

OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 13

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

File No. * SR - 2016 - * 024

Amendment No. (req. for Amendments *) 2

Filing by Chicago Board Options Exchange

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

Initial *

☐

Amendment *

☒

Withdrawal

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Section 19(b)(2) *

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Section 19(b)(3)(A) *

☐

Section 19(b)(3)(B) *

☐

Rule

Pilot

☐

Extension of Time Period
for Commission Action *

☐

Date Expires *

☐ 19b-4(f)(1)

☐ 19b-4(f)(2)

☐ 19b-4(f)(3)

☐ 19b-4(f)(4)

☐ 19b-4(f)(5)

☐ 19b-4(f)(6)

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

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

Section 806(e)(1) *

☐

Section 806(e)(2) *

☐

Section 3C(b)(2) *

☐

Exhibit 2 Sent As Paper Document

☐

Exhibit 3 Sent As Paper Document

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Description

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

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 * William

Last Name * Wallenstein

Title * Senior Counsel / Assistant Secretary

E-mail * wallenstein@cboe.com

Telephone * (312) 786-8716

Fax

(312) 786-7919

Signature

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

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

(Title *)

Date 04/04/2016

By William P. Wallenstein

(Name *)

Senior Counsel / Assistant Secretary

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.

Persona Not Validated - 1431530525801,

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549	
For complete Form 19b-4 instructions please refer to the EFFF website.	
<div>Form 19b-4 Information *</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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.
<div>Exhibit 1 - Notice of Proposed Rule Change *</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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)
<div>Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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)
<div>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</div> <div><div>Add</div><div>Remove</div><div>View</div></div> <div>Exhibit Sent As Paper Document <input type="checkbox"/></div>	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.
<div>Exhibit 3 - Form, Report, or Questionnaire</div> <div><div>Add</div><div>Remove</div><div>View</div></div> <div>Exhibit Sent As Paper Document <input type="checkbox"/></div>	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.
<div>Exhibit 4 - Marked Copies</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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.
<div>Exhibit 5 - Proposed Rule Text</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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.
<div>Partial Amendment</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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.

PARTIAL AMENDMENT

Chicago Board Options Exchange, Incorporated (“CBOE” or the “Exchange”) submits this Amendment, constituting Amendment No. 2, to rule filing SR-CBOE-2016-024 in which the Exchange proposes to adopt proposes to amend Rule 6.74A (Automated Improvement Mechanism (“AIM”)) to clarify how orders submitted for electronic crossing into the AIM auction are treated if an auction cannot occur, to adopt Interpretation and Policy .09 to Rule 6.74A (AIM Retained Order Functionality) to describe the Exchange’s AIM Retained Order (“A:AIR”) functionality in the Rules, and make minor edits to Interpretation and Policy .08 to Rule 6.53C (Price Check Parameters) relating to the treatment of complex AIM orders marked A:AIR and correct certain typographical errors.

The purpose of this Amendment No. 2 is to amend the proposed rule text of Interpretation and Policy .08 to Rule 6.53C in Exhibit 5 regarding A:AIR orders to include references to the appropriate Rule (i.e. Rule 6.74A) when referring to proposed Interpretation and Policy .09 to Rule 6.74A and correct numbering errors in the rule text of Interpretation and Policy .08 to Rule 6.53C in Exhibit 5 to Amendment No. 1. This Amendment 2 replaces and supersedes Amendment No. 1.

The Exchange proposes to add the language “to Rule 6.74A” to final sentences of proposed paragraphs (d) and (f) of Interpretation and Policy .08 to Rule 6.53C on pages 23 and 24 of Exhibit 5 as follows:

(d) Buy-Buy (Sell-Sell) Strategy Parameters: A limit order where (1) all the components of the strategy are to buy and the order is priced at zero, any net credit price, 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; or (2) all the components of the strategy are to sell and the order is priced at zero, any net debit price, or a net credit 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. Such complex orders under this paragraph (d) will not be accepted. In classes where this price check parameter is available, it will also be available for stock-option orders (and the minimum net price increment calculation above will only apply to the individual option series legs). In addition, in classes where this price check parameter is available, it will also be available for COA responses under Rule 6.53C(d), AIM and Solicitation Auction Mechanism complex orders and responses under Rule 6.74A and 6.74B, customer-to-customer immediate cross complex orders under Rule 6.74A.08, and qualified contingent cross orders under Rule 6.53(u). Such paired complex orders and responses under these provisions will not be accepted except that, to the extent that only a paired contra-side order subject to an auction under Rule 6.74A or 6.74B exceeds this price check parameter, the contra-side order will not be accepted and the paired original Agency Order will not be accepted or, at the order entry firm's discretion (i.e. an AIM Retained ("A:AIR") order, as defined in Interpretation and Policy .09 to Rule 6.74A), continue processing as an unpaired complex order.

* * * * *

(f) Stock-Option Derived Net Market Parameters: A stock-option order that is marketable if, following COA, the execution would not be within the acceptable derived net market for the strategy that existed at the start of COA.

(1) An "acceptable derived net market" for a strategy will be calculated using the Exchange's best bid or offer in the individual option series leg(s) and the NBBO in the stock leg plus/minus an acceptable tick distance. An "acceptable tick distance" will be determined by the Exchange on a class-by-class and premium basis.

(2) Such a stock-option order will route via the order handling system pursuant to Rule 6.12.

In classes where this price check parameter is available, it will also be available for COA responses under Rule 6.53C(d), AIM and Solicitation Auction Mechanism stock-option orders and responses under Rule 6.74A and 6.74B, and customer-to-customer immediate cross stock-option orders under Rule 6.74A.08. Under these provisions, such paired stock-option orders and responses will not be accepted except that, to the extent that only a paired contra-side order subject to an auction under Rule 6.74A or 6.74B exceeds this price check parameter, the contra-side order will not be accepted and the paired original Agency Order will not be accepted or, at the order entry firm's discretion (i.e. an AIM Retained ("A:AIR") order, as defined in Interpretation and Policy .09 to Rule 6.74A), continue processing as an unpaired stock-option order. To the extent that a contra-

side order or response is marketable, its price will be capped at the price inside the acceptable derived net market.

* * * * *

EXHIBIT 4

(additions are underlined; deletions are [bracketed])

* * * * *

**Chicago Board Options Exchange, Incorporated
Rules**

* * * * *

CHAPTER I Definitions

Rule 6.53C. Complex Orders on the Hybrid System

(a) – (d) No change.

... Interpretations and Policies:

.01 - .07 No change.

.08 Price Check Parameters: On a class-by-class basis, the Exchange may determine (and announce to the Trading Permit Holders via Regulatory Circular) which of the following price check parameters will apply to eligible complex orders. Paragraphs (b) and (e) will not be applicable to stock-option orders.

For purposes of this Interpretation and Policy .08:

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.

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.

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.

To the extent a price check parameter is applicable, the Exchange will not automatically execute an eligible complex order that is:

(a) – (b) No change.

(c) Debit/Credit Price Reasonability Checks:

(1) – (4) No change.

(5) This check applies to pairs of orders submitted to AIM, SAM or as a QCC order.
If the System rejects either order in the pair pursuant to this check, then the

System also cancels the paired order. Notwithstanding the foregoing, with respect to an AIM Retained (“A:AIR”) order as defined in Interpretation and Policy .09 to Rule 6.74A [that instructs the System to process the agency order as an unpaired order if an AIM auction cannot be initiated], if the System rejects the [a]Agency [o]Order pursuant to this check, then the System also rejects the contra-side order; however, if the System rejects the contra-side order pursuant to this check, the System still accepts the [a]Agency [o]Order if it satisfies the check.

(6) No change.

(d) Buy-Buy (Sell-Sell) Strategy Parameters: A limit order where (1) all the components of the strategy are to buy and the order is priced at zero, any net credit price, 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; or (2) all the components of the strategy are to sell and the order is priced at zero, any net debit price, or a net credit 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. Such complex orders under this paragraph (d) will not be accepted. In classes where this price check parameter is available, it will also be available for stock-option orders (and the minimum net price increment calculation above will only apply to the individual option series legs). In addition, in classes where this price check parameter is available, it will also be available for COA responses under Rule 6.53C(d), AIM and Solicitation Auction Mechanism complex orders and responses under Rule 6.74A and 6.74B, customer-to-customer immediate cross complex orders under Rule 6.74A.08, and qualified contingent cross orders under Rule 6.53(u). Such paired complex orders and responses under these provisions will not be accepted except that, to the extent that only a paired contra-side order subject to an auction under Rule 6.74A or 6.74B exceeds this price check parameter, the contra-side order will not be accepted and the paired original Agency Order will not be accepted or, at the order entry firm's discretion (i.e. an AIM Retained (“A:AIR”) order, as defined in Interpretation and Policy .09 to Rule 6.74A), continue processing as an unpaired complex order.

(e) No change.

(f) Stock-Option Derived Net Market Parameters: A stock-option order that is marketable if, following COA, the execution would not be within the acceptable derived net market for the strategy that existed at the start of COA.

(1) An “acceptable derived net market” for a strategy will be calculated using the Exchange’s best bid or offer in the individual option series leg(s) and the NBBO in the stock leg plus/minus an acceptable tick distance. An “acceptable tick distance” will be determined by the Exchange on a class-by-class and premium basis.

(2) Such a stock-option order will route via the order handling system pursuant to Rule 6.12.

In classes where this price check parameter is available, it will also be available for COA responses under Rule 6.53C(d), AIM and Solicitation Auction Mechanism stock-option orders and responses under Rule 6.74A and 6.74B, and customer-to-

customer immediate cross stock-option orders under Rule 6.74A.08. Under these provisions, such paired stock-option orders and responses will not be accepted except that, to the extent that only a paired contra-side order subject to an auction under Rule 6.74A or 6.74B exceeds this price check parameter, the contra-side order will not be accepted and the paired original Agency Order will not be accepted or, at the order entry firm's discretion (i.e. an AIM Retained ("A:AIR") order, as defined in Interpretation and Policy .09 to Rule 6.74A), continue processing as an unpaired stock-option order. To the extent that a contra-side order or response is marketable, its price will be capped at the price inside the acceptable derived net market.

- (g) Maximum Value Acceptable Price Range: If an order is a vertical, true butterfly or box spread, a limit order for a net credit or debit price, or a market order for a debit strategy if it would execute at a net debit price, that is outside of an acceptable price range.

(1) – (3) No change.

- (4) This check applies to pairs of orders submitted to AIM, SAM or as a QCC order. If the System rejects either order in the pair pursuant to this check, then the System also cancels the paired order. Notwithstanding the foregoing, with respect to an AIM Retained ("A:AIR") order as defined in Interpretation and Policy .09 to Rule 6.74A [that instructs the System to process the agency order as an unpaired order if an AIM auction cannot be initiated], if the System rejects the [a]Agency [o]Order pursuant to this check, then the System also rejects the contra-side order; however, if the System rejects the contra-side order pursuant to this check, the System still accepts the [a]Agency [o]Order if it satisfies the check.

* * * * *

Rule 6.74A. Automated Improvement Mechanism ("AIM")

Notwithstanding the provisions of Rule 6.74, a Trading Permit Holder that represents agency orders may electronically execute an order it represents as agent ("Agency Order") against principal interest or against a solicited order provided it submits the Agency Order for electronic execution into the AIM auction ("Auction") pursuant to this Rule.

- (a) Auction Eligibility Requirements. A Trading Permit Holder (the "Initiating Trading Permit Holder") may initiate an Auction provided all of the following are met:
 - (1) the Agency Order is in a class designated as eligible for AIM Auctions as determined by the Exchange and within the designated Auction order eligibility size parameters as such size parameters are determined by the Exchange;
 - (2) if the Agency Order is for 50 standard option contracts or 500 mini-option contracts or more, the Initiating Trading Permit Holder must stop the entire Agency Order as principal or with a solicited order at the better of the NBBO or the Agency Order's limit price (if the order is a limit order);
 - (3) if the Agency Order is for less than 50 standard option contracts or 500 mini-option contracts, the Initiating Trading Permit Holder must stop the entire Agency Order as principal or with a solicited order at the better of (A) the NBBO price

improved by one minimum price improvement increment, which increment shall be determined by the Exchange but may not be smaller than one cent; or (B) the Agency Order's limit price (if the order is a limit order); and

- (4) during Regular Trading Hours, at least three (3) Market-Makers are quoting in the relevant series.

In the event that a Trading Permit Holder submits a matched Agency Order for electronic execution into the Auction that is ineligible for processing because it does not meet the conditions described in paragraph (a), both the Agency Order and any solicited contra orders will be cancelled unless marked as an AIM Retained order pursuant to Interpretation and Policy .09 of this Rule.

(b) No change.

... Interpretations and Policies:

.01 – .08 No change.

.09 AIM Retained Order Functionality. An AIM Retained (“A:AIR”) order is the transmission of two or more orders for crossing pursuant to Rule 6.74A, with the Agency Order priced at the market or a limit price that is in the standard increment for the option series and marked with a contingency instruction to route the Agency Order for processing and cancel any contra orders if an Auction cannot occur (including if the conditions described in Rule 6.74A(a) are not met). Orders marked “A:AIR” with Agency Orders that are not priced at the market or that are priced with a limit price not in the standard increment for the option series in which they are entered will be cancelled. A:AIR order functionality will be made available on those order management platforms as determined by the Exchange and announced via Regulatory Circular.

* * * * *

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

**Chicago Board Options Exchange, Incorporated
Rules**

* * * * *

Rule 6.53C. Complex Orders on the Hybrid System

(a) – (d) No change.

... Interpretations and Policies:

.01 - .07 No change.

.08 Price Check Parameters: On a class-by-class basis, the Exchange may determine (and announce to the Trading Permit Holders via Regulatory Circular) which of the following price check parameters will apply to eligible complex orders. Paragraphs (b) and (e) will not be applicable to stock-option orders.

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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.

To the extent a price check parameter is applicable, the Exchange will not automatically execute an eligible complex order that is:

(a) – (b) No change.

(c) Debit/Credit Price Reasonability Checks:

(1) – (4) No change.

(5) This check applies to pairs of orders submitted to AIM, SAM or as a QCC order. If the System rejects either order in the pair pursuant to this check, then the System also cancels the paired order. Notwithstanding the foregoing, with respect to an AIM Retained (“A:AIR”) order as defined in Interpretation and Policy .09 to

Rule 6.74A [that instructs the System to process the agency order as an unpaired order if an AIM auction cannot be initiated], if the System rejects the [a]Agency [o]Order pursuant to this check, then the System also rejects the contra-side order; however, if the System rejects the contra-side order pursuant to this check, the System still accepts the [a]Agency [o]Order if it satisfies the check.

(6) No change.

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- (1) – (3) No change.
- (4) This check applies to pairs of orders submitted to AIM, SAM or as a QCC order. If the System rejects either order in the pair pursuant to this check, then the System also cancels the paired order. Notwithstanding the foregoing, with respect to an AIM Retained ("A:AIR") order as defined in Interpretation and Policy .09 to Rule 6.74A [that instructs the System to process the agency order as an unpaired order if an AIM auction cannot be initiated], if the System rejects the [a]Agency [o]Order pursuant to this check, then the System also rejects the contra-side order; however, if the System rejects the contra-side order pursuant to this check, the System still accepts the [a]Agency [o]Order if it satisfies the check.

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Rule 6.74A. Automated Improvement Mechanism ("AIM")

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- (a) Auction Eligibility Requirements. A Trading Permit Holder (the "Initiating Trading Permit Holder") may initiate an Auction provided all of the following are met:
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 - (2) if the Agency Order is for 50 standard option contracts or 500 mini-option contracts or more, the Initiating Trading Permit Holder must stop the entire Agency Order as principal or with a solicited order at the better of the NBBO or the Agency Order's limit price (if the order is a limit order);
 - (3) if the Agency Order is for less than 50 standard option contracts or 500 mini-option contracts, the Initiating Trading Permit Holder must stop the entire Agency Order as principal or with a solicited order at the better of (A) the NBBO price improved by one minimum price improvement increment, which increment shall

be determined by the Exchange but may not be smaller than one cent; or (B) the Agency Order's limit price (if the order is a limit order); and

- (4) during Regular Trading Hours, at least three (3) Market-Makers are quoting in the relevant series.

In the event that a Trading Permit Holder submits a matched Agency Order for electronic execution into the Auction that is ineligible for processing because it does not meet the conditions described in paragraph (a), both the Agency Order and any solicited contra orders will be cancelled unless marked as an AIM Retained order pursuant to Interpretation and Policy .09 of this Rule.

(b) No change.

... Interpretations and Policies:

.01 – .08 No change.

.09 AIM Retained Order Functionality. An AIM Retained (“A:AIR”) order is the transmission of two or more orders for crossing pursuant to Rule 6.74A, with the Agency Order priced at the market or a limit price that is in the standard increment for the option series and marked with a contingency instruction to route the Agency Order for processing and cancel any contra orders if an Auction cannot occur (including if the conditions described in Rule 6.74A(a) are not met). Orders marked “A:AIR” with Agency Orders that are not priced at the market or that are priced with a limit price not in the standard increment for the option series in which they are entered will be cancelled. A:AIR order functionality will be made available on those order management platforms as determined by the Exchange and announced via Regulatory Circular.

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