection.*

([1]A) If a buy (sell) order enters the EDGX Options Book at the conclusion of the opening auction process, the System executes the order up to a buffer amount (established by the Exchange) above (below) the offer (bid) limit of the Opening Collar (the "Drill-Through Price").

([2]B) If a buy (sell) order would execute or post to the EDGX Options Book at the time of order entry, the System executes the order up to a buffer amount (established by the Exchange) above (below) the NBO (NBB) that existed at the time of order entry (the "Drill-Through Price").

If a buy (sell) order would execute or post to the EDGX Options Book at a price higher (lower) than the Drill-Through Price, the System will instead post the order to the EDGX Options Book at the Drill-Through Price, unless the terms of the order instruct otherwise. Any order (or unexecuted portion thereof) will rest in the EDGX Options Book (based on the time at which it enters the book for priority purposes) for a time period in milliseconds that may not exceed three seconds with a price equal to the Drill-Through Price. If the order (or unexecuted portion thereof) does not execute during that time period, the System will cancel it. This protection does not apply to bulk messages.

([e]5) *Market Orders in No-Bid (Offer) Series.*

([1]A) If the System receives a sell Market Order in a series after it is open for trading with an NBB of zero:

([A]i) if the NBO in the series is less than or equal to $0.50, then the System converts the Market Order to a Limit Order with a limit price equal to the minimum trading increment applicable to the series and enters the order into the EDGX Options Book with a timestamp based on the time it enters the Book. If the order has a Time-in-Force of GTC or GTD that expires on a subsequent day, the order remains on the Book as a Limit Order until it executes, expires, or the User cancels it.

([B]ii) if the NBO in the series is greater than $0.50, then the System cancels or rejects the market order.

([2]B) If the System receives a buy market order in a series after it is open for trading with an NBO of zero, the System cancels or rejects the market order.

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

([f]6) *Bulk Message Fat Finger Check.* The System cancels or rejects any bulk message bid (offer) above (below) the NBO (NBB) by more than a specified amount determined by the Exchange. This check does not apply to bulk messages submitted prior to the conclusion of the Opening Process or when no NBBO is available.

([g]7) *Rejection of Bulk Message Updates.* If, pursuant to the Rules, the System cancels or rejects a bulk message bid (offer) to update a resting bulk message bid (offer) submitted for the same EFID and bulk port, the System also cancels the resting bulk message bid (offer).

(b) *Complex Orders.*

(1) *Definitions.* For purposes of this paragraph (b):

(A) Vertical Spread. A "vertical" spread is a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with the same expiration date but different exercise prices.

(B) Butterfly Spread. A "butterfly" spread is a three-legged complex order with two legs to buy (sell) the same number of calls (puts) and one leg to sell (buy) twice as many calls (puts), all with the same expiration date but different exercise prices, and the exercise price of the middle leg is between the exercise prices of the other legs. If the exercise price of the middle leg is halfway between the exercise prices of the other legs, it is a "true" butterfly; otherwise, it is a "skewed" butterfly.

(C) Box Spread. A "box" spread is a four-legged complex order with one leg to buy calls and one leg to sell puts with one strike price, and one leg to sell calls and one leg to buy puts with another strike price, all of which have the same expiration date and are for the same number of contracts.

(2) *Credit-to-Debit Parameters.* The System cancels or rejects a market order that would execute at a net debit price after receiving a partial execution at a net credit price.

(3) *Debit/Credit Price Reasonability Checks.*

(A) If the Exchange applies this check to a class, the System cancels or rejects a complex order (or unexecuted portion) that is a limit order for a debit strategy with a net credit price that exceeds a pre-set buffer, a limit order (or unexecuted portion) for a credit strategy with a net debit price that exceeds a pre-set buffer, or a market order (or unexecuted portion) for a credit strategy that would execute at a net debit price that exceeds an Exchange-determined pre-set buffer.

(B) The System defines a complex order as a debit or credit as follows:

(i) a call butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is greater than or equal to the sum of the exercise prices of the buy (sell) legs is a debit (credit);

(ii) a put butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is less than or equal to the sum of the exercise prices of the buy (sell) legs is a debit (credit);

(iii) an order for which all pairs and loners are debits (credits) is a debit (credit). For purposes of this check, a "pair" is a pair of legs in an order for which both legs are calls or both legs are puts, one leg is a buy and one leg is a sell, and the legs have the same expiration date but different exercise prices or the same exercise price but different expiration dates. A "loner" is any leg in an order that the System cannot pair with another leg in the order; and

(iv) if the stock component of a stock-option order is to buy (sell), the stock-option order is a debit (credit).

(a) The System first pairs legs to the extent possible within each expiration date, pairing one leg with the leg that has the next highest exercise price.

(b) The System then pairs legs to the extent possible with the same exercise prices across expiration dates, pairing one leg with the leg that has the next nearest expiration date.

(c) A pair of calls is a credit (debit) if the exercise price of the buy (sell) leg is higher than the exercise price of the sell (buy) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the pair has the same exercise price).

(d) A pair of puts is a credit (debit) if the exercise price of the sell (buy) leg is higher than the exercise price of the buy (sell) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the pair has the same exercise price).

(e) A loner to buy (sell) is a debit (credit).

(C) The System does not apply this check to an order it cannot define as a debit or credit.

(D) This check applies to auction responses in the same manner as it does to orders.

(4) *Buy Strategy Parameters.* The System cancels or rejects a limit complex order where all the components of the strategy are to buy and the order has (A) a price of zero, (B) a net credit price that exceeds a pre-set buffer (which the Exchange determines), or (C) a net debit price that is less than the number of individual legs in the strategy (or applicable ratio) multiplied by $0.01.

(5) *Maximum Value Acceptable Price Range.* The System cancels or rejects an order that is a vertical, true butterfly, or box spread and is a limit order with, or a market order that would execute at, a price that is outside of an acceptable price range, set by the minimum and maximum possible value of the spread, subject to an additional buffer amount (which the Exchange determines).

(A) The maximum possible value of a vertical, true butterfly, and box spread is the difference between the exercise prices of (1) the two legs; (2) the middle leg and the legs on either side; and (3) each pair of legs, respectively.

(B) The minimum possible value of the spread is zero.

(C) This check applies to auction responses in the same manner as it does to orders.

(6) *Drill-Through Protection.* If a User enters a buy (sell) complex order into the System, the System executes the order pursuant to Rule 21.20(e) up to a buffer amount above (below) the SNBO (SNBB) that existed at the time of order entry (the "drill-through price"), or initiates a COA at the drill-through price if the order would initiate a COA pursuant to Rule 21.20(d). The Exchange determines a default buffer amount; however, a User may establish a higher or lower amount than the Exchange default amount.

(A) If a buy (sell) complex order (or unexecuted portion) would execute or enter the COB at a price higher (lower) than the drill-through price, the System enters the order in the COB at the drill-through price (receiving a timestamp based on the time it enters the COB for priority purposes), unless the terms of the order instruct otherwise.

(B) Any unexecuted order (or unexecuted portion) with a displayed price equal to the drill-through price (unless the drill-through price equals the order's limit price) will rest in the COB for a time period in milliseconds (the Exchange determines the time period, which may not exceed three seconds). If the order (or unexecuted portion) does not execute during that time period, the System cancels or rejects it. However, if the SBBO changes prior to the end of the time period but the complex order cannot Leg, and the new SBO (SBB) crosses the drill-through price, the System changes the displayed price of the complex order to the new SBO (SBB) minus (plus) $0.01, and the order is not cancelled at the end of the time period.

(7) *Limit Order Fat Finger Check.* If the Exchange applies this check to a class, if a User submits a buy (sell) complex limit order to the System with a price that is more than a buffer amount above (below) the SNBO (SNBB), the System cancels or rejects the complex order. The Exchange determines a default buffer amount; however, a User may establish a higher or lower amount than the Exchange default. The check does not apply to complex orders prior to the conclusion of the Opening Process or when no SNBBO is available.

(8) *Maximum Contract Size.* If the Exchange applies this check to a class, the System cancels or rejects an incoming order or quote with a size that exceeds the maximum contract size. The Exchanges designates a default maximum size; however, a User may establish a higher or lower amount than the Exchange default. The size of a complex order for purposes of this check is the size of the largest leg of the order.

(9) *Buy-Write/Married Put Check.* If the Exchange applies this check to a class, the System cancels or rejects a stock-option order to buy the stock leg and sell a call (buy a put) for the option leg with a price that is more than the strike price of the call (put) plus (minus) a buffer amount (which the Exchange determines on a class-by-class basis).

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Rule 21.20. Complex Orders

Trading of complex orders is subject to all other Rules applicable to the trading of orders, unless otherwise provided in this Rule 21.20.

(a) *Definitions.* For purposes of this Rule 21.20, the following terms [will] have the meanings [specified in this paragraph (a)]below. A term defined elsewhere in the Exchange Rules [will have]has the same meaning with respect to this Rule 21.20, unless otherwise defined below.

[(1)] **ABBO**[.]

The term "ABBO" means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (as defined in Rule 27.1(a)(7)) and calculated by the Exchange based on market information received by the Exchange from OPRA.

[(2)] **BBO**[.]

The term "BBO" means the best bid or offer [on the Simple Book (as defined below) on]disseminated by the Exchange.

Complex Order

A "complex order" is any order involving the concurrent purchase and/or sale of two or more different series in the same class (the "legs" or "components" of the complex order), for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purposes of executing a particular investment strategy. Only those complex orders with no more than the applicable number of legs (determined by the Exchange) are eligible for processing. The term "complex order" includes all types of complex orders that are available on the Exchange pursuant to paragraph (b) below, unless the Rules specify otherwise.

[(3)] **Complex Order Auction [or]and COA[**.]

[A]The terms "Complex Order Auction" and "COA" [is]mean an auction of a complex order as set forth in [sub]paragraph (d) below.

[(4) COA-Eligible Order. A "COA-eligible order" is a complex order designated to be placed into a Complex Order Auction upon receipt that meets the requirements of subparagraph (d)(1) below.

(5) Complex Order.

A "complex order" is any order involving the concurrent purchase and/or sale of two or more different options in the same underlying security (the "legs" or "components" of the complex order), for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purposes of executing a particular investment strategy. Only those complex orders in the classes designated by the Exchange and communicated to Members with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis and communicated to Members, are eligible for processing. The Exchange will communicate such information to Members by making publicly available specifications and/or publishing a Regulatory Circular.]

[(6)] **Complex Order Book [or]and COB**[.]

The terms "Complex Order Book" and "COB" [is]mean the Exchange's electronic book of complex orders [and] used for all trading sessions.

[(7)] **Complex Strategy**[.]

The term "complex strategy" means a particular combination of components and their ratios to one another. New complex strategies can be created as the result of the receipt of a complex instrument creation request or complex order for a complex strategy that is not currently in the System. The Exchange may limit the number of new complex strategies that may be in the System at a particular time[and will communicate any such limitation to Members via specifications and/or Regulatory Circular].

Legging

The term "Legging" is defined in paragraph (g) below.

[(8)] **NBBO**[.]

The term "NBBO" means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from OPRA.

[(9)] **Regular Trading**[.]

The term "regular trading" means trading of complex orders that occurs during a trading session other than: ([i]1) at the opening of the COB or re-opening of the COB for trading following a halt (described in paragraph (c) below)[;] or ([ii]2) during the COA process ([as] described in paragraph (d) below[of this Rule]).

[(10)] **Simple Book**[.]

The term "Simple Book" [is]means the Exchange's regular electronic book of orders.

[(11)] **Synthetic Best Bid or Offer [or]and SBBO[.]**

The terms "Synthetic Best Bid or Offer" and "SBBO" mean the best bid and offer on the Exchange for a complex strategy calculated using:

> (1) for complex orders, the BBO for each component (or the NBBO for a component if the BBO for that component is not available) [is calculated using the best displayed price for each component] of a complex strategy from the Simple Book, and

(2) for stock-option orders, the BBO for each option component (or the NBBO for a component if the BBO for that component is not available) and the NBBO of the stock component of a complex strategy.

[(12)] **Synthetic National Best Bid or Offer [or]and SNBBO[.]**

The terms "Synthetic National Best Bid or Offer" and "SNBBO" [is] mean the national best bid and offer for a complex strategy calculated using:

(1) for complex orders, [calculated using] the NBBO for each component of a complex strategy [to establish the best net bid and offer for a complex strategy], and

(2) for stock-option orders, the NBBO for each option component and the NBBO of the stock component of a complex strategy.

(b) [Availability of] *Types of Complex Orders.* Complex orders are available in all classes listed for trading on the Exchange. The Exchange [will] determines [and communicate to Members via specifications and/or a Regulatory Circular listing when the complex order types, among the complex order types set forth in this Rule, are available for use on the Exchange. The complex order types that may be submitted are limit orders and market orders, and orders with a] which Times-[ ]in[ ]-Force of DAY, GTC, GTD, IOC, [DAY, GTC,] or OPG as such terms are defined in Rule 21.1(f). [Members]Users may not submit complex orders through bulk ports. The following complex orders will also be accepted by the Exchange:]are available for complex orders (including for eligibility to enter the COB and initiate a COA). The Exchange determines which Capacities (i.e., non-broker-dealer customers, broker-dealers that are not Market-Makers on an options exchange, or Market-Makers on an options exchange) are eligible for COA and for entry onto the COB. Complex orders may be market or limit orders. Users may designate complex orders as Attributable or Non-Attributable. The System also accepts the following instructions for complex orders:

All Sessions Complex Order

An "All Sessions" complex order is a complex order a User designates as eligible to trade during both GTH and RTH. An unexecuted All Sessions complex order on the COB at the end of a GTH trading session remains on the COB and becomes eligible for execution during the RTH COB Opening Process or trading session on that same trading day, subject to a User's instructions.

AON Complex Order

An "AON complex order" is a complex order that is to be executed in its entirety or not at all. An AON complex order may only execute following a COA, and is not eligible to rest in the COB.

Book Only Complex Order

A "Book Only complex order" is a complex order the System ranks and executes pursuant to this Rule 21.20 or cancels or rejects, as applicable (in accordance with the User's instructions).

COA-Eligible and Do-Not-COA Order

Upon receipt of an IOC complex order, the System does not initiate a COA unless a User marked the order to initiate a COA, in which case the System cancels any unexecuted portion at the end of the COA. A Post Only complex order with any Time-in-Force does not initiate a COA, and if a User marks a Post Only complex order to initiate a COA, the System cancels that order. An incoming AON complex order initiates a COA, and if a User marks an AON complex order to not initiate a COA, or an AON complex order does not satisfy the COA eligibility criteria in subparagraph (d)(1) below, the System cancels the AON complex order. Upon receipt of a complex order with any other Time-in-Force (except OPG), the System initiates a COA unless a User marked the order to not initiate a COA. A buy (sell) complex order with User instructions to (or which default to) initiate a COA that is priced (A) equal to or lower (higher) than the SBO (SBB) (provided that if any of the bids or offers on the Simple Book that comprise the SBO (SBB) is represented by a Priority Customer Order, the order must be priced at least $0.01 lower (higher) than the SBO (SBB)) and (B) lower (higher) than the price of sell (buy) complex orders resting at the top of the COB is a "COA-eligible order." A complex order with User instructions not to (or which default to not) initiate a COA (including a Post Only complex order) or that does not satisfy the COA-eligibility requirements in this paragraph (b) is a "do-not-COA order."

[(1)] **Complex Only Order[s.]**

A "Complex Only order" is a Day or IOC complex order a Market Maker may designate [orders]to execute only against complex orders in[to only check against] the COB and not Leg into the Simple Book. [Only a complex order with a Time in Force of DAY or IOC may be designated as Complex Only.] Unless designated as Complex Only, and for all other Times[ ]-in[ ]-Force and complex order origin codes, a complex order [will check]may execute against [both]complex orders in the COB and may Leg into the Simple Book.

[(2) COA-Eligible and Do Not COA Orders. Complex orders that are marked as IOC will, by default, not initiate a COA upon arrival, but a Member that submits an order marked IOC may elect to opt-in to initiating a COA and any quantity of the IOC order not executed will be cancelled at the end of the COA. Complex Orders that are marked Post Only with any Time in Force will, by default, not initiate a COA, and if a Member marks a Post Only complex order to initiate a COA, that order will be cancelled. An incoming AON complex order will initiate a COA, and if a Member marks an AON complex order to not initiate a COA, or an AON complex order does not satisfy the COA eligibility criteria in subparagraph (d)(1) below, the System cancels the AON complex order. All other Times in Force will by default initiate a COA, but a Member may elect to opt-out of initiating a COA. Orders with instructions to (or which default to) initiate a COA are referred to as COA-eligible orders, subject to the additional eligibility requirements set forth in this rule, while orders with instructions not to (or which default not to) initiate a COA, including orders that are marked Post Only, are referred to as do-not-COA orders.]

[(3)] **Complex Orders with [Match Trade Prevention]MTP Modifiers[.]**

[The System will support, when trading against other complex orders on the COB, complex orders with]Users may apply the following MTP Modifiers [defined in Rule 21.1(g)]to complex orders: MTP Cancel Newest, MTP Cancel Oldest, and MTP Cancel Both. If a complex order would execute against a complex order in the COB with an MTP Modifier and the same Unique Identifier, the System handles the complex orders with these MTP Modifiers as described in Rule 21.1(g). [When Legging]If a complex order with an MTP Modifier would Leg into the Simple Book[, a complex order with any MTP Modifier will be cancelled if it would] and execute against any leg on the Simple Book [that includes an order] with an MTP Modifier and the same Unique Identifier, the System cancels [as] the complex order.

[(4) Book Only Complex Order. A "Book Only complex order" is a complex order the System ranks and executes pursuant to this Rule 21.20 or cancels or rejects, as applicable (in accordance with the [Member's]User's instructions).]

[(5)] **Post Only Complex Order**[.]

A "Post Only complex order" is a complex order the System ranks and executes pursuant to this Rule 21.20 or cancels or rejects, as applicable (in accordance with the [Member's]User's instructions), except the order may not remove liquidity from the COB or the Simple Book. The System cancels or rejects a Post Only market complex order unless it is subject to the drill-through protection in Rule 21.17(b)[Interpretation and Policy .04(f) of this Rule 21.20].

RTH Only Complex Order

An "RTH Only" complex order is a complex order a User designates as eligible to trade only during RTH or not designated as All Sessions. An unexecuted RTH Only complex order with a Time-in-Force of GTC or GTD on the COB at the end of an RTH trading session remains on the COB and becomes eligible for execution during the RTH trading session on the following trading day (but not during the GTH trading session on the following trading day), subject to a User's instructions.

[(6)] **QCC with Stock Order[s.]**

A "QCC with Stock Order" is a [qualified contingent cross order]QCC Order (including a Complex QCC Order), as defined in Rule 21.1(d)(10), entered with a stock component to be electronically communicated by the Exchange to a designated broker-dealer for execution on behalf of the submitting User pursuant to subparagraph [(c)(7)](l)(3) below. QCC with Stock Orders are available to Users on a voluntary basis.

[(6) AON Complex Order. An "AON complex order" is a complex order that is to be executed in its entirety or not at all. An AON complex order may only execute following a COA, and is not eligible to rest in the COB.

(7) All Sessions Complex Order. An "All Sessions" complex order is a complex order a User designates as eligible to trade during both GTH and RTH. An unexecuted All Sessions complex order on the COB at the end of a GTH trading session remains on the COB and becomes eligible for execution during the RTH COB Opening Process or trading session on that same trading day, subject to a User's instructions.

(8) RTH Only Complex Order. An "RTH Only" complex order is a complex order a User designates as eligible to trade only during RTH or not designated as All Sessions. An unexecuted RTH Only complex order with a Time-in-Force of GTC or GTD on the COB at the end of an RTH trading session remains on the COB and becomes eligible for execution during the RTH trading session on the following trading day (but not during the GTH trading session on the following trading day), subject to a User's instructions.]

Stock-Option Orders

A "stock-option order" is the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of an option contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option leg(s) to the total number of units of the underlying stock or convertible security in the stock leg. Only those stock-option orders in the classes designated by the Exchange with no more than the applicable number of legs are eligible for processing. Stock-option orders execute in the same manner as other complex orders, except as otherwise specified in this Rule.

(c) *COB Opening Process (Including After a Trading Halt).* [Trading of Complex Orders. The Exchange will determine and communicate to Members via specifications and/or Regulatory Circular which complex order origin codes (i.e., non-broker-dealer customers, broker-dealers that are not Market Makers on an options exchange, and/or Market Makers on an options exchange) are eligible for entry onto the COB. Complex orders will be subject to all other Exchange Rules that pertain to orders submitted to the Exchange generally, unless otherwise provided in this Rule.

(1) Minimum Increments and Trade Prices.

(A) Bids and offers on complex orders may be expressed in $0.01 increments, and the component(s) of a complex order may be executed in $0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order.

(B) If any component of a complex strategy would be executed at a price that is equal to a Priority Customer bid or offer on the Simple Book, at least one other component of the complex strategy must trade at a price that is better than the corresponding BBO.

(C) A complex order will not be executed at a net price that would cause any component of the complex strategy to be executed:

(i) at a price of zero; or

(ii) ahead of a Priority Customer Order on the Simple Book without improving the BBO of at least one component of the complex strategy.

(2) Execution of Complex Orders.

(A) Complex Order Entry and Cancellation Before COB Opening Process, Including After a Halt.] The COB Opening Process [for the COB will operate]occurs at the beginning of each trading session and [upon re-opening] after a trading halt.

(1) [Members may submit complex orders to the Exchange as set forth in Rule 21.6(c), provided that complex orders will not participate in the Exchange's Opening Auction Process pursuant to Rule 21.7 but will instead be subject to the Opening Process for the COB as set forth in this Rule. Any complex orders designated for the Opening Process for the COB will be queued until the applicable trading session market open at which time they will be eligible to be executed in]*Complex Order Entry Period.* The System accepts complex orders for inclusion in the COB Opening Process at the times and in the manner set forth in Rules 21.6(b) and 21.7(b), except the Queuing Period for complex orders ends when the complex strategy opens. Complex orders entered during the Queuing Period are not eligible for execution until the initiation of the COB Opening Process[for the COB. The System queues a Member's open complex orders during a halt, unless the Member entered instructions to cancel its open complex orders upon a halt, until the halt has ended, at which time they will be eligible to be executed in the Opening Process for the COB]. Beginning at 7:30 a.m. and updated every five seconds thereafter until the initiation of the COB Opening Process, the Exchange disseminates indicative prices and order imbalance information [associated with the Opening Process for the COB will be disseminated by the Exchange through data feeds described in Rule 21.15 while complex orders are queued prior to the trading session market open or, in the case of a halt, prior to re-opening]based on complex orders queued in the System for the COB Opening Process.

(2) *Initiation of COB Opening Process.* The System initiates the COB Opening Process for a complex strategy after a number of seconds (which number the Exchange determines) after all legs of the strategy in the Simple Book are open for trading. All complex orders the System receives prior to opening a complex strategy as set forth in this subparagraph (2) (including any delay applied by the Exchange pursuant to this subparagraph (2) and subparagraph (C) below) are eligible to be matched in the COB Opening Process pursuant to this subparagraph (2) and not during the opening auction process described in Rule 21.7.

[(B) Opening and Re-opening of the COB for Trading. Complex orders do not participate in the Opening Process for the individual option series conducted pursuant to Rule 21.7. The Opening Process will commence when all legs of the complex strategy are open on the Simple Book. If there are complex orders in a strategy that have been queued but none that can match, the System will open that strategy without a trade and transition such orders to the COB, subject to Legging into the Simple Book (as described in subparagraph (c)(2)(F) below).]

[(C) Determining the Equilibrium Price.](A) *COB Opening Price.* If there are matching complex orders [that can match]in a complex strategy, the System [will] determines the [equilibrium]COB opening price, which is the price at which [where] the most complex orders can trade. If there are multiple price levels that would result in the same number of [strategies]complex orders executed, the System [will] chooses the price that would result in the smallest remaining imbalance as the COB opening price. If there are multiple price levels that would result in the same number of [strategies]complex orders executed and [would leave] the same "smallest" imbalance, the System [will] chooses the price [that is] closest to the [Volume Based Tie Breaker ("VBTB") as the opening price. For purposes of this subparagraph (C), the VBTB is the] midpoint of the (i) SNBBO or (ii) if there is no SNBBO available,[. If there is no valid VBTB available, the System will use the midpoint of] the highest and lowest potential opening prices as the COB opening price. If the midpoint price would result in an invalid increment, the System [will] rounds the COB opening price up to the nearest permissible increment[and use that as the opening price]. If [executing at the equilibrium price]the COB opening price would require printing at the same price as a Priority Customer on any leg in the Simple Book, the System [will] adjusts the [equilibrium price]the COB opening price to a price that is better than the corresponding bid or offer in the marketplace by at least a $0.01 increment.

[(D) Execution and](B) *Transition to Regular Trading.* [When an equilibrium price is established at or within the SNBBO]After the System determines a COB opening price, the System[Exchange will] executes matching complex orders in price/time priority at the [equilibrium price]COB opening price (i.e., orders better than the [equilibrium]COB opening price are executed first in price/time priority and thereafter orders at the [equilibrium]COB opening price are executed in time priority). [Any]The System enters any remaining complex orders (or [the remaining]unexecuted portions) [thereof will be entered] into the COB, subject to the [Member's]User's instructions.

(C) *No Matching Complex Orders or No Valid COB Opening Price.* If there are no matching complex orders in a complex strategy, the System opens the complex strategy without a trade. If[,] after [a configurable time period established by the Exchange]an Exchange-established period of time that may not exceed [thirty (]30[)] seconds, the System cannot match orders because (i) the System [it] cannot determine [an equilibrium]a COB opening price (*i.e.*, all queued orders are Market Orders) or (ii) the COB opening price is outside the SNBBO[an acceptable equilibrium price (i.e., within the SNBBO that also satisfies paragraph (c)(1)(C) above)], the System [will] opens the complex strategy without a trade. In both cases, the System enters any orders in the complex strategy in [and transition such orders to] the COB (in time priority), except it Legs any complex orders it can into the Simple Book (as described below). [All complex orders received by the Exchange prior to the Exchange opening the strategy in this fashion, including complex orders received during any delay applied by the Exchange pursuant to this paragraph (c)(2)(D), will be eligible to be matched in the Opening Process.]

[(E) Prices for Complex Strategy Executions. Incoming complex orders will be executed by the System in accordance with the provisions set forth herein, and will not be executed at prices inferior to the SBBO or at a price that is equal to the SBBO when there is a Priority Customer Order at the best SBBO price; however, AON complex orders may only execute at prices better than the SBBO. Complex orders will never be executed at a price that is outside of the individual component prices on the Simple Book, and the net price of a complex order executed against another complex order on the COB will never be inferior to the price that would be available if the complex order legged into the Simple Book. Incoming complex orders that could not be executed because the executions would be priced (i) outside of the SBBO, or (ii) equal to the SBBO when there is a Priority Customer Order at the best SBBO price, will be cancelled if such complex orders are not eligible to be placed on the COB. Complex orders will be executed without consideration of any prices for the complex strategy that might be available on other exchanges trading the same complex strategy provided, however, that such complex order price may be subject to the Drill-Through Price Protection described in Interpretation and Policy .04(f) of this Rule.

(F) Legging. Complex orders up to a maximum number of legs (determined by the Exchange on a class-by-class basis as either two, three, or four legs and communicated to Members via specifications and/or Regulatory Circular) may be automatically executed against bids and offers on the Simple Book for the individual legs of the complex order ("Legging"), provided the complex order can be executed in full or in a permissible ratio by such bids and offers. Complex orders with two option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts may only trade against other complex orders on the COB and will not be permitted to leg into the Simple Book. Notwithstanding the foregoing, all two leg COA-eligible Customer complex orders will be allowed to leg into the Simple Book without restriction. Complex orders with three or four option legs where all legs are buying or all legs are selling may only trade against other complex orders on the COB and will not leg into the Simple Book, regardless of whether the option leg is a call or a put. Complex orders marked Post Only and AON complex orders may not Leg into the Simple Book.

(G) Evaluation. The System will evaluate complex orders initially once all components of the complex strategy are open as described in subparagraph (c)(2)(B)-(D) above, upon receipt as described in subparagraph (c)(5)(A) below, and continually as described in subparagraph (c)(5)(B) below. The evaluation process for complex orders is used to determine:

(i) their eligibility to initiate, or to participate in, a COA as described in subparagraph (d)(1) below;

(ii) their eligibility to participate in the managed interest process as described in subparagraph (c)(4) below;

(iii) their eligibility for full or partial execution against a complex order resting on the COB or through Legging into the Simple Book (as described in subparagraph (c)(2)(F) above);

(iv) whether the complex order should be cancelled; and

(v) whether the complex order or any remaining portion thereof should be placed or remain on the COB.

(3) Complex Order Priority.

(A) Notwithstanding the provisions of Rule 21.8, a complex order may be executed at a net credit or debit price against another complex order without giving priority to bids or offers established in the marketplace that are no better than the bids or offers comprising such net credit or debit; provided, however, that if any of the bids or offers established in the marketplace consist of a Priority Customer Order, at least one component of the complex strategy must trade at a price that is better than the corresponding BBO by at least a $0.01 increment.

(B) Complex orders will be automatically executed against bids and offers on the COB in price priority. Bids and offers at the same price on the COB will be executed in time priority. Complex orders that leg into the Simple Book (as described in subparagraph (c)(2)(F) above) will be executed in accordance with Rule 21.8.

(4) Managed Interest Process for Complex Orders. Complex orders will not be routed outside of the Exchange regardless of prices displayed by away markets. The managed interest process is used to manage the prices at which a complex order that is not immediately executed upon entry is handled by the System, including how such an order is priced and re-priced on the COB. The managed interest process for complex orders will be based upon the SBBO.

(A) A complex order that is resting on the COB and is either a complex market order (as described in subparagraph (c)(6) below), or has a limit price that locks or crosses the current opposite side SBBO when the SBBO is the best price, may be subject to the managed interest process for complex orders as discussed herein. If the order is not a COA-eligible order, the System will first determine if the inbound complex order can be matched against other complex orders resting on the COB at a price that is at or inside the SBBO (provided there are no Priority Customer Orders on the Simple Book at that price). Second, the System will determine if the inbound complex order can be executed by Legging against individual orders resting on the Simple Book at the SBBO. A complex order subject to the managed interest process will never be executed at a price that is through the individual component prices on the Simple Book. The net price of a complex order subject to the managed interest process that is executed against another complex order on the COB will never be inferior to the price that would be available if the complex order legged into the Simple Book. When the opposite side SBBO includes a Priority Customer Order, the System will book and display such booked complex order on the COB at a price (the "book and display price") that is $0.01 away from the current opposite side SBBO. When the opposite side SBBO does not include a Priority Customer Order and is not available for execution in the ratio of such complex order, or cannot be executed through Legging with the Simple Book (as described in subparagraph (c)(2)(F) above), the System will place such complex order on the COB and display such booked complex order at a book and display price that will lock the current opposite side SBBO.

(B) Should the SBBO change, the complex order's book and display price will continuously re-price to the new SBBO until: (i) the complex order has been executed in its entirety; (ii) if not executed, the complex order's book and display price has reached its limit price or, in the case of a complex market order, the new SBBO, subject to any applicable price protections; (iii) the complex order has been partially executed and the remainder of the order's book and display price has reached its limit price or, in the case of a complex market order, the new SBBO, subject to any applicable price protections; or (iv) the complex order or any remaining portion of the complex order is cancelled. If the Exchange receives a new complex order for the complex strategy on the opposite side of the market from the managed complex order that can be executed, the System will immediately execute the remaining contracts from the managed complex order to the extent possible at the complex order's current book and display price. If unexecuted contracts remain from the complex order on the COB, the complex order's size will be revised and disseminated to reflect the complex order's remaining contracts at its current managed book and display price.

(C) The System will cancel or reject an incoming Post Only complex order if it locks or crosses a resting complex order in the COB or the then-current opposite side SBBO. The System cancels a resting Post Only complex limit order after evaluation pursuant to paragraph (c)(2)(G) above if the System determines the resting Post Only complex limit order locks or crosses the updated SBBO.

(5) Evaluation Process. The COB is evaluated upon receipt of a new complex order, and is evaluated continually thereafter by the System.

(A) Evaluation Upon Receipt During Regular Trading. After a complex strategy is open for trading, all new complex orders that are received for the complex strategy are evaluated upon arrival. The System will determine if such complex orders are COA-eligible orders, using the process and criteria described in subparagraph (d) below. The System will also evaluate:

(i) whether such complex orders are eligible for full or partial execution against a complex order resting on the COB;

(ii) whether such complex orders are eligible for full or partial execution through Legging with the Simple Book (as described in subparagraph (c)(2)(F) above);

(iii) whether all or any remaining portion of a complex order should be placed on the COB;

(iv) the eligibility of such complex orders (as applicable) to participate in the managed interest process as described in subparagraph (c)(4) above; and

(v) whether such complex orders should be cancelled.

(B) Continual Evaluation. The System will continue to evaluate complex orders on the COB. The System will also continue to evaluate:

(i) whether such complex orders are eligible for full or partial execution against a complex order resting on the COB;

(ii) whether such complex orders are eligible for full or partial execution through Legging with the Simple Book (as described in subparagraph (c)(2)(F) above);

(iii) whether all or any remaining portion of a complex order should be placed on the COB;

(iv) the eligibility of such complex orders (as applicable) to participate in the managed interest process as described in subparagraph (c)(4) above; and

(v) whether such complex orders should be cancelled.

The System will also continue to evaluate whether there is a trading halt affecting any component of a complex strategy, and, if so, the System will handle complex orders in the manner set forth in Interpretation and Policy .05 of this Rule.

(C) Complex Orders That Are COA-eligible. If the System determines that a complex order is a COA-eligible order, such complex order will be submitted into the COA process as described in subparagraph (d) below.

(D) Complex Orders That Are Not COA-eligible. If the System determines that a complex order is not a COA-eligible order, such complex order may be, as applicable:

(i) immediately matched and executed against a complex order resting on the COB;

(ii) executed against the individual components of the complex order on the Simple Book through Legging (as described in subparagraph (c)(2)(F) above);

(iii) placed on the COB and managed pursuant to the managed interest process as described in subparagraph (c)(4) above; or

(iv) cancelled by the System if the time-in-force of the complex order does not allow it to rest on the COB.

(6) Complex Market Orders. Complex orders may be submitted as market orders and may be designated as COA-eligible.

(A) Complex market orders designated as COA-eligible may initiate a COA upon arrival.

(B) Complex market orders not designated as COA-eligible will trade immediately with any contra-side complex orders, or against the individual legs, up to and including the SBBO, and if not fully executed due to applicable price protections, may be posted to the COB subject to the managed interest process described in subparagraph (c)(4) above, and the Evaluation Process described in subparagraph (c)(5) above.

(7) QCC with Stock Orders. The System processes QCC with Stock Orders as follows:

(A) Entry of QCC with Stock Order. When a User enters a QCC with Stock Order on the Exchange, it enters a QCC Order with a stock component (pursuant to Rule 21.10(d)(10)). When entering a QCC with Stock Order, the User must:

(i) include a net price for the stock and option components;

(ii) give up a Clearing Member in accordance with Rule 21.12; and

(iii) designate a specific broker-dealer to which the stock components will be communicated, which broker-dealer the Exchange must have identified as having connectivity to electronically communicate the stock components of QCC with Stock Orders to stock trading venues and with which the User must have entered into a brokerage agreement (the "designated broker-dealer"). The Exchange will have no financial arrangements with the broker-dealers it has identified with respect to communicating stock orders to them.

(B) Option Component.

(i) If the option component (i.e., the QCC Order) of a QCC with Stock Order can execute, the System executes it in accordance with Rule 21.8, but does not immediately send the User a trade execution report. The System then automatically communicates the stock component to the designated broker-dealer for execution at a stock trading venue.

(ii) If the option component of a QCC with Stock Order cannot execute, the System cancels the QCC with Stock Order, including both the stock and option components.

(C) Stock Component.

(i) If the System receives an execution report for the stock component of a QCC with Stock Order from the designated broker-dealer, the Exchange sends the User the trade execution report for the QCC with Stock Order, including execution information for both the stock and option components. The execution price of the buy (sell) stock leg of a QCC with Stock Order may be any price (including outside the NBBO for the stock leg), except the price must be permitted by Regulation SHO and the Limit Up-Limit Down Plan.

(ii) If the System receives a report from the designated broker-dealer that the stock component of a QCC with Stock Order cannot execute, the Exchange nullifies the option component trade and notifies the User of the reason for the nullification.]

(d) *Complex Order Auctions (COAs).* [Process. All option classes will be eligible to participate in a COA. Upon evaluation as set forth in subparagraph (c)(5) above, the Exchange may determine to automatically submit a COA-eligible order into a COA.

(1) COA-eligible order. A “COA-eligible order” means a complex order that, as determined by the Exchange, is eligible to initiate a COA based upon the Member’s instructions, the order’s marketability (i.e., if the price of such order is equal to or better than the current SBBO, subject to applicable restrictions when a Priority Customer Order comprises a portion of the SBBO) as determined by the Exchange, number of components, and complex order origin codes (i.e., non-broker-dealer customers, broker-dealers that are not market makers on an options exchange, and/or market makers on an options exchange as determined by the Exchange). An AON complex order that does not satisfy these eligibility criteria will be cancelled. Determinations by the Exchange with respect to COA eligibility will be communicated to Members via specifications and/or Regulatory Circular. In order to initiate a COA upon receipt, a COA-eligible order must be designated as such and must meet the criteria described in Interpretation and Policy .02 of this Rule. Complex orders processed through a COA may be executed without consideration to prices of the same complex interest that might be available on other exchanges. A COA will be allowed to occur at the same time as other COAs for the same complex strategy.

(2)] (1) *Commencement of COA.* Upon receipt of a COA-eligible order in any class, the [Exchange will begin]System initiates the COA process by sending a COA auction message[. The COA auction message will be sent] to all subscribers to the Exchange’s data feeds that deliver COA auction messages. [The]A COA auction message [will identify]identifies the COA auction ID, instrument ID (*i.e.*, complex strategy), origin code, quantity, and side of the market of the COA-eligible order. The Exchange may also determine to include the price in COA auction messages [and if it does so it will announce such determination in published specifications and/or a Regulatory Circular to Members. The price included in the COA auction message will be], which is (A) the limit order price, [unless the COA is initiated by a complex market order, in which case such price will be] (B) the SB[B]O (SBB) (if initiated by a buy (sell) market complex order), [subject to any applicable price protections] or (C) the drill-through price if the order is subject to the drill-through protection in Rule 21.17(b).

(2) *Concurrent COAs.* The System may initiate a COA in a complex strategy even though another COA in that complex strategy is ongoing.

> (A) If there are multiple COAs ongoing for a specific complex strategy, each COA concludes sequentially based on the time each COA commenced, unless terminated early pursuant to paragraph (d)(3) below. At the time each COA concludes, the System allocates the COA-eligible order pursuant to this Rule and takes into account all COA Responses for that COA, orders in the Simple Book, and unrelated complex orders on the COB at the time the COA concludes.
>
> (B) If there are multiple COAs ongoing for a specific complex strategy that are each terminated early pursuant to paragraph (d)(3) below, the System processes the COAs sequentially based on the order in which they commenced.
>
> (C) If a COA Response is not fully executed at the end of the identified COA to which the COA Response was submitted, the System cancels or rejects the COA Response (or unexecuted portion) at the conclusion of the specified COA.

(3) *Response Time Interval.* The "Response Time Interval" means the period of time during which Users may submit responses to the COA auction message [may be entered]("COA Responses"). The Exchange [will] determines the duration of the Response Time Interval, which [shall]may not exceed 500 milliseconds[, and will communicate it to Members via specifications and/or Regulatory Circular]. However, the Response Time Interval terminates prior to the end of that time duration:

> (A) when the System receives a non-COA-eligible order on the same side as the COA-eligible order that initiated the COA but with a price better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to subparagraph (5) below and posts the new order to the COB;
>
> (B) when the System receives an order in a leg of the complex order that would improve the SBBO on the same side as the COA-eligible order that initiated the COA to a price equal to or better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to subparagraph (5) below, posts the new order to the Simple Book, and updates the SBBO; or
>
> (C) if the System receives a Priority Customer Order that would join or improve the SBBO on the same side as the COA in progress to a price equal to or better than the COA price, in which case the System terminates the COA and processes the COA-

eligible order pursuant to subparagraph (5) below, posts the new order to the Simple Book, and updates the SBBO.

(4) *COA Responses*. [Members may submit a response to the COA auction message (a "COA Response") during the Response Time Interval. COA Responses can be submitted by a Member with any origin code, including Priority Customer. COA Responses may be submitted]The System accepts a COA Response(s) with any origin code in $0.01 increments during the Response Time Interval.

(A) A COA Response [and] must specify the price, size, side of the market (*i.e.*, a response to a buy COA as a sell or a response to a sell COA as a buy) and COA auction ID for the COA to which the [response is targeted]the User is submitting the COA Response.

(B) The System aggregates the size of COA Responses submitted at the same price for an EFID, and caps the size of the aggregated COA Responses at the size of the COA-eligible order.[Multiple COA Responses from the same Member may be submitted during the Response Time Interval.]

(C) During the Response Time Interval, COA Responses [represent non-firm interest that can be modified or withdrawn]are not firm, and Users can modify or withdraw them at any time prior to the end of the Response Time Interval, although [any modification to a COA Response other than a decrease of size will result in]the System applies a new timestamp to any modified COA Response (unless the modification was to decrease its size), which results in [and a] loss of priority. The Exchange does not display COA Responses[will not be displayed by the Exchange]. At the end of the Response Time Interval, COA Responses are firm (*i.e.*, guaranteed at their price and size).

(D) A COA Response may only execute against the COA-eligible order for the COA to which a User submitted the COA Response. The System cancels or rejects any unexecuted [Any] COA Responses (or unexecuted portions) at the conclusion of the COA [not executed in full will expire at the end of the COA]. [Any COA Responses not executable based on the price of the COA will be cancelled immediately.]

(5) *Processing of COA-[e]Eligible [o]Orders.*

(A) At the end of the Response Time Interval, the System executes a COA-eligible order[s may be executed] (in whole or in part)[. COA-eligible orders will be executed] against [the best priced] contra side interest in price priority. If there is contra side interest at the same price, the System allocates the contra side interest as follows: [as described in subparagraphs (6) and (7) below.]

(i) Priority Customer Orders resting on the Simple Book for the individual leg components of the complex order through Legging (subject to paragraph (g)) in time priority;

(ii) COA Responses and unrelated orders on the COB in time priority; and

(iii) remaining orders in the Simple Book for the individual leg components of the complex order through Legging (subject to paragraph (g)), which the System allocates in accordance with Rule 21.8.

Notwithstanding the foregoing, at the conclusion of a COA of an AON complex order, the AON complex order may only execute against COA Responses and unrelated orders on the COB in price-time priority if there is sufficient size to satisfy the AON complex order (and may not execute against orders in the Simple Book). If there is insufficient size to satisfy the AON complex order, the System cancels the order.

(B) [Any unexecuted portion of a]The System enters any COA-eligible order (or unexecuted portion) that does not execute [remaining] at the end of the [Response Time Interval will be placed on]COA into the COB (if eligible to rest), and applies a timestamp based on the time it enters the COB. The System cancels or rejects any COA-eligible order (or unexecuted portion) that does not execute at the end of the COA if not eligible for entry into the COB or in accordance with the User's instructions. Complex orders resting on the COB may execute pursuant to paragraph (e) following evaluation pursuant to paragraph (i) and remain on the COB until they execute or are cancelled or rejected [and ranked pursuant to subparagraph (c)(3) above or cancelled, if IOC].

[(C) Notwithstanding the foregoing in this subparagraph (d)(5), the COA will terminate:

(i) upon receipt of a new non-COA-eligible order on the same side as the COA but with a better price, in which case the COA will be processed and the new order will be posted to the COB;

(ii) if an order is received that would improve the SBBO on the same side as the COA in progress to a price better than the auction price, in which case the COA will be processed, the new order will be posted to the Simple Book and the SBBO will be updated; or

(iii) if a Priority Customer Order is received that would join or improve the SBBO on the same side as the COA in progress to a price equal to or better than the auction price, in which case the COA will be processed, the new order will be posted to the Simple Book and the SBBO will be updated.

(6) COA Pricing. A complex strategy will not be executed at a net price that would cause any component of the complex strategy to be executed: (A) at a price of zero: or (B) ahead of a Priority Customer Order on the Simple Book without improving the BBO on at least one component of the complex strategy by at least $.01. At the conclusion of the Response Time Interval, COA-eligible orders will be allocated pursuant to subparagraph (7) below.

An AON complex order may only execute following a COA at a price that improves the then-current SBBO.

(7) Allocation at the Conclusion of a COA. Orders executed in a COA will be allocated first in price priority based on their original limit price as follows:

(A) Priority Customer Orders resting on the Simple Book;

(B) COA Responses and unrelated orders on the COB in time priority; and

(C) Remaining individual orders in the Simple Book (i.e., non-Priority Customer), which will be allocated pursuant to Rule 21.8.

Notwithstanding the foregoing, at the conclusion of a COA of an AON complex order, the AON complex order may only execute against COA Responses and unrelated orders on the COB in price-time priority if there is sufficient size to satisfy the AON complex order (and may not execute against orders in the Simple Book). If there is insufficient size to satisfy the AON complex order, the System cancels the order.]

(e) *Processing of Do-Not-COA Orders/Orders Resting on the COB.* Upon receipt of a do-not-COA order, or if the System determines an order resting on the COB is eligible for execution following evaluation pursuant to paragraph (i), the System executes it (in whole or in part) against contra side interest in price priority. If there is contra side interest at the same price, the System allocates the contra side interest as follows:

(1) Priority Customer Orders resting on the Simple Book for the individual leg components of the complex order through Legging (subject to paragraph (g)) in time priority;

(2) unrelated orders on the COB in time priority; and

(3) remaining orders in the Simple Book for the individual leg components of the complex order through Legging (subject to paragraph (g)), which the System allocates in accordance with Rule 21.8.

The System enters any do-not-COA order (or unexecuted portion) that does not execute against the individual leg markets or complex orders into the COB (if eligible to rest), and applies a timestamp based on the time it enters the COB. The System cancels or rejects any complex order (or unexecuted portion) that would execute at a price outside of the SBBO or equal to the SBBO when there is a Priority Customer Order at the SBBO and the complex order is not eligible for entry into the COB, that is otherwise not eligible for entry into the COB, or in accordance with the User's instructions. Complex orders resting on the COB may execute pursuant to this paragraph (e) following evaluation pursuant to paragraph (i) and remain on the COB until they execute or are cancelled or rejected.

(f) *Minimum Increments and Execution Prices.*

(1) *Minimum Increments.*

(A) *Complex Orders.* The minimum increment for bids and offers on a complex order is $0.01, and the components of a complex order may be executed in $0.01 increments, regardless of the minimum increments otherwise applicable to the individual components of the complex order.

(B) *Stock-Option Orders.* Users may express bids and offers for a stock-option order (including a QCC with Stock Order) in any decimal price the Exchange determines. The option leg(s) of a stock-option order may be executed in $0.01 increments, regardless of the minimum increments otherwise applicable to the option leg(s), and the stock leg of a stock-option order may be executed in any decimal price permitted in the equity market.

(2) *Execution Prices and Complex Order Priority.*

(A) *Complex Orders.* The System does not execute a complex order pursuant to this Rule 21.20 at a net price (i) that would cause any component of the complex strategy to be executed at a price of zero; (ii) worse than the SBBO or equal to the SBBO when there is a Priority Customer Order at the SBBO, except AON complex orders may only execute at prices better than the SBBO; (iii) that would cause any component of the complex strategy to be executed at a price worse than the individual component prices on the Simple Book; (iv) worse than the price that would be available if the complex order Legged into the Simple Book; or (v) that would cause any component of the complex strategy to be executed at a price ahead of a Priority Customer Order on the Simple Book without improving the BBO of at least one component of the complex strategy.

(B) *Stock-Option Orders.* For a stock-option order with one option leg, the option leg may not trade at a price worse than the individual component price on the Simple Book or at the same price as a Priority Customer Order on the Simple Book. For a stock-option order with more than one option leg, the option legs must trade at prices pursuant subparagraph (A) above. A stock-option order may only execute if the stock leg is executable at the price(s) necessary to achieve the desired net price. The System executes the buy (sell) stock leg of a stock-option order pursuant to Rule 21.20 up to a buffer amount above (below) the NBO (NBB) for the stock leg. The execution price of the buy (sell) stock leg of a QCC with Stock Order may be any price (including outside the NBBO for the stock leg), except the price must be permitted by Regulation SHO and the Limit Up-Limit Down Plan.

(3) *Other Exchanges.* The System executes complex orders without consideration of any prices for the complex strategy that might be available on other exchanges trading the same complex strategy; provided, however, that such complex order price may be subject to the drill-through price protection described in Rule 21.17(b).

(g) *Legging Restrictions*. A complex order may execute against orders and quotes in the Simple Book pursuant to subparagraphs (d)(5)(A) and (e) if it can execute in full or in a permissible ratio and if it has no more than a maximum number of legs (which the Exchange determines on a class-by-class basis and may be two, three, or four) ("Legging"), subject to the following restrictions:

(1) All two leg COA-eligible Customer complex orders may Leg into the Simple Book without restriction.

(2) Complex orders for any other Capacity with two option legs that are both buy or both sell and that are both calls or both puts may not Leg into the Simple Book. These orders may execute against other complex orders in the COB.

(3) All complex orders with three or four option legs that are all buy or all sell (regardless of whether the option legs are calls or puts) may not Leg into the Simple Book. These orders may execute against other complex orders in the COB.

(4) Post Only complex orders and AON complex orders may not Leg into the Simple Book.

(5) Stock-option orders may not Leg into the Simple Book and may only execute against other stock-option orders.

(h) *Additional Complex Order Handling*. Processing and execution of complex orders pursuant to this Rule 21.20 (including pursuant to paragraphs (d) and (e), and following evaluation pursuant to paragraph (i)) are subject to the following:

(1) A complex market order or limit order with a price that locks or crosses the then-current opposite side SBBO and does not execute because the SBBO is the best price but not available for execution (because it does not satisfy the complex order ratio or the complex order cannot Leg into the Simple Book) enters the COB with a book and display price that (A) is $0.01 away from the current opposite side SBBO if the opposite side SBBO is represented by a Priority Customer Order or (B) locks the current opposite side SBBO. If the SBBO changes, the System continuously reprices the book and display price of the complex order (or unexecuted portion) based on the new SBBO (up to the limit price, if it is a limit order), subject to the drill-through price protection described in Rule 21.17(b) until:

(A) the complex order has been executed in its entirety; or

(B) the complex order (or unexecuted portion) of the complex order is cancelled or rejected.

(2) The System cancels or rejects an incoming Post Only complex order if it locks or crosses a resting complex order in the COB or the then-current opposite side SBBO. The System cancels a resting Post Only complex limit order after evaluation pursuant to paragraph (i) below if the System determines the resting Post Only complex limit order locks or crosses the updated SBBO.

(3) If there is a zero NBO for any leg, the System replaces the zero with a price $0.01 above the NBB to calculate the SNBBO, and complex orders with any buy legs do not Leg into the

Simple Book. If there is a zero NBB, the System replaces the zero with a price of $0.01, and complex orders with any sell legs do not Leg into the Simple Book. If there is a zero NBB and zero NBO, the System replaces the zero NBB with a price of $0.01 and replaces the zero NBO with a price of $0.02, and complex orders do not Leg into the Simple Book.

(i) *Evaluation.* The System evaluates an incoming complex order upon receipt or after the open of trading to determine whether it is a COA-eligible order or a do-not-COA order and thus whether it should be processed pursuant to paragraph (d) or (e), respectively, or cancelled. The System re-evaluates a complex order resting on the COB (including an order (or unexecuted portion) that did not execute pursuant to paragraph (d) or (e) upon initial receipt):

(1) at time the COB opens;

(2) following a halt; and

(3) during the trading day when the leg market price or quantity changes to determine whether the complex order:

(A) can execute (pursuant to paragraph (e));

(B) should be repriced (pursuant to paragraph (h));

(C) should remain resting on the COB; or

(D) should be cancelled.

([8]j) *[Effect of] Limit Up-Limit Down State.* [Consistent with Rule 21.1(d)(5), t]

(1) The System [will]cancels or rejects a complex market order it receives[d] when the underlying security is subject to a Limit State or Straddle [s]State, as such terms are defined in the Limit Up-Limit Down Plan.

(2) If during a COA of a market order the underlying security [of a COA-eligible order that is a market order] enters a Limit State or Straddle State, the System terminates the COA [will end early] without trading and cancels or rejects all COA Responses[will be cancelled].

(3) The Exchange only executes the stock leg of a stock-option order at a price permissible under the Limit Up-Limit Down Plan. If a stock-option order cannot execute, the System calculates the SBBO or SNBBO with a price for the stock leg that would be permissible under that Plan, and posts the stock-option order on the COB at that price (if eligible to rest), subject to a User's instructions.

([9]k) [Effect of] *Trading Halts.*

[If, during a COA, the underlying security and/or any component of a COA-eligible order is subject to a trading halt, the COA will be handled as set forth in Interpretation and Policy .05 of this Rule.]

(1) *Halts During Regular Trading.* If a trading halt exists for the underlying security or a component of a complex strategy, trading in the complex strategy will be suspended, and the System queues a User's complex orders unless the User instructed the Exchange to cancel its complex orders upon a trading halt. The COB will remain available for Users to enter and manage complex orders. Incoming complex orders that could otherwise execute or initiate a COA in the absence of a halt will be placed on the COB. Incoming complex orders with a time in force of IOC will be cancelled.

(2) *Halts During a COA.* If, during a COA, any component(s) and/or the underlying security of a COA-eligible order is halted, the COA ends early without trading, and the System cancels or rejects all COA Responses. The System enters remaining complex orders on the COB (if eligible to rest) or cancels complex orders that are not eligible to rest on the COB.

(3) *Resumption of Trading Following a Halt.* When trading in the halted component(s) and/or underlying security of the complex order resumes, the System re-opens the COB pursuant to paragraph (c) above. The System queues any complex orders designated for a re-opening following a halt until the halt has ended, at which time they are eligible for execution in the Opening Process.

(l) *Stock-Option Orders.* Stock-option orders execute in the same manner as other complex orders pursuant to this Rule, except as follows:

(1) *Designated Broker-Dealer.* When a User submits to the System a stock-option order, it must designate a specific broker-dealer with which it has entered into a brokerage agreement pursuant to Interpretation and Policy .03 of this Rule (the "designated broker-dealer") to which the Exchange will electronically communicate the stock component of the stock-option order on behalf of the User.

(2) *Execution.* A stock-option order may execute against other stock-option orders (or COA Responses, if applicable), but may not execute against orders in the Simple Book. A stock-option order may only execute if the price complies with subparagraph (f)(2)(B) above.

(A) *Execution of Option Component.* If a stock-option order can execute upon entry or following a COA, or if it can execute following evaluation while resting in the COB pursuant to paragraph (i), the System executes the option component (which may consist of one or more option legs) of a stock-option order against the option component of other stock-option orders resting in the COB or COA responses (in time priority), as applicable, but does not immediately send the User a trade execution report, and then automatically communicates the stock component to the designated broker-dealer for execution at a stock trading venue.

(B) *Execution of Stock Component.* If the System receives an execution report for the stock component from the designated broker-dealer, the Exchange sends the User the trade execution report for the stock-option order, including execution information for the stock and option components. If the System receives a report from the designated broker-dealer that the stock component cannot execute, the

Exchange nullifies the option component trade and notifies the User of the reason for the nullification.

If a stock-option order is not marketable, it rests in the COB (if eligible to rest), subject to a User's instructions.

(3) *QCC with Stock Orders.* The System processes QCC with Stock Orders as follows:

(A) *Entry of QCC with Stock Order.* When a User submits a QCC with Stock Order to the System, it enters a QCC Order (which may be a Complex QCC Order) pursuant to Rule 21.1(d)(10) with a stock component (pursuant to this Rule 21.20). When entering a QCC with Stock Order, the User must: (i) include a net price for the stock and option components in accordance with the minimum increments for stock-option orders set forth in paragraph (f) above, and (ii) identify the designated broker-dealer as set forth in subparagraph (l)(2) above.

(B) *Execution of Option Component.* If the option component (*i.e.*, the QCC Order or Complex QCC Order) of a QCC with Stock Order can execute, the System executes it in accordance with Rule 21.1(d)(10), but does not immediately send the User a trade execution report, and automatically communicates the stock component to the designated broker-dealer for execution at a stock trading venue. If the option component(s) of a QCC with Stock Order cannot execute, the System cancels the QCC with Stock Order, including both the stock and option components.

(C) *Execution of Stock Component.* If the System receives an execution report for the stock component of a QCC with Stock Order from the designated broker-dealer, the Exchange sends the User the trade execution report for the QCC with Stock order, including execution information for both the stock and option components. If the System receives a report from the designated broker-dealer that the stock component of a QCC with Stock Order cannot execute, the Exchange nullifies the option component trade and notifies the User of the reason for the nullification.

(4) *Regulation SHO.*

(A) If a User submits to the System a stock-option order with a stock leg to sell, the User must mark the stock leg "long," "short," or "short exempt" in compliance with Regulation SHO under the Exchange Act.

(B) The Exchange only executes the stock leg of a stock-option order at a price permissible under Regulation SHO. If a stock-option order cannot execute, the System calculates the SBBO or SNBBO with a price for the stock leg that would be permissible under Regulation SHO, and posts the stock-option order on the COB at that price (if eligible to rest), subject to a User's instructions.

Interpretations and Policies:

.01. No change.

.02. [COA Eligibility.

Upon receipt of a complex order that is designated as a COA-eligible order when the complex strategy is open, the System will determine whether the order is qualified to initiate a COA. If a COA-eligible order is priced equal to, or improves, the SBBO and is also priced to improve other complex orders resting at the top of the COB, the complex order will be eligible to initiate a COA, provided that if any of the bids or offers on the Simple Book that comprise the SBBO consists of a Priority Customer Order, the COA will only be initiated if it will trade at a price that is better than the corresponding bid or offer by at least a $0.01 increment.

Pursuant to this Rule, a COA will be allowed to commence even to the extent a COA for the same complex strategy is already underway. To the extent there is more than one COA for a specific complex strategy underway at a time, each COA will conclude sequentially based on the exact time each COA commenced, unless terminated early pursuant to paragraph (d)(5)(C) of this Rule. At the time each COA concludes, such COA will be allocated pursuant to this Rule and will take into account all COA Responses and unrelated complex orders on the COB at the exact time of conclusion. In the event there are multiple COAs underway that are each terminated early pursuant to paragraph (d)(5)(C) of this Rule, the COAs will be processed sequentially based on the order in which they commenced. Because a COA Response must specifically identify the COA for which it is targeted, and if not fully executed will be cancelled back at the conclusion of the COA, COA Responses will only be considered in the specified COA.]

.03.] *Dissemination of COA Information.* Dissemination of information related to COA-eligible orders by the submitting [Member]User to third parties will be deemed conduct inconsistent with just and equitable principles of trade as described in Rule 3.1.

.03 *Stock-Option Orders.* A User may only submit a stock-option order (including a QCC with Stock Order) if it complies with the Qualified Contingent Trade Exemption ("QCT Exemption") from Rule 611(a) of Regulation NMS. A User submitting a stock-option order represents that it complies with the QCT Exemption. To submit a stock-option order to the Exchange for execution, a User must enter into a brokerage agreement with one or more broker-dealers that are not affiliated with the Exchange, which broker-dealer(s) the Exchange has identified as having connectivity to electronically communicate the stock components of stock-option orders to stock trading venues.

[.04. Price and Other Protections

(a) Definitions. For purposes of this Interpretation and Policy .04:

(1) Vertical Spread. A "vertical" spread is a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with the same expiration date but different exercise prices.

(2) Butterfly Spread. A "butterfly" spread is a three-legged complex order with two legs to buy (sell) the same number of calls (puts) and one leg to sell (buy) twice as many calls (puts), all with the same expiration date but different exercise prices, and the exercise price of the middle leg is between the exercise prices of the other legs. If the exercise price of the

middle leg is halfway between the exercise prices of the other legs, it is a "true" butterfly; otherwise, it is a "skewed" butterfly.

(3) Box Spread. A "box" spread is a four-legged complex order with one leg to buy calls and one leg to sell puts with one strike price, and one leg to sell calls and one leg to buy puts with another strike price, all of which have the same expiration date and are for the same number of contracts.

(b) Credit-to-Debit Parameters: Market orders that would be executed at a net debit price after receiving a partial execution at a net credit price will be cancelled.

(c) Debit/Credit Price Reasonability Checks.

(1) To the extent a price check parameter is applicable, the Exchange will not accept a complex order that is a limit order for a debit strategy with a net credit price that exceeds a pre-set buffer, a limit order for a credit strategy with a net debit price that exceeds a pre-set buffer, or a market order for a credit strategy that would be executed at a net debit price that exceeds a pre-set buffer. The Exchange will determine these pre-set buffer amounts and communicate them to Members via specifications and/or Regulatory Circular.

(2) The System defines a complex order as a debit or credit as follows:

(A) a call butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is greater than or equal to the sum of the exercise prices of the buy (sell) legs is a debit (credit);

(B) a put butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is less than or equal to the sum of the exercise prices of the buy (sell) legs is a debit (credit); and

(C) an order for which all pairs and loners are debits (credits) is a debit (credit). For purposes of this check, a "pair" is a pair of legs in an order for which both legs are calls or both legs are puts, one leg is a buy and one leg is a sell, and both legs have the same expiration date but different exercise prices or, for all options except European-style index options, the same exercise price but different expiration dates. A "loner" is any leg in an order that the System cannot pair with another leg in the order (including legs in orders for European-style index options that have the same exercise price but different expiration dates).

(i) The System first pairs legs to the extent possible within each expiration date, pairing one leg with the leg that has the next highest exercise price.

(ii) The System then, for all options except European-style index options, pairs legs to the extent possible with the same exercise prices across expiration dates, pairing one leg with the leg that has the next nearest expiration date.

(iii) A pair of calls is a credit (debit) if the exercise price of the buy (sell) leg is higher than the exercise price of the sell (buy) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the pair has the same exercise price).

(iv) A pair of puts is a credit (debit) if the exercise price of the sell (buy) leg is higher than the exercise price of the buy (sell) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the pair has the same exercise price).

(v) A loner to buy is a debit, and a loner to sell is a credit.

The System does not apply the check in subparagraph (1) to an order for which the System cannot define whether it is a debit or credit.

(3) The System rejects or cancels back to the Member any limit order or market order (or any remaining size after partial execution of the order), that does not satisfy this check.

(4) This check applies to auction responses in the same manner as it does to orders.

(d) Buy Strategy Parameters. The System will reject a limit order where all the components of the strategy are to buy and the order is priced at zero, any net credit price that exceeds a pre-set buffer, or a net debit price that is less than the number of individual option series legs in the strategy (or applicable ratio) multiplied by the applicable minimum net price increment for the complex order.

(e) Maximum Value Acceptable Price Range: The System will reject an order that is a vertical, true butterfly or box spread, or a limit order or market order if it would execute at a price that is outside of an acceptable price range. The acceptable price range is set by the minimum and maximum possible value of the spread, subject to an additional buffer amount determined by the Exchange and communicated to Members via specifications and/or a Regulatory Circular:

(1) The maximum possible value of a vertical, true butterfly and box spread is the difference between the exercise prices of (A) the two legs; (B) the middle leg and the legs on either side; and (C) each pair of legs, respectively.

(2) The minimum possible value of the spread is zero.

(f) Drill-Through Price Protection. The Drill-Through Price Protection feature is a price protection mechanism applicable to all complex orders under which a buy (sell) order will not be executed at a price that is higher (lower) than the SNBBO or the SNBBO at the time of order entry plus (minus) a buffer amount (the "Drill-Through Price"). The Exchange will adopt a default buffer amount for the Drill-Through Price Protection and will publish this amount in publicly available specifications and/or a Regulatory Circular. A Member may modify the buffer amount applicable to Drill-Through Price Protections to either a larger or smaller amount than the Exchange default. If a buy (sell) order would execute or post to the COB at a price higher (lower) than the Drill-Through Price, the System will instead post the order to the COB at the Drill-Through Price, unless the terms of the order instruct otherwise. Any order (or unexecuted portion thereof) will rest in the COB (based on the time at which it enters the book for priority purposes) for a time period in milliseconds that may not exceed three seconds (which the Exchange will determine and communicate to Members via specifications and/or Regulatory Circular) with a price equal to the Drill-Through Price. If the order (or unexecuted portion thereof) does not execute during that time period, the System will cancel it.

.05 Trading Halts

(a) Halts During Regular Trading. If a trading halt exists for the underlying security or a component of a complex strategy, trading in the complex strategy will be suspended. The System queues a Member's open complex orders during a halt, unless the Member entered instructions to cancel its open complex orders upon a halt, for participation in the re-opening of the COB as set forth in paragraph (c) below. The COB will remain available for Members to enter and manage complex orders. Incoming complex orders that could otherwise execute or initiate a COA in the absence of a halt will be placed on the COB. Incoming complex orders with a time in force of IOC will be cancelled.

(b) Halts During a COA. If, during a COA, any component(s) and/or the underlying security of a COA-eligible order is halted, the COA will end early without trading and all COA Responses will be cancelled. Remaining complex orders will be placed on the COB if eligible, or cancelled.

(c) Resumption of Trading Following a Halt. When trading in the halted component(s) and/or underlying security of the complex order resumes, the System will evaluate and re-open the COB pursuant to subparagraphs (c)(2)(B)-(D) above.

.06. Other Risk Protection for Complex Orders

(a) Fat Finger Price Protection. The Exchange defines a price range outside of which a complex limit order will not be accepted by the System. The price range is a number defined by the Exchange and communicated to Members via specifications and/or Regulatory Circular. A Member may also establish a more aggressive or restrictive value than the Exchange default. The default price range for Fat Finger Price Protection will be greater than or equal to a price through the SNBBO for the complex strategy to be determined by the Exchange and communicated to Members via specifications and/or Regulatory Circular. A complex limit order to sell will not be accepted at a price that is lower than the SNBBO bid, and a complex limit order to buy will not be accepted at a price that is higher than the SNBBO offer, by more than the Exchange defined or Member established price range. A complex limit order that is priced through this range will be rejected.

(b) Complex Order Size Protections. The System will prevent certain complex orders from executing or being placed on the COB if the size of the complex order exceeds the complex order size protection designated by the Member. If the maximum size of complex orders is not designated by the Member, the Exchange will set a maximum size of complex orders on behalf of the Member by default. Members may designate the complex order size protection on a firm wide basis. The default maximum size for complex orders will be determined by the Exchange and communicated to Members via specifications and/or Regulatory Circular.

(c) The protections set forth in this Interpretation and Policy .06 will be available for complex orders as determined by the Exchange and communicated to Members via specifications and/or Regulatory Circular.]

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