

OMB APPROVAL

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Page 1 of * 33	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No. * SR - 2016 - * 034 Amendment No. (req. for Amendments *)
Filing by Chicago Board Options Exchange Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934		
Initial * <input checked="" type="checkbox"/> Amendment * <input type="checkbox"/> Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/> Section 19(b)(3)(A) * <input checked="" type="checkbox"/> Section 19(b)(3)(B) * <input type="checkbox"/>	Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input checked="" type="checkbox"/> 19b-4(f)(6)
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="checkbox"/> Date Expires *		
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/> Section 806(e)(2) * <input type="checkbox"/>		Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>
Exhibit 2 Sent As Paper Document <input checked="" type="checkbox"/>	Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>	
Description Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div style="border: 1px solid black; padding: 5px; min-height: 40px;"> Proposed rule change to amend Rule 6.47. </div>		
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 * Lead 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. <div style="text-align: right;">(Title *)</div> <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="width: 40%;"> Date 05/06/2016 By Kyle Edwards (Name *) </div> <div style="width: 55%;"> <div style="border: 1px solid black; padding: 5px; min-height: 40px;">Counsel</div> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> Persona Not Validated - 1461598306827, </div> </div> </div>		
NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.		

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549	
For complete Form 19b-4 instructions please refer to the EFFT 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.

Item 1. Text of the Proposed Rule Change

(a) Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) proposes to amend its rules related to split-price priority. The text of the proposed rule change is provided below and in Exhibit 1.

(additions are underlined; deletions are [bracketed])

* * * * *

**Chicago Board Options Exchange, Incorporated
Rules**

* * * * *

Rule 1.1. Definitions

When used in these Rules, unless the context otherwise requires:

(a) – (eee) No change.

Voluntary Professional

(fff) The term “Voluntary Professional” means any person or entity that is not a broker or dealer in securities that elects, in writing, to be treated in the same manner as a broker or dealer in securities for purposes of Rules 6.2A, 6.2B, 6.8C, 6.9, 6.13A, 6.13B, 6.25, 6.45, 6.45A (except for Interpretation and Policy .02), 6.45B (except for Interpretation and Policy .02), 6.47, 6.53C(c)(ii), 6.53C(d)(v), subparagraphs (b) and (c) under Interpretation and Policy .06 to Rule 6.53C, 6.74 (except Voluntary Professional orders may be considered public customer orders subject to facilitation under paragraphs (b) and (d)), 6.74A, 6.74B, 8.13, 8.15(d), 8.87, 24.19, 43.1, 44.4, 44.14, and for cancellation fee treatment. The Voluntary Professional designation is not available in Hybrid 3.0 classes.

Professional

(ggg) The term “Professional” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). A Professional will be treated in the same manner as a broker or dealer in securities for purposes of Rules 6.2A, 6.2B, 6.8C, 6.9, 6.13A, 6.13B, 6.25, 6.45, 6.45A (except for Interpretation and Policy .02), 6.45B (except for Interpretation and Policy .02), 6.47, 6.53C(c)(ii), 6.53C(d)(v), subparagraphs (b) and (c) under Interpretation and Policy .06 to Rule 6.53C, 6.74 (except Professional orders may be considered public customer orders subject to facilitation under paragraphs (b) and (d)), 6.74A, 6.74B, 8.13, 8.15(d), 8.87, 24.19, 43.1, 44.4, 44.14. The Professional designation is not available in Hybrid 3.0 classes. All Professional orders shall be marked with the appropriate origin code as determined by the Exchange.

... *Interpretations and Policies:*

.01 No change.

(hhh) – (sss) No change.

... *Interpretations and Policies:*

.01 – .05 No change.

* * * * *

Rule 6.47. Priority on Split-Price Transactions Occurring in Open Outcry

(a) [Purchase or sale]Split-Price [p]Priority. If an order or offer (bid) for any number of contracts of a series is represented to the crowd, a Trading Permit Holder that buys [purchases] (sells) one or more [option] contracts of that order or offer (bid)[a particular series] at one[a particular] price[or prices, he shall, at the next lower (higher) price at which a Trading Permit Holder other than the Order Book Official is bidding (offering),] will have priority [in] over all other orders and quotes, except public customer orders resting in the book, to buy [purchasing] (sell[ing]) up to the [equivalent]same number of [option] contracts of those remaining from the same order or offer (bid)[series that he purchased (sold)] at the next lower (higher[(lower)]) price[or prices, but only if his bid (offer) is made promptly and the purchase (sale) so effected represents the opposite side of a transaction with the same order or offer (bid) as the earlier purchase or purchases (sale or sales). This paragraph only applies to transactions effected in open outcry].

(b) [Purchase or sale]Split-Price [p]Priority for O[o]rders or Offers (Bids) of 100 or More [c]Contracts[or more]. If an order or offer (bid) of 100 or more contracts of a series is represented to the crowd, a Trading Permit Holder that buys[purchases] (sells) 50[fifty] or more of the [option] contracts of that order or offer (bid)[a particular series] at one[a particular] price [or prices, he shall, at the next lower (higher) price]will have priority [in]over all other orders and quotes to buy [purchasing] (sell[ing]) up to the [equivalent] same number of [option] contracts of those remaining from the same [series that he purchased (sold)]order or offer (bid) at the next lower (higher[(lower)]) price[or prices, but only if his bid (offer) is made promptly and the purchase (sale) so effected represents the opposite side of a transaction with the same order or offer (bid) as the earlier purchase or purchases (sale or sales)]. The Exchange may increase the [“]minimum qualifying [order] [size]” above] of 100 contracts on a class-by-class basis[.], [Announcements regarding]which changes [to the minimum qualifying order size shall be made]the Exchange will announce via Regulatory Circular.[This paragraph only applies to transactions effected in open outcry.]

(c) Two or [m]More Trading Permit Holders [e]Entitled to [p]Priority. If the bids or offers of two or more Trading Permit Holders are both entitled to split-price priority[in accordance with paragraph (a) or paragraph (b)], it [shall]will be afforded [them insofar as]to the extent practicable[,] on a pro-rata basis.

(d) Conditions. Split-price priority is subject to the following:

- (i) The priority is available for open outcry transactions only and does not apply to complex orders.
 - (ii) The Trading Permit Holder must make its bid (offer) at the next lower (higher) price for the second (or later) transaction at the same time as the first bid (offer) or promptly following execution of the first (or earlier) transaction.
 - (iii) The second (or later) purchase (sale) must represent the opposite side of a transaction with the same order or offer (bid) as the first (or earlier) purchase (sale).
- (e) Minimum Increment Width with Public Customer Orders Resting in the Book. If the width of the quote for a series is the minimum increment for that series, and both the bid and offer represent public customer orders resting in the book, split-price priority pursuant to this rule is not available to Trading Permit Holders until the public customer order(s) resting in the book on either side of the market trades.

... Interpretations and Policies:

.01 – .02 No change.

* * * * *

(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 April 4, 2016.

(b) Please refer questions and comments on the proposed rule change to Joanne Moffic-Silver, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7462, or Laura G. Dickman, (312) 786-7572, Chicago Board Options Exchange, Incorporated, 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

Rule 6.47 establishes priority principles for split-price transactions occurring in open outcry. Generally, a Trading Permit Holder that purchases (sells) one or more contracts of a series at a particular price will have priority over other Trading Permit Holders, other than those representing orders in the limit order book, in purchasing (selling) up to an equivalent number of contracts of the same order at the next lower (higher) price. For orders of 100 or more contracts, Trading Permit Holders that trade 50 or more contracts of such orders at a particular price will have this priority over all other Trading Permit Holders at the next best price, including those representing orders in the limit order book. This priority is awarded for split-price transactions that occur in open outcry only.

Minimum Increment Width Series

The Exchange proposes to add Rule 6.47(e) to codify an exception to the availability of split-price priority when the width of a series' quote is at the minimum increment width. If the width of the quote for a series is the minimum increment for that series (e.g., \$1.00 – \$1.05 for a series with a minimum increment of \$0.05, \$1.00 – \$1.01 for a series with a minimum increment of \$0.01), and both the bid and offer represent public customer orders resting in the book, split-price priority pursuant to this rule is not available to Trading Permit Holders until the public customer order(s) resting in the book on either side of the market trades.¹ This exception is consistent with the Exchange's allocation and

¹ This exception is currently set forth in Regulatory Circular RG07-076.

priority rules, which provide for public customer orders to have first priority at the best price in open outcry (subject to applicable exceptions).²

For example, assume the market for a series with a minimum increment of \$0.05 is \$1.00 – \$1.05 (with the \$1.00 bid and \$1.05 offer each representing a customer order for 25 contracts), and a Floor Broker receives an order from a customer that would like to buy 100 contracts at a price or prices no higher than \$1.05. The Floor Broker attempts to execute the order in open outcry at a price better than the displayed offer of \$1.05. Assume a Market-Maker is willing to sell 50 contracts at \$1.00 and 50 contracts at \$1.05. The “first transaction” of this split-price transaction would be 50 contracts at \$1.00. However, there is customer interest resting at \$1.00, which would have time priority to trade at \$1.00.³ Therefore, in this situation, if the Market-Maker wants to receive split-price priority at \$1.05, the Market-Maker would not be able to execute the first part of a split-price transaction with the order being represented by the Floor Broker until after the resting customer order at \$1.00 trades.

The proposed rule change provides that “either side of the market” must trade for split-price priority to become available. The rule provides that a Trading Permit Holder is eligible to receive split-price priority, which could include the Trading Permit Holder representing the order or offer (quote). Thus, the proposed rule change allows for the Trading Permit Holder on either side of a transaction to be eligible for split-price priority. Assume the market for a series with a minimum increment of \$0.05 is \$1.00 – \$1.05 (with the \$1.00 bid and \$1.05 offer each representing a customer order for 25 contracts), and a Floor Broker receives an order from a customer that would like to buy 100 contracts at a

² See Rules 6.45A(b)(i)(A) and 6.45B(b)(i)(A).

³ See id.

price or prices no higher than \$1.05. After receiving no interest from the crowd to sell 100 contracts at \$1.00, the Floor Broker represents to the crowd that it would like to buy 50 contracts at \$1.00 and 50 contracts at \$1.05. Assume a Market-Maker is willing to sell 50 contracts at \$1.00 and 50 contracts at \$1.05. In a separate transaction, the public customer order at \$1.05 trades against an order of another market participant. The “first transaction” of this split-price transaction would be 50 contracts at \$1.05 (at which price there is no more resting public customer offer) and the “second transaction” of this split-price transaction would be 50 contracts at \$1.00, the next best price for the Floor Broker. In this situation, the Floor Broker is eligible to receive split-price priority at \$1.00 over the resting customer interest at \$1.00 and achieve a better net price execution of \$1.025 for its customer order.

Other than the limited exception to customer priority afforded in Rule 6.47(b) (and as elsewhere set forth in the rules),⁴ public customer orders continue to have first priority and other allocation and priority rules remain unchanged. The Exchange believes that specifying the unavailability of split-price priority in this specific situation will further clarify the applicability of the priority in the rules.

Multiple Prices

Rule 6.47(a) and (b) currently provides that split-price priority may apply to executions of an order at multiple prices. The proposed rule change removes the references to multiple prices from those paragraphs. The Exchange believes the priority should only apply at the next price level rather than multiple price levels.

⁴ For example, the rules provide for a complex order priority exception (see Rules 6.45(e), 6.45A(b)(ii) and 6.45B(b)(ii)).

Nonsubstantive Changes

The Exchange proposes to make the following nonsubstantive changes to Rule 6.47(a), (b) and (c):

- The proposed rule change amends the headings of and adds introductory language to paragraphs (a) and (b).
- The proposed rule change revises the language in paragraphs (a) and (b) to simplify the description of when the split-price priority applies to improve readability. The priority will still apply in the same manner – a Trading Permit Holder may buy (sell) one or more contracts for one series of an order or offer (bid) (the “first transaction”)⁵ and receive priority over all other orders and quotes (except public customer orders resting in the book with respect to orders or offers (bids) of fewer than 100 contracts or orders or offers (bids) with which Trading Permit Holders do not purchase (sell) at least 50 contracts at the better price) to buy (sell) up to the same number of contracts of those remaining from the same order or offer (bid) at the next best price (the “second transaction”). This second transaction must still occur with the same order or offer (quote) as the first transaction. For example, assume the market is \$1.00 – \$1.20 with size of 300 contracts, and a Floor Broker receives an order from a customer that would like to

⁵ The Exchange notes that the current rule contemplates that an order or quote can represent the series with which a Trading Permit Holder may transact to receive split-price priority. The current rule uses the phrase “contracts of a particular series,” which includes both orders and quotes, and indicates that the purchase (sale) effected represents the opposite side of a transaction with the “same order or offer (bid)” as the earlier purchase (sale), which again contemplates multiple transactions with a single originating order or quote. The proposed rule change makes clear throughout that an order or quote can comprise the originating contracts with which the crowd can trade to obtain split-price priority.

buy 500 contracts at a price or prices no higher than \$1.20. The Floor Broker attempts to execute the order in open outcry at a price better than the displayed offer of \$1.20. Now assume a Market-Maker in the crowd is willing to sell 250 contracts at \$1.15 and 250 contracts at \$1.20. The Market-Maker could offer \$1.15 for 250 contracts and then, by virtue of the split-price priority rule, have priority for the 250 contract balance over other crowd members at \$1.20. The resulting net execution price for the customer would be \$1.175, which is better than the displayed market of \$1.20 and thus a better fill for the customer.⁶

- Paragraph (a) currently provides that the Trading Permit Holder must yield to the Order Book Official. The proposed rule change amends the term Order Book Official to public customer. Other priority rules refer to “public customer” priority,⁷ and Rule 6.47(a) provides priority in the circumstances described except over public customer orders.⁸ Order Book Officials only present to the crowd public customer orders that rest in the book, so the priority afforded pursuant to paragraph (a) must still yield to the same public customer orders in the same manner. This change is merely an update to terminology, as public customer

⁶ While the net price result will be \$1.175, two separate trades at \$1.15 and \$1.20 would be reported.

⁷ See, e.g., Rules 6.45A(b)(i)(A) and 6.45B(b)(i)(A).

⁸ The proposed rule change amends Rule 1.1(ff) and (ggg) to add Rule 6.47 to the list of rules for which Voluntary Professionals and Professionals, respectively, will be treated in the same manner as a broker or dealer. Professionals and Voluntary Professionals do not receive priority as public customers do pursuant to CBOE’s allocation rules, including Rules 6.45A(b) and 6.45B(b) regarding open outcry trading. Under those rules, Professionals and Voluntary Professionals would not receive priority, including if public customer orders must be cleared prior to a Trading Permit Holder availing itself of split-price priority. The proposed rule change explicitly states this in the Professional and Voluntary Professional definitions.

orders may be presented to the floor other than by Order Book Officials.⁹ The Exchange believes it is appropriate to use the same terminology that is used in other priority rules to ensure consistency throughout the Exchange's rules and ensure that all public customer orders receive priority when applicable.

- Paragraphs (a) and (b) currently state that a Trading Permit Holder's bid (offer) at the next best price must be made promptly following the purchase (sale) at the initial price. The proposed rule change deletes that language from those paragraphs and adds it to new paragraph (d) to include with other conditions to which split-price priority is subject. In addition, the proposed rule change adds that the second bid (offer) may also be made at the same time as the first bid (offer). If a Trading Permit Holder makes the first bid (offer) with the intent of taking advantage of the split-price priority, then it may be more efficient for the Trading Permit Holder to announce both bids (offers) at the same time than to wait for the first execution.¹⁰ The Trading Permit Holder is still not guaranteed execution at the second price; another Trading Permit Holder may still bid (offer) to trade with part of the order or offer (quote) at the better first price.

- Paragraphs (a) and (b) currently state that they apply only to open outcry transactions. The proposed rule change deletes that language from those paragraphs and adds it to new paragraph (d) to include with other conditions to which split-price priority is subject. Paragraphs (a) and (b) also state that split-price priority applies to transactions in a particular series (i.e. simple orders, but

⁹ Additionally, the Exchange no longer has Order Book Officials.

¹⁰ For example, a Floor Broker may represent an order to sell at "\$1.15 and \$1.20 splits," indicating a desire to buy half of the order at \$1.15 and the other half at \$1.20 with priority at \$1.20.

not complex orders). The proposed rule change explicitly states the priority does not apply to complex orders in new paragraph (d).

- Paragraphs (a) and (b) currently state that the Trading Permit Holder eligible for split-price priority must make its bid (offer) promptly and the purchase (sale) represents the opposite side of a transaction with the same *order or offer (bid)*. The proposed rule change uses this phrase throughout the rule for consistency. The proposed rule change also deletes the provision that requires the subsequent transaction must be with the same order or offer (bid) from paragraphs (a) and (b) and adds it to new paragraph (d).
- The proposed rule change makes other administrative and clerical changes to paragraphs (a), (b) and (c) (e.g., capitalizing words in headings, changing the word purchase to buy, deletion of word option before contract since only option contracts execute on the Exchange). The Exchange believes these changes have no impact on the split-price priority afforded by the rule.
- The proposed rule change refers to the priority afforded by Rule 6.47(a) and (b) as “split-price priority” to further simplify the rule text.

The Exchange believes these nonsubstantive changes more clearly describe the applicability of the split-price priority and better reflect the use of split-price priority on the trading floor.

(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.¹¹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹² requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹³ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change is consistent with the purpose of the existing split-price priority, which is to induce Trading Permit Holders to bid (offer) at better prices for an order or offer (bid) that may require execution at multiple prices (such as larger orders), which will result in a better average price for the originating Trading Permit Holder (or its customer).

The proposed rule change to codify the split-price priority exception when the width of a series' quote is the minimum increment for that series and each side of the quote represents public customer interest will benefit investors by including all information regarding when split-price priority is available in a single rule. This proposed rule change is consistent with the Exchange's priority and allocation rules. The

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

¹³ Id.

Exchange believes the proposed rule change to codify this exception, as well as the proposed rule change to eliminate split-price priority at multiple price levels, balances the availability of split-price priority, which benefits investors by providing opportunities for price improvement, with customer priority, which promotes just and equitable principles of trade by providing public customers access to CBOE's market.

The proposed rule change to amend the definitions of Voluntary Professional and Professional clarify that, for purposes of Rule 6.47, as is the case for all other allocation rules, those participants will be treated as broker-dealers rather than public customers for allocation purposes. The same result occurs under current allocation rules, as those rules provide with respect to open outcry priority that public customers in the book receive priority (and the definitions of Voluntary Professional and Professional provide that those participants are treated as broker-dealers for purposes of those rules); this merely clarifies it in the Rules.

The Exchange believes the nonsubstantive changes to Rule 6.47 will benefit investors by describing the applicability of split-price priority more simply and clearly. The revised language is also more consistent with other Exchange rules regarding priority.

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

CBOE 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 priority afforded by Rules 6.47(a) and (b) continues to be available to all Trading Permit Holders who trade open outcry, of which all Trading Permit Holders that engage in open outcry trading may avail themselves. Rules often apply to open outcry trading only because of the different nature of the open outcry market versus the electronic

market (such as allocation rules). The proposed rule change may result in better pricing for customer orders submitted to the trading floor, particularly those that may require execution at multiple prices, and market participants may submit orders to CBOE to take advantage of these better prices. CBOE believes that the proposed rule change will continue to encourage Trading Permit Holders on CBOE's trading floor to bid or offer better prices, thus creating more opportunities for price improvement, which ultimately enhances competition. The nonsubstantive changes and codification of the applicability of split-price priority in a minimum width market do not impact the manner in which split-price priority applies and thus have no effect on competition.

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 Act¹⁴ and Rule 19b-4(f)(6)¹⁵ 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

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

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

The proposed rule changes are consistent with the purpose of split-price priority, which is to provide price improvement opportunities to customers, as well as current trading floor practices related to split-price priority. Ultimately, Trading Permit Holders may continue to avail themselves of split-price priority largely in the same manner they do today, except for the change to limit split-price priority to the next subsequent price level (although the Exchange understands it is not common practice for Trading Permit Holders to apply split-price priority at multiple price levels, even though the current rules permit this practice). The proposed rule change to codify the exception to the applicability of split-price priority when the width of a series’ quote is the minimum increment for that series and each side of the quote represents public customer interest, as well as the proposed rule change to eliminate split-price priority at multiple price levels, are consistent with the Exchange’s priority and allocation rules and balance the availability of split-price priority with the benefits of customer priority. The nonsubstantive changes do not impact the manner in which split-price priority applies and will benefit investors by describing the applicability of split-price priority more simply and clearly. The revised language is also more consistent with other Exchange rules regarding priority.

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.

(d) Not applicable.

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

The proposed rule change is not based on a rule either of another self-regulatory organization or of the Commission.

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

Not applicable.

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

Not applicable.

Item 11. Exhibits

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-CBOE-2016-034]

[Insert date]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Split-Price Priority

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], Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend its rules related to split-price priority. The text of the proposed rule change is provided below.

(additions are underlined; deletions are [bracketed])

* * * * *

¹ 15 U.S.C. 78s(b)(1).
² 17 CFR 240.19b-4.
³ 15 U.S.C. 78s(b)(3)(A)(iii).
⁴ 17 CFR 240.19b-4(f)(6).

Chicago Board Options Exchange, Incorporated Rules

* * * * *

Rule 1.1. Definitions

When used in these Rules, unless the context otherwise requires:

(a) – (eee) No change.

Voluntary Professional

(fff) The term “Voluntary Professional” means any person or entity that is not a broker or dealer in securities that elects, in writing, to be treated in the same manner as a broker or dealer in securities for purposes of Rules 6.2A, 6.2B, 6.8C, 6.9, 6.13A, 6.13B, 6.25, 6.45, 6.45A (except for Interpretation and Policy .02), 6.45B (except for Interpretation and Policy .02), 6.47, 6.53C(c)(ii), 6.53C(d)(v), subparagraphs (b) and (c) under Interpretation and Policy .06 to Rule 6.53C, 6.74 (except Voluntary Professional orders may be considered public customer orders subject to facilitation under paragraphs (b) and (d)), 6.74A, 6.74B, 8.13, 8.15(d), 8.87, 24.19, 43.1, 44.4, 44.14, and for cancellation fee treatment. The Voluntary Professional designation is not available in Hybrid 3.0 classes.

Professional

(ggg) The term “Professional” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). A Professional will be treated in the same manner as a broker or dealer in securities for purposes of Rules 6.2A, 6.2B, 6.8C, 6.9, 6.13A, 6.13B, 6.25, 6.45, 6.45A (except for Interpretation and Policy .02), 6.45B (except for Interpretation and Policy .02), 6.47, 6.53C(c)(ii), 6.53C(d)(v), subparagraphs (b) and (c) under Interpretation and Policy .06 to Rule 6.53C, 6.74 (except Professional orders may be considered public customer orders subject to facilitation under paragraphs (b) and (d)), 6.74A, 6.74B, 8.13, 8.15(d), 8.87, 24.19, 43.1, 44.4, 44.14. The Professional designation is not available in Hybrid 3.0 classes. All Professional orders shall be marked with the appropriate origin code as determined by the Exchange.

... Interpretations and Policies:

.01 No change.

(hhh) – (sss) No change.

... Interpretations and Policies:

.01 – .05 No change.

* * * * *

Rule 6.47. Priority on Split-Price Transactions Occurring in Open Outcry

(a) [Purchase or sale]Split-Price [p]Priority. If an order or offer (bid) for any number of contracts of a series is represented to the crowd, a Trading Permit Holder that buys [purchases] (sells) one or more [option]contracts of that order or offer (bid)[a particular series] at one[a particular] price[or prices, he shall, at the next lower (higher) price at which a Trading Permit Holder other than the Order Book Official is bidding (offering),] will have priority [in] over all other orders and quotes, except public customer orders resting in the book, to buy [purchasing](sell[ing]) up to the [equivalent]same number of [option] contracts of those remaining from the same order or offer (bid)[series that he purchased (sold)] at the next lower (higher[(lower)] price[or prices, but only if his bid (offer) is made promptly and the purchase (sale) so effected represents the opposite side of a transaction with the same order or offer (bid) as the earlier purchase or purchases (sale or sales). This paragraph only applies to transactions effected in open outcry].

(b) [Purchase or sale]Split-Price [p]Priority for O[or]ders or Offers (Bids) of 100 or More [c]Contracts[or more]. If an order or offer (bid) of 100 or more contracts of a series is represented to the crowd, a Trading Permit Holder that buys[purchases] (sells) 50[fifty] or more of the [option]contracts of that order or offer (bid)[a particular series] at one[a particular] price [or prices, he shall, at the next lower (higher) price]will have priority [in]over all other orders and quotes to buy [purchasing](sell[ing]) up to the [equivalent]same number of [option]contracts of those remaining from the same [series that he purchased (sold)]order or offer (bid) at the next lower (higher[(lower)] price[or prices, but only if his bid (offer) is made promptly and the purchase (sale) so effected represents the opposite side of a transaction with the same order or offer (bid) as the earlier purchase or purchases (sale or sales)]. The Exchange may increase the [“]minimum qualifying [order]size[” above]_of 100 contracts on a class-by-class basis[.], [Announcements regarding]which changes [to the minimum qualifying order size shall be made]the Exchange will announce via Regulatory Circular.[This paragraph only applies to transactions effected in open outcry.]

(c) Two or [m]More Trading Permit Holders [e]Entitled to [p]Priority. If the bids or offers of two or more Trading Permit Holders are both entitled to split-price priority[in accordance with paragraph (a) or paragraph (b)], it [shall]will be afforded [them insofar as]to the extent practicable[,] on a pro-rata basis.

(d) Conditions. Split-price priority is subject to the following:

(i) The priority is available for open outcry transactions only and does not apply to complex orders.

(ii) The Trading Permit Holder must make its bid (offer) at the next lower (higher) price for the second (or later) transaction at the same time as the first bid (offer) or promptly following execution of the first (or earlier) transaction.

(iii) The second (or later) purchase (sale) must represent the opposite side of a transaction with the same order or offer (bid) as the first (or earlier) purchase (sale).

(e) Minimum Increment Width with Public Customer Orders Resting in the Book. If the width of the quote for a series is the minimum increment for that series, and both the bid and offer represent public customer orders resting in the book, split-price priority pursuant to this rule is not available to Trading Permit Holders until the public customer order(s) resting in the book on either side of the market trades.

... Interpretations and Policies:

.01 – .02 No change.

* * * * *

The text of the proposed rule change is also available on the Exchange's website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), 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

Rule 6.47 establishes priority principles for split-price transactions occurring in open outcry. Generally, a Trading Permit Holder that purchases (sells) one or more contracts of a series at a particular price will have priority over other Trading Permit Holders, other than those representing orders in the limit order book, in purchasing (selling) up to an equivalent number of contracts of the same order at the next lower (higher) price. For orders of 100 or more contracts, Trading Permit Holders that trade 50

or more contracts of such orders at a particular price will have this priority over all other Trading Permit Holders at the next best price, including those representing orders in the limit order book. This priority is awarded for split-price transactions that occur in open outcry only.

Minimum Increment Width Series

The Exchange proposes to add Rule 6.47(e) to codify an exception to the availability of split-price priority when the width of a series' quote is at the minimum increment width. If the width of the quote for a series is the minimum increment for that series (e.g., \$1.00 – \$1.05 for a series with a minimum increment of \$0.05, \$1.00 – \$1.01 for a series with a minimum increment of \$0.01), and both the bid and offer represent public customer orders resting in the book, split-price priority pursuant to this rule is not available to Trading Permit Holders until the public customer order(s) resting in the book on either side of the market trades.⁵ This exception is consistent with the Exchange's allocation and priority rules, which provide for public customer orders to have first priority at the best price in open outcry (subject to applicable exceptions).⁶

For example, assume the market for a series with a minimum increment of \$0.05 is \$1.00 – \$1.05 (with the \$1.00 bid and \$1.05 offer each representing a customer order for 25 contracts), and a Floor Broker receives an order from a customer that would like to buy 100 contracts at a price or prices no higher than \$1.05. The Floor Broker attempts to execute the order in open outcry at a price better than the displayed offer of \$1.05. Assume a Market-Maker is willing to sell 50 contracts at \$1.00 and 50 contracts at \$1.05. The “first transaction” of this split-price transaction would be 50 contracts at \$1.00.

⁵ This exception is currently set forth in Regulatory Circular RG07-076.

⁶ See Rules 6.45A(b)(i)(A) and 6.45B(b)(i)(A).

However, there is customer interest resting at \$1.00, which would have time priority to trade at \$1.00.⁷ Therefore, in this situation, if the Market-Maker wants to receive split-price priority at \$1.05, the Market-Maker would not be able to execute the first part of a split-price transaction with the order being represented by the Floor Broker until after the resting customer order at \$1.00 trades.

The proposed rule change provides that “either side of the market” must trade for split-price priority to become available. The rule provides that a Trading Permit Holder is eligible to receive split-price priority, which could include the Trading Permit Holder representing the order or offer (quote). Thus, the proposed rule change allows for the Trading Permit Holder on either side of a transaction to be eligible for split-price priority. Assume the market for a series with a minimum increment of \$0.05 is \$1.00 – \$1.05 (with the \$1.00 bid and \$1.05 offer each representing a customer order for 25 contracts), and a Floor Broker receives an order from a customer that would like to buy 100 contracts at a price or prices no higher than \$1.05. After receiving no interest from the crowd to sell 100 contracts at \$1.00, the Floor Broker represents to the crowd that it would like to buy 50 contracts at \$1.00 and 50 contracts at \$1.05. Assume a Market-Maker is willing to sell 50 contracts at \$1.00 and 50 contracts at \$1.05. In a separate transaction, the public customer order at \$1.05 trades against an order of another market participant. The “first transaction” of this split-price transaction would be 50 contracts at \$1.05 (at which price there is no more resting public customer offer) and the “second transaction” of this split-price transaction would be 50 contracts at \$1.00, the next best price for the Floor Broker. In this situation, the Floor Broker is eligible to receive split-price priority at \$1.00 over

⁷See id.

the resting customer interest at \$1.00 and achieve a better net price execution of \$1.025 for its customer order.

Other than the limited exception to customer priority afforded in Rule 6.47(b) (and as elsewhere set forth in the rules),⁸ public customer orders continue to have first priority and other allocation and priority rules remain unchanged. The Exchange believes that specifying the unavailability of split-price priority in this specific situation will further clarify the applicability of the priority in the rules.

Multiple Prices

Rule 6.47(a) and (b) currently provides that split-price priority may apply to executions of an order at multiple prices. The proposed rule change removes the references to multiple prices from those paragraphs. The Exchange believes the priority should only apply at the next price level rather than multiple price levels.

Nonsubstantive Changes

The Exchange proposes to make the following nonsubstantive changes to Rule 6.47(a), (b) and (c):

- The proposed rule change amends the headings of and adds introductory language to paragraphs (a) and (b).
- The proposed rule change revises the language in paragraphs (a) and (b) to simplify the description of when the split-price priority applies to improve readability. The priority will still apply in the same manner – a Trading Permit Holder may buy (sell) one or more contracts for one series of an order or offer

⁸ For example, the rules provide for a complex order priority exception (see Rules 6.45(e), 6.45A(b)(ii) and 6.45B(b)(ii)).

(bid) (the “first transaction”)⁹ and receive priority over all other orders and quotes (except public customer orders resting in the book with respect to orders or offers (bids) of fewer than 100 contracts or orders or offers (bids) with which Trading Permit Holders do not purchase (sell) at least 50 contracts at the better price) to buy (sell) up to the same number of contracts of those remaining from the same order or offer (bid) at the next best price (the “second transaction”). This second transaction must still occur with the same order or offer (quote) as the first transaction. For example, assume the market is \$1.00 – \$1.20 with size of 300 contracts, and a Floor Broker receives an order from a customer that would like to buy 500 contracts at a price or prices no higher than \$1.20. The Floor Broker attempts to execute the order in open outcry at a price better than the displayed offer of \$1.20. Now assume a Market-Maker in the crowd is willing to sell 250 contracts at \$1.15 and 250 contracts at \$1.20. The Market-Maker could offer \$1.15 for 250 contracts and then, by virtue of the split-price priority rule, have priority for the 250 contract balance over other crowd members at \$1.20. The resulting net execution price for the customer would be \$1.175, which is better than the displayed market of \$1.20 and thus a better fill for the customer.¹⁰

⁹ The Exchange notes that the current rule contemplates that an order or quote can represent the series with which a Trading Permit Holder may transact to receive split-price priority. The current rule uses the phrase “contracts of a particular series,” which includes both orders and quotes, and indicates that the purchase (sale) effected represents the opposite side of a transaction with the “same order or offer (bid)” as the earlier purchase (sale), which again contemplates multiple transactions with a single originating order or quote. The proposed rule change makes clear throughout that an order or quote can comprise the originating contracts with which the crowd can trade to obtain split-price priority.

¹⁰ While the net price result will be \$1.175, two separate trades at \$1.15 and \$1.20 would be reported.

- Paragraph (a) currently provides that the Trading Permit Holder must yield to the Order Book Official. The proposed rule change amends the term Order Book Official to public customer. Other priority rules refer to “public customer” priority,¹¹ and Rule 6.47(a) provides priority in the circumstances described except over public customer orders.¹² Order Book Officials only present to the crowd public customer orders that rest in the book, so the priority afforded pursuant to paragraph (a) must still yield to the same public customer orders in the same manner. This change is merely an update to terminology, as public customer orders may be presented to the floor other than by Order Book Officials.¹³ The Exchange believes it is appropriate to use the same terminology that is used in other priority rules to ensure consistency throughout the Exchange’s rules and ensure that all public customer orders receive priority when applicable.
- Paragraphs (a) and (b) currently state that a Trading Permit Holder’s bid (offer) at the next best price must be made promptly following the purchase (sale) at the initial price. The proposed rule change deletes that language from those paragraphs and adds it to new paragraph (d) to include with other conditions to

¹¹ See, e.g., Rules 6.45A(b)(i)(A) and 6.45B(b)(i)(A).

¹² The proposed rule change amends Rule 1.1(ff) and (ggg) to add Rule 6.47 to the list of rules for which Voluntary Professionals and Professionals, respectively, will be treated in the same manner as a broker or dealer. Professionals and Voluntary Professionals do not receive priority as public customers do pursuant to CBOE’s allocation rules, including Rules 6.45A(b) and 6.45B(b) regarding open outcry trading. Under those rules, Professionals and Voluntary Professionals would not receive priority, including if public customer orders must be cleared prior to a Trading Permit Holder availing itself of split-price priority. The proposed rule change explicitly states this in the Professional and Voluntary Professional definitions.

¹³ Additionally, the Exchange no longer has Order Book Officials.

which split-price priority is subject. In addition, the proposed rule change adds that the second bid (offer) may also be made at the same time as the first bid (offer). If a Trading Permit Holder makes the first bid (offer) with the intent of taking advantage of the split-price priority, then it may be more efficient for the Trading Permit Holder to announce both bids (offers) at the same time than to wait for the first execution.¹⁴ The Trading Permit Holder is still not guaranteed execution at the second price; another Trading Permit Holder may still bid (offer) to trade with part of the order or offer (quote) at the better first price.

- Paragraphs (a) and (b) currently state that they apply only to open outcry transactions. The proposed rule change deletes that language from those paragraphs and adds it to new paragraph (d) to include with other conditions to which split-price priority is subject. Paragraphs (a) and (b) also state that split-price priority applies to transactions in a particular series (i.e. simple orders, but not complex orders). The proposed rule change explicitly states the priority does not apply to complex orders in new paragraph (d).
- Paragraphs (a) and (b) currently state that the Trading Permit Holder eligible for split-price priority must make its bid (offer) promptly and the purchase (sale) represents the opposite side of a transaction with the same *order or offer (bid)*. The proposed rule change uses this phrase throughout the rule for consistency. The proposed rule change also deletes the provision that requires the

¹⁴ For example, a Floor Broker may represent an order to sell at “\$1.15 and \$1.20 splits,” indicating a desire to buy half of the order at \$1.15 and the other half at \$1.20 with priority at \$1.20.

subsequent transaction must be with the same order or offer (bid) from paragraphs (a) and (b) and adds it to new paragraph (d).

- The proposed rule change makes other administrative and clerical changes to paragraphs (a), (b) and (c) (e.g., capitalizing words in headings, changing the word purchase to buy, deletion of word option before contract since only option contracts execute on the Exchange). The Exchange believes these changes have no impact on the split-price priority afforded by the rule.
- The proposed rule change refers to the priority afforded by Rule 6.47(a) and (b) as “split-price priority” to further simplify the rule text.

The Exchange believes these nonsubstantive changes more clearly describe the applicability of the split-price priority and better reflect the use of split-price priority on the trading floor.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹⁵ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁶ 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

¹⁵ 15 U.S.C. 78f(b).

¹⁶ 15 U.S.C. 78f(b)(5).

protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁷ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change is consistent with the purpose of the existing split-price priority, which is to induce Trading Permit Holders to bid (offer) at better prices for an order or offer (bid) that may require execution at multiple prices (such as larger orders), which will result in a better average price for the originating Trading Permit Holder (or its customer).

The proposed rule change to codify the split-price priority exception when the width of a series' quote is the minimum increment for that series and each side of the quote represents public customer interest will benefit investors by including all information regarding when split-price priority is available in a single rule. This proposed rule change is consistent with the Exchange's priority and allocation rules. The Exchange believes the proposed rule change to codify this exception, as well as the proposed rule change to eliminate split-price priority at multiple price levels, balances the availability of split-price priority, which benefits investors by providing opportunities for price improvement, with customer priority, which promotes just and equitable principles of trade by providing public customers access to CBOE's market.

The proposed rule change to amend the definitions of Voluntary Professional and Professional clarify that, for purposes of Rule 6.47, as is the case for all other allocation rules, those participants will be treated as broker-dealers rather than public customers for

¹⁷ Id.

allocation purposes. The same result occurs under current allocation rules, as those rules provide with respect to open outcry priority that public customers in the book receive priority (and the definitions of Voluntary Professional and Professional provide that those participants are treated as broker-dealers for purposes of those rules); this merely clarifies it in the Rules.

The Exchange believes the nonsubstantive changes to Rule 6.47 will benefit investors by describing the applicability of split-price priority more simply and clearly. The revised language is also more consistent with other Exchange rules regarding priority.

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

CBOE 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 priority afforded by Rules 6.47(a) and (b) continues to be available to all Trading Permit Holders who trade open outcry, of which all Trading Permit Holders that engage in open outcry trading may avail themselves. Rules often apply to open outcry trading only because of the different nature of the open outcry market versus the electronic market (such as allocation rules). The proposed rule change may result in better pricing for customer orders submitted to the trading floor, particularly those that may require execution at multiple prices, and market participants may submit orders to CBOE to take advantage of these better prices. CBOE believes that the proposed rule change will continue to encourage Trading Permit Holders on CBOE's trading floor to bid or offer better prices, thus creating more opportunities for price improvement, which ultimately enhances competition. The nonsubstantive changes and codification of the applicability

of split-price priority in a minimum width market do not impact the manner in which split-price priority applies and thus have no effect on competition.

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

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

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not:

- A. significantly affect the protection of investors or the public interest;
- B. impose any significant burden on competition; and
- C. become operative for 30 days from the date on which it was filed, or such

shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁸ and Rule 19b-4(f)(6)¹⁹ 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

¹⁸ 15 U.S.C. 78s(b)(3)(A).

¹⁹ 17 CFR 240.19b-4(f)(6).

the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2016-034 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-CBOE-2016-034. 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-CBOE-2016-034 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.²⁰

Secretary

²⁰ 17 CFR 200.30-3(a)(12).