

## OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

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| Page 1 of * 27   | SECURITIES AND EXCHANGE COMMISSION<br>WASHINGTON, D.C. 20549<br>Form 19b-4  | File No. * SR - 2016 - * 053<br>Amendment No. (req. for Amendments *) 1   |
| Filing by Chicago Board Options Exchange<br>Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934   |   |   |
| Initial * <input type="checkbox"/><br>Amendment * <input checked="" type="checkbox"/><br>Withdrawal <input type="checkbox"/>   | Section 19(b)(2) * <input checked="" type="checkbox"/><br>Section 19(b)(3)(A) * <input type="checkbox"/><br>Section 19(b)(3)(B) * <input type="checkbox"/>                              | Rule<br><input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4)<br><input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5)<br><input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6) |
| Pilot <input type="checkbox"/><br>Extension of Time Period<br>for Commission Action * <input type="checkbox"/><br>Date Expires * <input type="text"/>  | Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010<br>Section 806(e)(1) * <input type="checkbox"/><br>Section 806(e)(2) * <input type="checkbox"/> |   |
| Exhibit 2 Sent As Paper Document <input type="checkbox"/><br>Exhibit 3 Sent As Paper Document <input type="checkbox"/>   |   | Security-Based Swap Submission pursuant<br>to the Securities Exchange Act of 1934<br>Section 3C(b)(2) * <input type="checkbox"/>  |
| <b>Description</b><br>Provide a brief description of the action (limit 250 characters, required when Initial is checked *).<br><div style="border: 1px solid black; height: 40px; margin-top: 10px;"></div>  |   |   |
| <b>Contact Information</b><br>Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization<br>prepared to respond to questions and comments on the action.  |   |   |
| First Name * Dickman Last Name * Laura<br>Title * Lead Counsel<br>E-mail * dickman@cboe.com<br>Telephone * (312) 786-7572 Fax <input type="text"/>   |   |   |
| <b>Signature</b><br>Pursuant to the requirements of the Securities Exchange Act of 1934,<br>has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.<br><div style="text-align: right;">(Title *)</div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div>           Date 09/21/2016<br/>           By Kyle Edwards<br/>           (Name *)         </div> <div style="border: 1px solid black; padding: 5px; width: 300px;">           Counsel<br/> <div style="text-align: center; margin-top: 10px;">             edwards@cboe.com           </div> </div> </div> |   |   |
| NOTE: Clicking the button at right will digitally sign and lock<br>this form. A digital signature is as legally binding as a physical<br>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 EDFS website.

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

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

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

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

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

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

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

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Exhibit Sent As Paper Document

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

PARTIAL AMENDMENT

Chicago Board Options Exchange, Incorporated (“CBOE” or the “Exchange”) submits this Amendment, constituting Amendment No. 1, to rule filing SR-CBOE-2016-053 in which the Exchange proposes to enhance current and adopt new price protection mechanisms and risk controls for orders and quotes. The purpose of this Amendment No. 1 is (1) to amend the proposed rule text of Rule 6.13(b)(v)(B) to conform to the corresponding portion of each of the purpose and statutory basis sections of the Form 19b-4 and Exhibit 1 regarding the drill through price check parameter and (2) to amend the purpose section of each of the Form 19b-4 and Exhibit 1 regarding the quote risk monitor mechanism to conform a description of certain functionality in the rule filing to the existing rule text (which functionality and rule text are not proposed to be changed by this filing).

The Exchange proposes to delete the last portion of the first sentence of proposed Rule 6.13(b)(v)(B)(I) on page 113 of Exhibit 5, which currently states “the System will not automatically execute that portion and will expose that portion via HAL at the drill through price (if eligible for HAL) and replace it with “the System will not automatically execute that portion and will expose that portion via HAL at the better of the NBBO and the drill through price (if eligible for HAL).

The Exchange also proposes to delete the last sentence of the first paragraph in the section entitled “QRM Mechanism” in the purpose section on page 33 – 34 of the Form 19b-4 and page 89 of the Exhibit 1 and replace it with the following sentence:

When the Exchange determines that a Market-Maker or TPH organization has reached its QRM incident limit during the rolling time interval, the System will cancel all of the Market-Maker’s or TPH organization’s

electronic quotes and Market-Maker orders resting in the book in all option classes on the Exchange and prevent the Market-Maker or TPH organization from sending additional quotes or orders to the Exchange until the Market-Maker or TPH organization reactivates its ability to send quotes or orders in a manner prescribed by the Exchange.

EXHIBITS

Exhibit 4.      Marked copy of changes to the rule text proposed in an amendment compared against the version of the rule text that was initially filed.

Exhibit 5.      Proposed rule text.

## EXHIBIT 4

Additions set forth in the proposed rule text of original SR-CBOE-2016-053 are underlined; deletions are [bracketed]. Additional being made pursuant to Amendment No. 1 to SR-CBOE-2016-053 are double-underlined.

\* \* \* \* \*

### Chicago Board Options Exchange, Incorporated Rules

\* \* \* \* \*

#### **Rule 6.2B. Hybrid Opening System (“HOSS”)**

(a) – (h) No change.

#### ***... Interpretations and Policies:***

**.01 – .02** No change.

**.03** HAL Opening Procedure: This Interpretation and Policy governs the operation of the Hybrid Agency Liaison (“HAL”) for openings for a trading session. The Exchange shall designate the classes in which HAL shall be activated for openings. The Exchange shall also determine on a class-by-class basis the exposure period (which period of time shall not exceed 1.5 seconds) and allocation period (which period of time, when combined with the designated exposure time period (as opposed to an exposure period that is terminated early), shall not exceed a total of 3 seconds). For such classes, the following procedures shall apply in lieu of paragraph (e) above.

(a) – (b) No change.

(c) For purposes of this Interpretation and Policy:

(i) No change.

(ii) The exposure process will be conducted via HAL pursuant to Rule 6.14A. In addition, any remaining balance of orders not executed via HAL on the opening that are priced or would be executed at a price that is not within an acceptable tick distance from the initial HAL price will route via the order handling system pursuant to Rule 6.12 (except that any remaining balance of opening contingency orders will be cancelled). An “acceptable tick distance” shall be determined by the Exchange on a [series]class-by-[series]class and premium basis and shall be no less than 2 minimum increment ticks. For classes in which HAL is activated, the acceptable tick distance will be the same as the acceptable tick distance established under Rule 6.13(b)(v)(B).

**.04 – .08** No change.

\* \* \* \* \*

**Rule 6.12. CBOE Hybrid Order Handling System**

This rule describes the process for routing orders through the Exchange's order handling system in classes designated for trading on the CBOE Hybrid System. The order handling system is a feature within the Hybrid System to route orders for automatic execution, book entry, open outcry, or further handling by a broker, agent, or PAR Official, in a manner consistent with Exchange Rules and the Act (e.g., resubmit the order to the Hybrid System for automatic execution, route the order from a booth to a PAR workstation, cancel the order, contact the customer for further instructions, and/or otherwise handle the order in accordance with Exchange Rules and the order's terms [.] ).

(a) Orders may route through the order handling system for electronic processing in the Hybrid System or to a designated order management terminal or PAR Workstation in any of the circumstances described below. Routing designations may be established based on various parameters defined by the Exchange, order entry firm or Trading Permit Holder, as applicable.

(1) – (2) No change.

(3) Limit Order Price Parameter for Simple Orders: The System rejects back to a Trading Permit Holder an order to buy (sell) at more than an acceptable tick distance above (below)[Limit orders will route directly from an order entry firm to an order management terminal designated by the order entry firm when initially routed to the Exchange] if:

(i) prior to the opening of a series (including during any pre-opening period and opening rotation),[before a series is opened following a halt), the order is to buy at more than an acceptable tick distance above] (A) the last disseminated NBO (NBB), if a series is open on another exchange(s), or (B) the Exchange's previous day's closing[e] price, if a series is not yet open on any other exchange; if the NBBO is locked, crossed or unavailable; or if there is no NBO (NBB) and the previous day's closing price is greater (less) than or equal to the NBB (NBO). [or the order is to sell at more than an acceptable tick distance below the Exchange's previous day's close (this subparagraph is not applicable) However, this does not apply to orders of Exchange Market-Makers or away Market-Makers;[, or] if there is no NBO (NBB) and the Exchange's previous day's closing price is less (greater) than the NBB (NBO); or if there is no NBBO and no Exchange previous day's closing price;

(ii) intraday, [once a series has opened, the order is to buy at more than an acceptable tick distance above] (A) the last disseminated NBO (NBB) or (B) the Exchange's best offer (bid), if the NBBO is locked, crossed or unavailable. However, this does not apply if there is no NBBO and no BBO; or[Exchange offer or the order is to sell at more than an acceptable tick distance below the disseminated Exchange bid]

(iii) during a halt (including during any pre-opening period or opening rotation prior to re-opening following the halt), the last disseminated NBO (NBB). However, this does not apply to a buy (sell) order if the NBBO is locked, crossed or unavailable or if there is no NBO (NBB).

For purposes of this subparagraph (a)(3): An “acceptable tick distance” (which is referred to as an “ATD”), as determined by the Exchange on a [series by series]class-by-class and premium basis and announced to the Trading Permit Holders via Regulatory Circular, shall be no less than [5]2 minimum increment ticks for simple orders. The Exchange may determine to apply a different ATD to orders entered during the pre-opening, a trading rotation, or a trading halt. The [Exchange may also determine on a class by class basis and announce via Regulatory Circular whether to apply]checks in subparagraphs [(a)(3)](i) through [and/or ](iii) do not apply to [immediate-or-cancel ]orders with a stop contingency or to orders routed from a PAR workstation or order management terminal. The limit order price parameter will take precedence over another routing parameter to the extent that both are applicable to an incoming limit order.

(4) – (7) No change.

(b) No change.

***... Interpretations and Policies:***

**.01** No change.

\* \* \* \* \*

**Rule 6.13. CBOE Hybrid System Automatic Execution Feature**

(a) No change.

**(b) Automatic Execution:** Orders eligible for automatic execution through the CBOE Hybrid System may be automatically executed in accordance with the provisions of this Rule, Rule 6.13A or 6.14A, as applicable. This section governs automatic executions and split-price automatic executions. The automatic execution and allocation of orders or quotes submitted by market participants also is governed by Rules 6.45A(c) and (d) and Rules 6.45B(c) and (d).

(i) – (iv) No change.

**(v) Market-Width and Drill Through Price Check Parameters:** (A) Market-Width Price Check Parameter. The CBOE Hybrid System will route via the order handling system pursuant to Rule 6.12[not automatically execute] an eligible market order[s that are marketable] if [(1) ]the width between the national best bid and national best offer is not within an acceptable price range (“APR”)[ (as determined by the Exchange on a series-by-series basis for market orders and/or marketable limit orders and announced to the Trading Permit Holders via Regulatory Circular)]. The Exchange will determine the APR on a class-by-class basis, which the Exchange will announce by Regulatory Circular and will be no less than: \$0.375 between the bid and offer for each option contract for which the bid is less than \$2, \$0.60 where the bid is at least \$2 but does not exceed \$5, \$0.75 where the bid is more than \$5 but does not exceed \$10, \$1.20 where the bid is more than \$10 but does not exceed \$20, and \$1.50 where the bid is more than \$20. [, or (2) the execution would follow an initial partial execution on the Exchange

and would be at a subsequent price that is not within an acceptable tick distance from the initial execution (as determined by the Exchange on a series by series and premium basis for market orders and/or marketable limit orders and announced to the Trading Permit Holders via Regulatory Circular). For purposes of this subparagraph:]

[(A) An “acceptable price range” (“APR”) shall be determined by the Exchange on a series-by-series basis and shall be no less than: \$0.375 between the bid and offer for each option contract for which the bid is less than \$2, \$0.60 where the bid is at least \$2 but does not exceed \$5, \$0.75 where the bid is more than \$5 but does not exceed \$10, \$1.20 where the bid is more than \$10 but does not exceed \$20, and \$1.50 where the bid is more than \$20. An “acceptable tick distance” (“ATD”) shall be no less than 2 minimum increment ticks.]

(B) *Drill Through Price Check Parameter.* (I) If a buy (sell) order not exposed via HAL (pursuant to Rule 6.14A) partially executes, and the System determines the unexecuted portion of the order would execute at a subsequent price higher (lower) than the price that is an acceptable tick distance (“ATD”) above (below) the NBO (NBB) (“drill through price”), the System will not automatically execute that portion and will expose that portion via HAL at the better of the NBBO and the drill through price (if eligible for HAL). The Exchange will determine the ATD on a class and premium basis (which may be no less than two minimum increment ticks), which the Exchange will announce via Regulatory Circular.

(II) If a buy (sell) order is exposed via HAL (other than pursuant to subparagraph (I)) or SAL and, following the exposure period pursuant to Rule 6.14A or 6.13A, respectively, the System determines the order (or any unexecuted portion) would execute at a price higher (lower) than the drill through price, the System will not automatically execute that order (or unexecuted portion).

(III) Any order (or portion) not executed pursuant to subparagraphs (I) or (II) above will rest in the book (based on the time at which it enters the book for priority purposes) for a time period in milliseconds (which the Exchange will determine and announce via Regulatory Circular and will not exceed three seconds) with a price equal to the drill through price (except orders (or any unexecuted portions) that by their terms cancel if they do not execute immediately (such as immediate-or-cancel, fill-or-kill, intermarket sweep, and market-maker trade prevention orders) will be cancelled). If any order (or any unexecuted portion) does not execute during that time period, the System cancels it.

(IV) Notwithstanding subparagraphs (I) to (III), if the System determines a buy (sell) order (or any unexecuted portion) not eligible for HAL or SAL pursuant to Rule 6.14A or 6.13A, respectively, would execute at a subsequent price higher (lower) than the drill through price, the System will not automatically execute that order (or unexecuted portion) and will route it via the order handling system pursuant to Rule 6.12 (except orders (or any unexecuted portions) that by their



terms cancel if they do not execute immediately (such as immediate-or-cancel, fill-or-kill, intermarket sweep, and market-maker trade prevention orders) will be cancelled).

(V) This subparagraph (B) does not apply to executions of orders following an exposure via HAL at the open, which are subject to the drill through protection in Rule 6.2B, Interpretation and Policy .03(c)(ii).

(C) [The]A senior [official on the Exchange ]Help Desk official or two Floor Officials may grant intra-day relief by widening or inactivating one or more of the applicable APR and/or ATD parameter settings for subparagraphs (A) and (B) in the interest of a fair and orderly market[(I) Notification of intra-day relief], which the Exchange will [be ]announce[d] as soon as reasonably practical via verbal message to the trading floor, order management terminal message to TPH organizations on the trading floor, and electronic message to Trading Permit Holders that request to receive such messages. Such intra-day relief may not extend beyond the trade day on which it is granted, unless a determination to extend such relief is announced to Trading Permit Holders via Regulatory Circular. The Exchange will make and keep records to document all determinations to grant intra-day relief under this Rule, and [shall ]maintain those records in accordance with Rule 17a-1 under the Exchange Act. [(II) ]The Exchange will periodically review determinations to grant intra-day relief for consistency with the interest of a fair and orderly market.

[If an execution is suspended because the market width APR has not been met, the order will route via the order handling system pursuant to Rule 6.12.

If an execution is suspended because executing the remaining portion of an order would exceed the drill through ATD, then such remaining portion will be exposed pursuant to the HAL process in Rule 6.14A using the ATD as the exposure price. If a quantity remains at the conclusion of the HAL process or if the order has already been subject to the HAL process or if the order is not eligible for HAL, the remaining quantity will route via the order handling system pursuant to Rule 6.12.]

(vi) No change.

(c) No change.

#### **Rule 6.13A. Simple Auction Liaison (SAL)**

This Rule governs the operation of the SAL system. SAL is a feature within the Hybrid System that auctions marketable orders for price improvement over the NBBO.

(a) – (d) No change.

(e) Any order (or portion) that does not execute following the auction will be handled as set forth in Rule 6.13(b)(v)(B)(III).

*... Interpretations and Policies:*

**.01 – .05** No change.

\* \* \* \* \*

**Rule 6.14. Price Protections and Risk Controls**

The System's acceptance and execution of orders and quotes are subject to the price protection mechanisms and risk controls in this Rule 6.14 and otherwise set forth in the Rules. The Exchange may share any Trading Permit Holder-designated risk settings in the Hybrid Trading System with a Clearing Trading Permit Holder that clears Exchange transactions on behalf of the Trading Permit Holder.

*(a) Put Strike Price and Call Underlying Value Checks.*

(i) The System rejects back to the Trading Permit Holder a quote or buy [limit ]order for:

(A) a put if the price of the quote bid or a buy limit order, or the price at which a buy market order (or any remaining size after partial execution), is [equal to or ]greater than or equal to the strike price of the option; or

(B) a call if the price of the quote bid or a buy limit order, or the price at which a buy market order (or any remaining size after partial execution) would execute, is [equal to or ]greater than or equal to the consolidated last sale price of the underlying security, with respect to equity and ETF options, or the last disseminated value of the underlying index, with respect to index options.

If the System rejects a Market-Maker's quote pursuant to either check in the above subparagraphs, the System cancels any resting quote of the Market-Maker in the same series.

(ii) The Exchange may determine not to apply to a class either the put check in subparagraph (i)(A) or the call check in subparagraph (i)(B) above if a senior official at the Exchange's Help Desk determines the applicable check should not apply in the interest of maintaining a fair and orderly market, which the Exchange will announce by electronic message to Trading Permit Holders that request to receive such messages. The Exchange [may also determine]does not [to ]apply the call check in subparagraph (i)(B) to a class during Extended Trading Hours, [which it will announce to Trading Permit Holders by Regulatory Circular. The call check in subparagraph (i)(B) above does not apply ]to adjusted classes or if market data for the underlying is unavailable. The checks in subparagraphs (i)(A) and (B) do not apply to market orders executed during an opening rotation.

(iii) – (iv) No change.

(b) *Quote Inverting NBBO Check.* If CBOE is at the NBO (NBB), the System rejects a quote back to a Market-Maker if the quote bid (offer) crosses the NBO (NBB) by more than a number of ticks specified by the Exchange (which will be no less than three minimum

increment ticks and announced to Trading Permit Holders by Regulatory Circular). If CBOE is not at the NBO (NBB), the System rejects a quote back to a Market-Maker if the quote bid (offer) locks or crosses the NBO (NBB). If the System rejects a Market-Maker's quote pursuant to this check, the System also cancels any resting quote of the Market-Maker in the same series.

(i) When a series is open for trading, [I]f the NBBO is unavailable, locked or crossed, then this check compares the quote to the BBO (if available). If the BBO is also unavailable, then the System does not apply this check to incoming quotes.

(ii) Prior to the opening of a series (including during any pre-opening period and opening rotation), the System does not apply this check to incoming quotes if the series is not open on another exchange.

(iii) During a trading halt, [The Exchange may determine]the System does not [to ]apply this check to [a]incoming quotes[ entered during the pre-opening, a trading rotation, or a trading halt, which the Exchange will announce to Trading Permit Holders by Regulatory Circular].

(iv) [Additionally, a]A senior official at the Exchange's Help Desk may determine not to apply this check in the interest of maintaining a fair and orderly market.

[iii](c) Execution of Quotes That Lock or Cross NBBO. If the System accepts a quote that locks or crosses the NBBO, the System executes the quote bid (offer) against quotes and orders in the Book at a price(s) that is the same or better than the best price disseminated by an away exchange(s) up to the size available on the Exchange and either ([A]i) cancels any remaining size of the quote, if the price of the quote locks or crosses the price disseminated by the away exchange(s) or ([B]ii) books any remaining size of the quote, if the price of the quote does not lock or cross the price of the away exchange(s); provided, that if a quote inverts another quote, it is subject to Rule 6.45A(d)(ii) or 6.45B(d)(ii), as applicable].

(1) If the NBBO is locked, crossed or unavailable, then the System does not apply this check to incoming quotes. Additionally, a senior official at the Exchange's Help Desk may determine not to apply this check in the interest of maintaining a fair and orderly market.

(2) If the Exchange has established a counting period for a class pursuant to Rule 6.45A(d)(i) or 6.45B(d)(i), then notwithstanding Rule 6.45A(d) or 6.45B(d), if CBOE (represented by a Market-Maker quote offer (bid)) and an away exchange(s) are each at the NBO (NBB), the System rejects an incoming Market-Maker quote bid (offer) (or unexecuted portion after the quote trades against any orders resting in the Book at the NBO (NBB)) that locks or crosses the resting Market-Maker quote offer (bid) at the NBO (NBB).

(d) Order Entry, Execution and Price Parameter Rate Checks. (i) Each Trading Permit Holder must provide to the Exchange parameters for an acronym or, if the Trading Permit Holder requests, a login, for each of the following rate checks. The System counts each of

the following over rolling time intervals, which the Exchange will set and announce via Regulatory Circular:

(A) the total number of orders (of all order types) and auction responses entered and accepted by the Hybrid Trading System (“orders entered”);

(B) the total number of contracts (from orders and auction responses) executed on the Hybrid Trading System, which does not count executed contracts from orders submitted from a PAR workstation or an order management terminal or stock contracts executed as part of stock-option orders (“contracts executed”);

(C) the total number of orders the Hybrid Trading System books or routes via the order handling system pursuant to the drill through price check parameter in Rule 6.13(b)(v)(B) (“drill through events”); and

(D) the total number of orders the Hybrid Trading System cancels or routes via the order handling system due to the limit order price parameter in Rule 6.12(a)(3) through (5) (“price reasonability events”).

(ii) When the System determines the orders entered, contracts executed, drill through order events or price reasonability events within the applicable time interval exceeds a Trading Permit Holder’s parameter, the System (A) rejects all subsequent incoming orders and quotes, (B) cancels all resting quotes (if the acronym or login is for a Market-Maker), and (C) for the orders entered and contracts executed checks, if the Trading Permit Holder requests, cancels resting orders (either all orders, orders with time-in-force of day, or orders entered on that trading day) for the acronym or login, as applicable.

(iii) The System will not accept new orders or quotes from a restricted acronym or login, as applicable, until the Exchange receives the Trading Permit Holder’s manual notification (in a form and manner determined by the Exchange, which will be announced by Regulatory Circular) to reactivate its ability to send orders and quotes for the acronym or login. While an acronym or login is restricted, a Trading Permit Holder may continue to interact with orders entered prior to its acronym or login becoming restricted, including receiving trade execution reports and canceling resting orders.

(e) *Maximum Contract Size.* The System rejects a Trading Permit Holder’s incoming order or quote (including both sides of a two-sided quote) if its size exceeds the maximum contract size designated by the Trading Permit Holder. Each Trading Permit Holder must provide a maximum contract size for each of simple orders, complex orders (the contract size for which equals the contract size of the largest option leg of the order) and quotes applicable to an acronym or, if the Trading Permit Holder requests, a login.

(i) If a Trading Permit Holder enters an order or quote to replace a resting order or update a resting quote, respectively, and the System rejects the incoming order or quote because it exceeds the applicable maximum contract size, the System also cancels the resting order or any resting quote in the same series.

(ii) This check also applies to pairs of orders submitted to AIM, SAM or as a QCC order. If the System rejects either order in the pair, then the System also rejects the paired order. Notwithstanding the foregoing, with respect to an A:AIR order, if the System rejects the Agency Order, then the System rejects the contra-side order; however, if the System rejects the contra-side order, the System still accepts the Agency Order.

(f) Kill Switch. (i) A Trading Permit Holder may send a message to the Hybrid Trading System to, or contact the Exchange Help Desk to request that the Exchange, cancel all its resting quotes (if the acronym or login is for a Market-Maker), resting orders (either all orders, orders with time-in-force of day, or orders entered on that trading day), or both, for an acronym or login. The System will send a Trading Permit Holder an automated message when it has processed a kill switch request for an acronym or login.

(ii) Once a Trading Permit Holder initiates the kill switch for an acronym or login, the System rejects all subsequent incoming orders and quotes for the acronym or login, as applicable. The System will not accept new orders or quotes from a restricted acronym or login until the Exchange receives the Trading Permit Holder's manual notification (in a form and manner determined by the Exchange, which will be announced by Regulatory Circular) to reactivate its ability to send orders and quotes for the acronym or login. While an acronym or login is restricted, a Trading Permit Holder may continue to interact with orders entered prior to its acronym or login becoming restricted, including receiving trade execution reports and canceling resting orders.

#### **Rule 6.14A. Hybrid Agency Liaison (HAL)**

This Rule governs the operation of the Hybrid Agency Liaison ("HAL") system. HAL is a feature within the Hybrid System that provides automated order handling in designated classes trading on Hybrid for qualifying electronic orders that are not automatically executed by the Hybrid System.

(a) *HAL Eligibility.* The Exchange shall designate eligible order size, eligible order type, eligible order origin code ([ i.e., public customer orders, non-Market Maker broker-dealer orders, and Market Maker broker-dealer orders), and classes in which HAL shall be activated. HAL shall automatically process upon receipt:

(i) – (iii) No change.

(iv) an order (or any unexecuted portion) submitted to HAL [as a result of the price check parameters of] pursuant to Rule 6.13(b)(v)(B)(I).

(b) *Order Handling and Responses.* Upon receipt by HAL, the System will immediately expose electronically [O]orders at the NBBO price, if [that are ]received [by HAL ]pursuant to subparagraphs (a)(i) through (iii), or at the better of the NBBO and the drill through price (as defined in Rule 6.13(b)(v)(B)), if received pursuant to subparagraph (a)(iv)[above shall immediately upon receipt be electronically exposed at the NBBO price]. The exposure shall be for a period of time determined by the Exchange on a class-by-class basis, which period of time shall not exceed 1 second.

Market-Makers with an appointment in the relevant option class and Trading Permit Holders acting as agent for orders resting at the top of the Exchange's book in the relevant option series opposite the order submitted to HAL may submit responses to the exposure message during the exposure period, unless the Exchange determines, on a class-by-class basis, to allow all Trading Permit Holders to submit responses to the exposure message.

Responses (i) must be priced equal to or better than the Exchange's best bid/offer; (ii) must be limited to the size of the order being exposed; and (iii) may be cancelled and/or replaced any time during the exposure period.

(c) *Allocation of Exposed Orders.* Any responses priced at the prevailing NBBO or better shall immediately trade against the order (on a first come, first served basis). At the conclusion of the exposure period, the Exchange will evaluate all remaining responses as well as the disseminated best bid/offer on other exchanges and execute any remaining portion of the exposed order to the fullest extent possible at the best price(s) by first executing against responses (pursuant to the matching algorithm in effect for the class except that the participation entitlement and market turner status shall not apply to responses), and, second, routing IOC ISOs to other exchanges. Any portion of a routed IOC ISOs that returns unfilled shall trade against the Exchange's best bid/offer unless another exchange is quoting at a better price in which case new IOC ISOs shall be generated and routed to trade against such better prices. Any executions at the Exchange's best bid/offer will first trade against interest that was resting at the price at the time the exposed order was received, and any remaining balance will trade against all new interest at that price (in both cases pursuant to the matching algorithm for that class). All executions on the Exchange pursuant to this paragraph shall comply with Rule 6.81. Executions will be subject to the price check parameter[s] set forth in Rule 6.13(b)(v)(B) when such price check functionality is enabled, and any unexecuted portion of an order that does not execute following the exposure period will be handled as set forth in Rule 6.13(b)(v)(B)(III).

(d) No change.

**... Interpretations and Policies:**

**.01 – .03** No change.

\* \* \* \* \*

**Rule 8.18. Quote Risk Monitor Mechanism**

Each Market-Maker who is obligated to provide and maintain continuous electronic quotes (as defined in Rule 1.1(ccc)) in an option class traded on the Hybrid Trading System ("Hybrid Market-Maker"), or the TPH organization with which the Hybrid Market-Maker is associated, [may] must establish parameters for an acronym or firm, as applicable, for each function below applicable to each trading session by which the Exchange will activate the Quote Risk Monitor ("QRM") Mechanism.

The functionality of the QRM Mechanism that is available to Hybrid Market-Makers includes, for each such option class in which the Hybrid Market-Maker is engaged in

trading: (i) a maximum number of contracts for such option class (the “Contract Limit”) and a rolling time period in milliseconds within which such Contract Limit is to be measured (the “Measurement Interval”); (ii) a maximum cumulative percentage that the Hybrid Market-Maker is willing to trade (the “Cumulative Percentage Limit”), where the cumulative percentage is the sum of the percentages of the original quoted size of each side of each series that traded, and a Measurement Interval; and (iii) the maximum number of series for which either side of the quote is fully traded (the “Number of Series Fully Traded”) and a Measurement Interval. [This functionality is optional and Hybrid Market-Makers are not required to set parameters for the aforementioned QRM Mechanism functions.]

When the Exchange determines that the Hybrid Market-Maker has traded at least the Contract Limit or Cumulative Percentage Limit for such option class on a trading platform during any rolling Measurement Interval, or has traded at least the Number of Series Fully Traded on an option class on a trading platform during any rolling Measurement Interval, the QRM Mechanism shall cancel all electronic quotes being disseminated on the same trading platform with respect to that Hybrid Market-Maker in that option class and any other classes with the same underlying security until the Hybrid Market-Maker refreshes those electronic quotes. Such action by the Exchange is referred to herein as a QRM Incident. Once the QRM Mechanism is triggered, all counters that determine whether the QRM Mechanism is triggered and a QRM Incident occurs will be reset for all classes for which quotes were canceled for all parties for whom such quotes were canceled.

A Hybrid Market-Maker or a TPH organization may also specify a maximum number of QRM Incidents on an Exchange-wide basis. When the Exchange determines that such Hybrid Market-Maker or TPH organization has reached its QRM Incident limit during any rolling Measurement Interval, the QRM Mechanism shall cancel all of the Hybrid Market-Maker’s or TPH organization’s electronic quotes and Market-Maker orders resting in the Book in all option classes on the Exchange and prevent the Hybrid Market-Maker or TPH organization from sending additional quotes or orders to the Exchange until the Hybrid Market-Maker or TPH organization reactivates its ability to send quotes or orders in a manner prescribed by the Exchange. Once the QRM Mechanism is triggered and quotes and orders are cancelled, all counters that determine whether the QRM Mechanism is triggered and a QRM Incident occurs will be reset for all parties for whom the QRM Mechanism was triggered and for all classes for which quotes and orders were canceled. If the Exchange cancels all of the Hybrid Market-Maker’s or TPH organization’s electronic quotes and Market-Maker orders resting in the Book, and the Hybrid Market-Maker or TPH organization does not reactivate its ability to send quotes or orders, the block will be in effect only for the trading day that the Hybrid Market-Maker or TPH organization reached its QRM Incident limit. [Hybrid Market-Makers and TPH organizations are not required to set parameters for the Exchange-wide QRM.]

\* \* \* \* \*

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

\* \* \* \* \*

**Chicago Board Options Exchange, Incorporated  
Rules**

\* \* \* \* \*

**Rule 6.2B. Hybrid Opening System (“HOSS”)**

(a) – (h) No change.

***... Interpretations and Policies:***

**.01 – .02** No change.

**.03** HAL Opening Procedure: This Interpretation and Policy governs the operation of the Hybrid Agency Liaison (“HAL”) for openings for a trading session. The Exchange shall designate the classes in which HAL shall be activated for openings. The Exchange shall also determine on a class-by-class basis the exposure period (which period of time shall not exceed 1.5 seconds) and allocation period (which period of time, when combined with the designated exposure time period (as opposed to an exposure period that is terminated early), shall not exceed a total of 3 seconds). For such classes, the following procedures shall apply in lieu of paragraph (e) above.

(a) – (b) No change.

(c) For purposes of this Interpretation and Policy:

(i) No change.

(ii) The exposure process will be conducted via HAL pursuant to Rule 6.14A. In addition, any remaining balance of orders not executed via HAL on the opening that are priced or would be executed at a price that is not within an acceptable tick distance from the initial HAL price will route via the order handling system pursuant to Rule 6.12 (except that any remaining balance of opening contingency orders will be cancelled). An “acceptable tick distance” shall be determined by the Exchange on a [series]class-by-[series]class and premium basis and shall be no less than 2 minimum increment ticks. For classes in which HAL is activated, the acceptable tick distance will be the same as the acceptable tick distance established under Rule 6.13(b)(v)(B).

**.04 – .08** No change.

\* \* \* \* \*



**Rule 6.12. CBOE Hybrid Order Handling System**

This rule describes the process for routing orders through the Exchange's order handling system in classes designated for trading on the CBOE Hybrid System. The order handling system is a feature within the Hybrid System to route orders for automatic execution, book entry, open outcry, or further handling by a broker, agent, or PAR Official, in a manner consistent with Exchange Rules and the Act (e.g., resubmit the order to the Hybrid System for automatic execution, route the order from a booth to a PAR workstation, cancel the order, contact the customer for further instructions, and/or otherwise handle the order in accordance with Exchange Rules and the order's terms [.] ).

(a) Orders may route through the order handling system for electronic processing in the Hybrid System or to a designated order management terminal or PAR Workstation in any of the circumstances described below. Routing designations may be established based on various parameters defined by the Exchange, order entry firm or Trading Permit Holder, as applicable.

(1) – (2) No change.

(3) Limit Order Price Parameter for Simple Orders: The System rejects back to a Trading Permit Holder an order to buy (sell) at more than an acceptable tick distance above (below)[Limit orders will route directly from an order entry firm to an order management terminal designated by the order entry firm when initially routed to the Exchange] if:

(i) prior to the opening of a series (including during any pre-opening period and opening rotation),[before a series is opened following a halt), the order is to buy at more than an acceptable tick distance above] (A) the last disseminated NBO (NBB), if a series is open on another exchange(s), or (B) the Exchange's previous day's closing[e] price, if a series is not yet open on any other exchange; if the NBBO is locked, crossed or unavailable; or if there is no NBO (NBB) and the previous day's closing price is greater (less) than or equal to the NBB (NBO). [or the order is to sell at more than an acceptable tick distance below the Exchange's previous day's close (this subparagraph is not applicable) However, this does not apply to orders of Exchange Market-Makers or away Market-Makers;], or] if there is no NBO (NBB) and the Exchange's previous day's closing price is less (greater) than the NBB (NBO); or if there is no NBBO and no Exchange previous day's closing price;

(ii) intraday, [once a series has opened, the order is to buy at more than an acceptable tick distance above] (A) the last disseminated NBO (NBB) or (B) the Exchange's best offer (bid), if the NBBO is locked, crossed or unavailable. However, this does not apply if there is no NBBO and no BBO; or[Exchange offer or the order is to sell at more than an acceptable tick distance below the disseminated Exchange bid]

(iii) during a halt (including during any pre-opening period or opening rotation prior to re-opening following the halt), the last disseminated NBO (NBB). However, this does not apply to a buy (sell) order if the NBBO is locked, crossed or unavailable or if there is no NBO (NBB).

For purposes of this subparagraph (a)(3): An “acceptable tick distance” (which is referred to as an “ATD”), as determined by the Exchange on a [series by series]class-by-class and premium basis and announced to the Trading Permit Holders via Regulatory Circular, shall be no less than [5]2 minimum increment ticks for simple orders. The Exchange may determine to apply a different ATD to orders entered during the pre-opening, a trading rotation, or a trading halt. The [Exchange may also determine on a class by class basis and announce via Regulatory Circular whether to apply]checks in subparagraphs [(a)(3)](i) through [and/or ](iii) do not apply to [immediate-or-cancel ]orders with a stop contingency or to orders routed from a PAR workstation or order management terminal. The limit order price parameter will take precedence over another routing parameter to the extent that both are applicable to an incoming limit order.

(4) – (7) No change.

(b) No change.

***... Interpretations and Policies:***

**.01** No change.

\* \* \* \* \*

**Rule 6.13. CBOE Hybrid System Automatic Execution Feature**

(a) No change.

**(b) Automatic Execution:** Orders eligible for automatic execution through the CBOE Hybrid System may be automatically executed in accordance with the provisions of this Rule, Rule 6.13A or 6.14A, as applicable. This section governs automatic executions and split-price automatic executions. The automatic execution and allocation of orders or quotes submitted by market participants also is governed by Rules 6.45A(c) and (d) and Rules 6.45B(c) and (d).

(i) – (iv) No change.

**(v) Market-Width and Drill Through Price Check Parameters:** (A) Market-Width Price Check Parameter. The CBOE Hybrid System will route via the order handling system pursuant to Rule 6.12[not automatically execute] an eligible market order[s that are marketable] if [(1) ]the width between the national best bid and national best offer is not within an acceptable price range (“APR”)[ (as determined by the Exchange on a series-by-series basis for market orders and/or marketable limit orders and announced to the Trading Permit Holders via Regulatory Circular)]. The Exchange will determine the APR on a class-by-class basis, which the Exchange will announce by Regulatory Circular and will be no less than: \$0.375 between the bid and offer for each option contract for which the bid is less than \$2, \$0.60 where the bid is at least \$2 but does not exceed \$5, \$0.75 where the bid is more than \$5 but does not exceed \$10, \$1.20 where the bid is more than \$10 but does not exceed \$20, and \$1.50 where the bid is more than \$20. [, or (2) the execution would follow an initial partial execution on the Exchange

and would be at a subsequent price that is not within an acceptable tick distance from the initial execution (as determined by the Exchange on a series by series and premium basis for market orders and/or marketable limit orders and announced to the Trading Permit Holders via Regulatory Circular). For purposes of this subparagraph:]

[(A) An “acceptable price range” (“APR”) shall be determined by the Exchange on a series-by-series basis and shall be no less than: \$0.375 between the bid and offer for each option contract for which the bid is less than \$2, \$0.60 where the bid is at least \$2 but does not exceed \$5, \$0.75 where the bid is more than \$5 but does not exceed \$10, \$1.20 where the bid is more than \$10 but does not exceed \$20, and \$1.50 where the bid is more than \$20. An “acceptable tick distance” (“ATD”) shall be no less than 2 minimum increment ticks.]

(B) *Drill Through Price Check Parameter.* (I) If a buy (sell) order not exposed via HAL (pursuant to Rule 6.14A) partially executes, and the System determines the unexecuted portion of the order would execute at a subsequent price higher (lower) than the price that is an acceptable tick distance (“ATD”) above (below) the NBO (NBB) (“drill through price”), the System will not automatically execute that portion and will expose that portion via HAL at the better of the NBBO and the drill through price (if eligible for HAL). The Exchange will determine the ATD on a class and premium basis (which may be no less than two minimum increment ticks), which the Exchange will announce via Regulatory Circular.

(II) If a buy (sell) order is exposed via HAL (other than pursuant to subparagraph (I)) or SAL and, following the exposure period pursuant to Rule 6.14A or 6.13A, respectively, the System determines the order (or any unexecuted portion) would execute at a price higher (lower) than the drill through price, the System will not automatically execute that order (or unexecuted portion).

(III) Any order (or portion) not executed pursuant to subparagraphs (I) or (II) above will rest in the book (based on the time at which it enters the book for priority purposes) for a time period in milliseconds (which the Exchange will determine and announce via Regulatory Circular and will not exceed three seconds) with a price equal to the drill through price (except orders (or any unexecuted portions) that by their terms cancel if they do not execute immediately (such as immediate-or-cancel, fill-or-kill, intermarket sweep, and market-maker trade prevention orders) will be cancelled). If any order (or any unexecuted portion) does not execute during that time period, the System cancels it.

(IV) Notwithstanding subparagraphs (I) to (III), if the System determines a buy (sell) order (or any unexecuted portion) not eligible for HAL or SAL pursuant to Rule 6.14A or 6.13A, respectively, would execute at a subsequent price higher (lower) than the drill through price, the System will not automatically execute that order (or unexecuted portion) and will route it via the order handling system pursuant to Rule 6.12 (except orders (or any unexecuted portions) that by their

terms cancel if they do not execute immediately (such as immediate-or-cancel, fill-or-kill, intermarket sweep, and market-maker trade prevention orders) will be cancelled).

(V) This subparagraph (B) does not apply to executions of orders following an exposure via HAL at the open, which are subject to the drill through protection in Rule 6.2B, Interpretation and Policy .03(c)(ii).

(C) [The]A senior [official on the Exchange ]Help Desk official or two Floor Officials may grant intra-day relief by widening or inactivating one or more of the applicable APR and/or ATD parameter settings for subparagraphs (A) and (B) in the interest of a fair and orderly market[(I) Notification of intra-day relief], which the Exchange will [be ]announce[d] as soon as reasonably practical via verbal message to the trading floor, order management terminal message to TPH organizations on the trading floor, and electronic message to Trading Permit Holders that request to receive such messages. Such intra-day relief may not extend beyond the trade day on which it is granted, unless a determination to extend such relief is announced to Trading Permit Holders via Regulatory Circular. The Exchange will make and keep records to document all determinations to grant intra-day relief under this Rule, and [shall ]maintain those records in accordance with Rule 17a-1 under the Exchange Act. [(II) ]The Exchange will periodically review determinations to grant intra-day relief for consistency with the interest of a fair and orderly market.

[If an execution is suspended because the market width APR has not been met, the order will route via the order handling system pursuant to Rule 6.12.

If an execution is suspended because executing the remaining portion of an order would exceed the drill through ATD, then such remaining portion will be exposed pursuant to the HAL process in Rule 6.14A using the ATD as the exposure price. If a quantity remains at the conclusion of the HAL process or if the order has already been subject to the HAL process or if the order is not eligible for HAL, the remaining quantity will route via the order handling system pursuant to Rule 6.12.]

(vi) No change.

(c) No change.

#### **Rule 6.13A. Simple Auction Liaison (SAL)**

This Rule governs the operation of the SAL system. SAL is a feature within the Hybrid System that auctions marketable orders for price improvement over the NBBO.

(a) – (d) No change.

(e) Any order (or portion) that does not execute following the auction will be handled as set forth in Rule 6.13(b)(v)(B)(III).

... *Interpretations and Policies:*

.01 – .05 No change.

\* \* \* \* \*

**Rule 6.14. Price Protections and Risk Controls**

The System's acceptance and execution of orders and quotes are subject to the price protection mechanisms and risk controls in this Rule 6.14 and otherwise set forth in the Rules. The Exchange may share any Trading Permit Holder-designated risk settings in the Hybrid Trading System with a Clearing Trading Permit Holder that clears Exchange transactions on behalf of the Trading Permit Holder.

(a) *Put Strike Price and Call Underlying Value Checks.*

(i) The System rejects back to the Trading Permit Holder a quote or buy [limit ]order for:

(A) a put if the price of the quote bid or a buy limit order, or the price at which a buy market order (or any remaining size after partial execution), is [equal to or ]greater than or equal to the strike price of the option; or

(B) a call if the price of the quote bid or a buy limit order, or the price at which a buy market order (or any remaining size after partial execution) would execute, is [equal to or ]greater than or equal to the consolidated last sale price of the underlying security, with respect to equity and ETF options, or the last disseminated value of the underlying index, with respect to index options.

If the System rejects a Market-Maker's quote pursuant to either check in the above subparagraphs, the System cancels any resting quote of the Market-Maker in the same series.

(ii) The Exchange may determine not to apply to a class either the put check in subparagraph (i)(A) or the call check in subparagraph (i)(B) above if a senior official at the Exchange's Help Desk determines the applicable check should not apply in the interest of maintaining a fair and orderly market, which the Exchange will announce by electronic message to Trading Permit Holders that request to receive such messages. The Exchange [may also determine]does not [to ]apply the call check in subparagraph (i)(B) to a class during Extended Trading Hours, [which it will announce to Trading Permit Holders by Regulatory Circular. The call check in subparagraph (i)(B) above does not apply ]to adjusted classes or if market data for the underlying is unavailable. The checks in subparagraphs (i)(A) and (B) do not apply to market orders executed during an opening rotation.

(iii) – (iv) No change.

(b) *Quote Inverting NBBO Check.* If CBOE is at the NBO (NBB), the System rejects a quote back to a Market-Maker if the quote bid (offer) crosses the NBO (NBB) by more than

a number of ticks specified by the Exchange (which will be no less than three minimum increment ticks and announced to Trading Permit Holders by Regulatory Circular). If CBOE is not at the NBO (NBB), the System rejects a quote back to a Market-Maker if the quote bid (offer) locks or crosses the NBO (NBB). If the System rejects a Market-Maker's quote pursuant to this check, the System also cancels any resting quote of the Market-Maker in the same series.

(i) When a series is open for trading, [I]f the NBBO is unavailable, locked or crossed, then this check compares the quote to the BBO (if available). If the BBO is also unavailable, then the System does not apply this check to incoming quotes.

(ii) Prior to the opening of a series (including during any pre-opening period and opening rotation), the System does not apply this check to incoming quotes if the series is not open on another exchange.

(iii) During a trading halt, [The Exchange may determine]the System does not [to] apply this check to [a]incoming quotes[ entered during the pre-opening, a trading rotation, or a trading halt, which the Exchange will announce to Trading Permit Holders by Regulatory Circular].

(iv) [Additionally, a]A senior official at the Exchange's Help Desk may determine not to apply this check in the interest of maintaining a fair and orderly market.

[iii](c) Execution of Quotes That Lock or Cross NBBO. If the System accepts a quote that locks or crosses the NBBO, the System executes the quote bid (offer) against quotes and orders in the Book at a price(s) that is the same or better than the best price disseminated by an away exchange(s) up to the size available on the Exchange and either ([A]i) cancels any remaining size of the quote, if the price of the quote locks or crosses the price disseminated by the away exchange(s) or ([B]ii) books any remaining size of the quote, if the price of the quote does not lock or cross the price of the away exchange(s); provided, that if a quote inverts another quote, it is subject to Rule 6.45A(d)(ii) or 6.45B(d)(ii), as applicable].

(1) If the NBBO is locked, crossed or unavailable, then the System does not apply this check to incoming quotes. Additionally, a senior official at the Exchange's Help Desk may determine not to apply this check in the interest of maintaining a fair and orderly market.

(2) If the Exchange has established a counting period for a class pursuant to Rule 6.45A(d)(i) or 6.45B(d)(i), then notwithstanding Rule 6.45A(d) or 6.45B(d), if CBOE (represented by a Market-Maker quote offer (bid)) and an away exchange(s) are each at the NBO (NBB), the System rejects an incoming Market-Maker quote bid (offer) (or unexecuted portion after the quote trades against any orders resting in the Book at the NBO (NBB)) that locks or crosses the resting Market-Maker quote offer (bid) at the NBO (NBB).

(d) Order Entry, Execution and Price Parameter Rate Checks. (i) Each Trading Permit Holder must provide to the Exchange parameters for an acronym or, if the Trading Permit

Holder requests, a login, for each of the following rate checks. The System counts each of the following over rolling time intervals, which the Exchange will set and announce via Regulatory Circular:

(A) the total number of orders (of all order types) and auction responses entered and accepted by the Hybrid Trading System (“orders entered”);

(B) the total number of contracts (from orders and auction responses) executed on the Hybrid Trading System, which does not count executed contracts from orders submitted from a PAR workstation or an order management terminal or stock contracts executed as part of stock-option orders (“contracts executed”);

(C) the total number of orders the Hybrid Trading System books or routes via the order handling system pursuant to the drill through price check parameter in Rule 6.13(b)(v)(B) (“drill through events”); and

(D) the total number of orders the Hybrid Trading System cancels or routes via the order handling system due to the limit order price parameter in Rule 6.12(a)(3) through (5) (“price reasonability events”).

(ii) When the System determines the orders entered, contracts executed, drill through order events or price reasonability events within the applicable time interval exceeds a Trading Permit Holder’s parameter, the System (A) rejects all subsequent incoming orders and quotes, (B) cancels all resting quotes (if the acronym or login is for a Market-Maker), and (C) for the orders entered and contracts executed checks, if the Trading Permit Holder requests, cancels resting orders (either all orders, orders with time-in-force of day, or orders entered on that trading day) for the acronym or login, as applicable.

(iii) The System will not accept new orders or quotes from a restricted acronym or login, as applicable, until the Exchange receives the Trading Permit Holder’s manual notification (in a form and manner determined by the Exchange, which will be announced by Regulatory Circular) to reactivate its ability to send orders and quotes for the acronym or login. While an acronym or login is restricted, a Trading Permit Holder may continue to interact with orders entered prior to its acronym or login becoming restricted, including receiving trade execution reports and canceling resting orders.

(e) *Maximum Contract Size.* The System rejects a Trading Permit Holder’s incoming order or quote (including both sides of a two-sided quote) if its size exceeds the maximum contract size designated by the Trading Permit Holder. Each Trading Permit Holder must provide a maximum contract size for each of simple orders, complex orders (the contract size for which equals the contract size of the largest option leg of the order) and quotes applicable to an acronym or, if the Trading Permit Holder requests, a login.

(i) If a Trading Permit Holder enters an order or quote to replace a resting order or update a resting quote, respectively, and the System rejects the incoming order or quote

because it exceeds the applicable maximum contract size, the System also cancels the resting order or any resting quote in the same series.

(ii) This check also applies to pairs of orders submitted to AIM, SAM or as a QCC order. If the System rejects either order in the pair, then the System also rejects the paired order. Notwithstanding the foregoing, with respect to an A:AIR order, if the System rejects the Agency Order, then the System rejects the contra-side order; however, if the System rejects the contra-side order, the System still accepts the Agency Order.

(f) Kill Switch. (i) A Trading Permit Holder may send a message to the Hybrid Trading System to, or contact the Exchange Help Desk to request that the Exchange, cancel all its resting quotes (if the acronym or login is for a Market-Maker), resting orders (either all orders, orders with time-in-force of day, or orders entered on that trading day), or both, for an acronym or login. The System will send a Trading Permit Holder an automated message when it has processed a kill switch request for an acronym or login.

(ii) Once a Trading Permit Holder initiates the kill switch for an acronym or login, the System rejects all subsequent incoming orders and quotes for the acronym or login, as applicable. The System will not accept new orders or quotes from a restricted acronym or login until the Exchange receives the Trading Permit Holder's manual notification (in a form and manner determined by the Exchange, which will be announced by Regulatory Circular) to reactivate its ability to send orders and quotes for the acronym or login. While an acronym or login is restricted, a Trading Permit Holder may continue to interact with orders entered prior to its acronym or login becoming restricted, including receiving trade execution reports and canceling resting orders.

#### **Rule 6.14A. Hybrid Agency Liaison (HAL)**

This Rule governs the operation of the Hybrid Agency Liaison ("HAL") system. HAL is a feature within the Hybrid System that provides automated order handling in designated classes trading on Hybrid for qualifying electronic orders that are not automatically executed by the Hybrid System.

(a) *HAL Eligibility.* The Exchange shall designate eligible order size, eligible order type, eligible order origin code ([ i.e., public customer orders, non-Market Maker broker-dealer orders, and Market Maker broker-dealer orders), and classes in which HAL shall be activated. HAL shall automatically process upon receipt:

(i) – (iii) No change.

(iv) an order (or any unexecuted portion) submitted to HAL [as a result of the price check parameters of]pursuant to Rule 6.13(b)(v)(B)(I).

(b) *Order Handling and Responses.* Upon receipt by HAL, the System will immediately expose electronically [O]orders at the NBBO price, if [that are ]received [by HAL ]pursuant to subparagraphs (a)(i) through (iii), or at the better of the NBBO and the drill through price (as defined in Rule 6.13(b)(v)(B)), if received pursuant to subparagraph (a)(iv)[above shall



immediately upon receipt be electronically exposed at the NBBO price]. The exposure shall be for a period of time determined by the Exchange on a class-by-class basis, which period of time shall not exceed 1 second.

Market-Makers with an appointment in the relevant option class and Trading Permit Holders acting as agent for orders resting at the top of the Exchange's book in the relevant option series opposite the order submitted to HAL may submit responses to the exposure message during the exposure period, unless the Exchange determines, on a class-by-class basis, to allow all Trading Permit Holders to submit responses to the exposure message.

Responses (i) must be priced equal to or better than the Exchange's best bid/offer; (ii) must be limited to the size of the order being exposed; and (iii) may be cancelled and/or replaced any time during the exposure period.

(c) *Allocation of Exposed Orders.* Any responses priced at the prevailing NBBO or better shall immediately trade against the order (on a first come, first served basis). At the conclusion of the exposure period, the Exchange will evaluate all remaining responses as well as the disseminated best bid/offer on other exchanges and execute any remaining portion of the exposed order to the fullest extent possible at the best price(s) by first executing against responses (pursuant to the matching algorithm in effect for the class except that the participation entitlement and market turner status shall not apply to responses), and, second, routing IOC ISOs to other exchanges. Any portion of a routed IOC ISOs that returns unfilled shall trade against the Exchange's best bid/offer unless another exchange is quoting at a better price in which case new IOC ISOs shall be generated and routed to trade against such better prices. Any executions at the Exchange's best bid/offer will first trade against interest that was resting at the price at the time the exposed order was received, and any remaining balance will trade against all new interest at that price (in both cases pursuant to the matching algorithm for that class). All executions on the Exchange pursuant to this paragraph shall comply with Rule 6.81. Executions will be subject to the price check parameter[s] set forth in Rule 6.13(b)(v)(B) when such price check functionality is enabled, and any unexecuted portion of an order that does not execute following the exposure period will be handled as set forth in Rule 6.13(b)(v)(B)(III).

(d) No change.

... *Interpretations and Policies:*

.01 – .03 No change.

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#### **Rule 8.18. Quote Risk Monitor Mechanism**

Each Market-Maker who is obligated to provide and maintain continuous electronic quotes (as defined in Rule 1.1(ccc)) in an option class traded on the Hybrid Trading System ("Hybrid Market-Maker"), or the TPH organization with which the Hybrid Market-Maker is associated, [may]must establish parameters for an acronym or firm, as applicable, for each

function below applicable to each trading session by which the Exchange will activate the Quote Risk Monitor (“QRM”) Mechanism.

The functionality of the QRM Mechanism that is available to Hybrid Market-Makers includes, for each such option class in which the Hybrid Market-Maker is engaged in trading: (i) a maximum number of contracts for such option class (the “Contract Limit”) and a rolling time period in milliseconds within which such Contract Limit is to be measured (the “Measurement Interval”); (ii) a maximum cumulative percentage that the Hybrid Market-Maker is willing to trade (the “Cumulative Percentage Limit”), where the cumulative percentage is the sum of the percentages of the original quoted size of each side of each series that traded, and a Measurement Interval; and (iii) the maximum number of series for which either side of the quote is fully traded (the “Number of Series Fully Traded”) and a Measurement Interval. [This functionality is optional and Hybrid Market-Makers are not required to set parameters for the aforementioned QRM Mechanism functions.]

When the Exchange determines that the Hybrid Market-Maker has traded at least the Contract Limit or Cumulative Percentage Limit for such option class on a trading platform during any rolling Measurement Interval, or has traded at least the Number of Series Fully Traded on an option class on a trading platform during any rolling Measurement Interval, the QRM Mechanism shall cancel all electronic quotes being disseminated on the same trading platform with respect to that Hybrid Market-Maker in that option class and any other classes with the same underlying security until the Hybrid Market-Maker refreshes those electronic quotes. Such action by the Exchange is referred to herein as a QRM Incident. Once the QRM Mechanism is triggered, all counters that determine whether the QRM Mechanism is triggered and a QRM Incident occurs will be reset for all classes for which quotes were canceled for all parties for whom such quotes were canceled.

A Hybrid Market-Maker or a TPH organization may also specify a maximum number of QRM Incidents on an Exchange-wide basis. When the Exchange determines that such Hybrid Market-Maker or TPH organization has reached its QRM Incident limit during any rolling Measurement Interval, the QRM Mechanism shall cancel all of the Hybrid Market-Maker’s or TPH organization’s electronic quotes and Market-Maker orders resting in the Book in all option classes on the Exchange and prevent the Hybrid Market-Maker or TPH organization from sending additional quotes or orders to the Exchange until the Hybrid Market-Maker or TPH organization reactivates its ability to send quotes or orders in a manner prescribed by the Exchange. Once the QRM Mechanism is triggered and quotes and orders are cancelled, all counters that determine whether the QRM Mechanism is triggered and a QRM Incident occurs will be reset for all parties for whom the QRM Mechanism was triggered and for all classes for which quotes and orders were canceled. If the Exchange cancels all of the Hybrid Market-Maker’s or TPH organization’s electronic quotes and Market-Maker orders resting in the Book, and the Hybrid Market-Maker or TPH organization does not reactivate its ability to send quotes or orders, the block will be in effect only for the trading day that the Hybrid Market-Maker or TPH organization reached its QRM Incident limit. [Hybrid Market-Makers and TPH organizations are not required to set parameters for the Exchange-wide QRM.]

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