Required fields are shown with yellow backgrounds and asterisks.

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

File No.* SR - 2017 - * 002

Amendment No. (req. for Amendments *)

Filing by   Cboe EDGX Exchange, Inc.

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

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

Rule

Pilot ☐	Extension of Time Period for Commission Action * ☐

Date Expires *

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

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

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

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

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document
☐

Exhibit 3 Sent As Paper Document
☐

Description

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

The Exchange proposes a rule changee to Exchange Rule 11.8, Order Types.

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 * Chris   Last Name * Solgan

Title * Assistant General Counsel

E-mail * csolgan@cboe.com

Telephone * (646) 856-8723   Fax

Signature

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

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

(Title *)

Date   11/29/2017   Assistant General Counsel

By   Chris Solgan

(Name *)

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

csolgan@cboe.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add   Remove   View

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

Exhibit 1 - Notice of Proposed Rule Change *

Add   Remove   View

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

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

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

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

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Exhibit Sent As Paper Document
☐

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document
☐

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

Add   Remove   View

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

Partial Amendment

Add   Remove   View

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

1.   Text of the Proposed Rule Change

(a)   Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange

Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] Cboe EDGX Exchange, Inc. ("EDGX"

or the "Exchange") is filing with the Securities and Exchange Commission (the

"Commission") a proposed rule change to amend paragraph (b) of Exchange Rule 11.8,

Order Types, to restrict the Time-In-Force ("TIF") instruction that a Limit Order with

both a Display[3] instruction and Primary Peg[4] instruction that also includes a Primary

Offset Amount (defined below) may have to Regular Hours Only ("RHO")[5] or Day[6] if

entered during Regular Trading Hours.[7] The Exchange has designated this proposal as

non-controversial and provided the Commission with the notice required by Rule 19b-

4(f)(6)(iii) under the Act.[8]

The text of the proposed rule change is available on the Exchange's website at

www.markets.cboe.com, at the Exchange's principal office and at the Public Reference

Room of the Commission.

(b)   The Exchange does not believe that the proposed rule change will have

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

[2]   17 CFR 240.19b-4.

[3]   See Exchange Rule 11.6(e)(1).

[4]   See Exchange Rule 11.6(j)(2).

[5]   See Exchange Rule 11.6(q)(6) (defining a TIF of RHO as an instruction a User
        may attach to an order designating it for execution only during Regular Trading
        Hours).

[6]   See Exchange Rule 11.6(q)(2) (defining a TIF of Day as an instruction a User
        may attach to an order stating that an order to buy or sell which, if not executed,
        expires at the end of Regular Trading Hours).

[7]   Regular Trading Hours is defined as the time between 9:30 a.m. and 4:00 p.m.
        Eastern Time. See Exchange Rule 1.5(y).

[8]   17 CFR 240.19b-4(f)(6)(iii).

any direct or significant indirect effect on any other Exchange rule in effect at the time of this filing.

(c)   Not applicable.

2.   Procedures of the Self-Regulatory Organization

The Exchange submits the proposed rule change pursuant to authority delegated by the Board of Directors of the Exchange on February 11, 2014. Exchange staff will advise the Exchange's Board of Directors of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change and, therefore, the Exchange's internal procedures with respect to the proposed change are complete.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

Joanne Moffic-Silver	Chris Solgan
Executive Vice President, General	Assistant General Counsel
Counsel, and Corporate Secretary	(646) 856-8723
(312) 786-7462	

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

(a)   Purpose

The Exchange proposes to amend paragraph (b) of Exchange Rule 11.8, Order Types, to restrict the TIF instruction that a Limit Order with both a Display instruction and Primary Peg instruction and a Primary Offset Amount may have to RHO or, if entered during Regular Trading Hours, a TIF of Day. Exchange Rule 11.8(b)(9) allows for a Limit Order to include a Primary Peg instruction. Exchange Rule 11.6(j)(2) describes the Primary Peg instruction as an order with instructions to peg to the National Best Bid ("NBB"), for a buy order, or the National Best Offer ("NBO"), for a sell order.

A User[9] may, but is not required to, elect an offset equal to or greater than one Minimum

Price Variation above or below the NBB or NBO that the order is pegged to ("Primary

Offset Amount"). The Primary Offset Amount for an order with Primary Peg instruction

that is to be displayed on the EDGX Book must result in the price of such order being

inferior to or equal to the inside quote on the same side of the market.

Exchange Rule 11.8(b)(2) sets forth the TIF instructions that may be attached to a

Limit Order. Some available TIF instructions enable a Limit Order to expire at a time

past the end of Regular Trading Hours at 4:00 p.m. Eastern Time. These TIF instructions

are Good-'til Extended Day ("GTX"), Good-'til Day ("GTD"), Pre-Opening Session 'til

Extended Day ("PTX"), and Pre-Opening Session 'til Day ("PTD").[10] The System

automatically defaults the Limit Order to include a TIF instruction of Day if the User

does not select a different TIF instruction.[11]

The Exchange has observed that Limit Orders with a Primary Peg instruction

displayed on the EDGX Book with non-aggressive Primary Offset Amounts and similar

orders entered on away exchanges that remain active after the end of Regular Trading

Hours may be pegged to and repriced off of each other during extended hours trading

when no other reference price is available due to orders expiring or being cancelled at

4:00 p.m. Eastern Time. The following example illustrates this scenario. Assume the

NBBO is $0.00 by $0.00. Market Maker 1 enters an order on Exchange A to buy 100

shares at $10.00 resulting in a new NBBO of $10.00 by $0.00. Market Maker 2 sends a

Displayed Primary Peg order to Exchange B to buy 100 with a -$0.01 Primary Offset

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[9]   See Exchange Rule 1.5(ee).

[10]   See Exchange Rule 11.6(q) (defining each of these TIF instructions).

[11]   See Exchange Rule 11.8(b)(2).

Amount. That order is posted on Exchange B at $9.99. Market Maker 3 then also sends a Displayed Primary Peg order to Exchange C to buy 100 with a -$0.01 Primary Offset Amount. That order is posted on Exchange C at $9.99. The NBBO remains $10.00 by $0.00. Market Maker 1 cancels their order to buy 100 shares at $10.00. The NBBO is now $9.99 by $0.00. Exchange B re-prices Market Maker 2's Displayed Primary Peg order to buy to $9.98, one cent below Market Maker 3's Displayed Primary Peg order on Exchange C. The NBBO is now $9.98 by $0.00. Exchange C then re-prices Market Maker 3's Displayed Primary Peg order to buy to $9.97, one cent below Market Maker 2's Displayed Primary Peg order on Exchange B. In the absence of new additional liquidity being entered at the NBB, each order would continue to be re-priced off each other until each reach $0.00.[12]

To prevent this from occurring, the Exchange proposes to restrict the TIF instruction that a Limit Order with both a Display instruction and Primary Peg instruction that include a Primary Offset Amount may have to RHO, or, if entered during Regular Trading Hours, a TIF instruction of Day. Doing so would cause Displayed Primary Peg orders resting on the EDGX Book to be eligible for execution from 9:30 a.m. to 4:00 p.m. Eastern Time. Limiting the TIF instructions to RHO and Day only for Displayed Primary Peg orders with Primary Offsets Amounts would ensure that these orders are eligible for execution during Regular Trading Hours, which is the most liquid portion of the trading

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[12] While this behavior may occur in less liquid securities during Regular Trading Hours, the Exchange has only witnessed this occurring after the close of trading, on only one occasion, and not with the use of any other pegged order type or instruction. The Exchange intends to monitor the use of Limit Order with both a Display instruction and Primary Peg instruction that include a Primary Offset Amount during Regular Trading Hours to identify when the situation subject to this proposal may occur.

day, thereby significantly decreasing the possibility that such orders may re-price off similar orders entered on away exchanges in the absence of additional liquidity at the NBB or NBO. The proposed rule change would cause Displayed Primary Peg orders with Primary Offset Amounts to expire at the end of Regular Trading Hours when a vast majority of orders expire and do not participate in extended hours trading. As amended, paragraph (b)(9) of the Rule 11.8 would be amended to state that a Limit Order that includes both a Displayed instruction and Primary Peg instruction with a Primary Offset Amount (as defined in Rule 11.6(j)(2)) shall only include a TIF instruction of RHO or, if entered during Regular Trading Hours, a TIF instruction of Day. As is the case today, Users may continue to enter Displayed Primary Peg orders with Primary Offset Amounts and a TIF instruction of RHO beginning at 6:00 a.m. Eastern Time. However, those orders would not be eligible for execution until 9:30 a.m. Eastern Time, the start of Regular Trading Hours.[13] Displayed Primary Peg orders with Primary Offset Amounts and a TIF of Day will be rejected if entered prior to 9:30 a.m., the start of Regular Trading Hours. Primary Pegged orders that do not include a Primary Offset Amount or that are not displayed on the EDGX Book would have no restrictions on the TIF instructions that may be attached to the order pursuant to Exchange Rule 11.8(b)(2). Exchange Rule 11.8(b)(2) currently states that a Limit Order would be defaulted to a TIF instruction of Day. The Exchange proposes to amend Exchange Rule 11.8(b)(2) to state that the default behavior would be subject to the behavior proposed to be added to Exchange Rule 11.8(b)(9). As such, a Limit Order with both a Display instruction and Primary Peg instruction and a Primary Offset Amount that defaults to a TIF instruction of

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[13]   See Exchange Rule 11.1(a)(1).

Day would be rejected if entered prior to the start of Regular Trading Hours. That order

would need to be reentered with a TIF instruction of RHO. If entered during Regular

Trading Hours, a Limit Order with both a Display instruction and Primary Peg instruction

and a Primary Offset Amount that defaults to a TIF instruction of Day would be accepted

by the System and handled in accordance with its order instructions.

In light of the change proposed above, the Exchange also proposes the following

clarifying change to Exchange Rule 11.8(b) to account for a TIF instruction of RHO or

Day being applied to a Displayed Primary Peg order with a Primary Offset Amount.

Exchange Rule 11.8(b) specifies that the functionality described in paragraphs (9), (10),

and (11) of the rule is available for Limit Orders that include a Post Only or Book Only

instruction or TIF instruction of Day, GTD or GTX. As described above, paragraph (9)

of Rule 11.8(b) explains that a Limit Order may be accompanied by a Pegged instruction.

Paragraph (10) of Rule 11.8(b) describes the default behavior of order to comply with

Rule 610 of Regulations NMS[14] and states that a Limit Order to buy (sell) that would

cross the market at the time of entry would not be executed at a price higher (lower) than

the locking price. Lastly, paragraph (11) of Rule 11.8(b) states that a Limit Order that

includes a Short Sale instruction[15] that is not marked Short Exempt,[16] and that cannot be

executed in the System or displayed by the System on the EDGX Book at its limit price

because a Short Sale Circuit Breaker[17] is in effect, will be subject to the Re-Pricing

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[14]   17 CFR 242.610

[15]   Exchange Rule 11.6(o).

[16]   Exchange Rule 11.6(p).

[17]   17 CFR 242.201.

Instruction to comply with Rule 201 of Regulation SHO,[18] unless the User affirmatively

elects to have the order immediately Cancel Back.[19]

The functionality described in each of these paragraphs by design only applies to

orders once they are posted to the EDGX Book. For instance, an order would only be re-

priced to comply with Rule 610 or Regulation NMS or Rule 201 of Regulation SHO once

posted to the EDGX Book to ensure it is posted at a price that complies with both rules.

Over time, this language preceding paragraph (9) of Rule 11.8(b) has become outdated

and does not account for TIF instructions that have been adopted since this provision of

the rule was put into effect.[20] These include TIF instructions of PRE, PTX and PTD.[21]

Therefore, the Exchange proposes to amend this provision to make it more general and

simply state that paragraphs (9), (10), and (11) apply only to orders that are posted to the

EDGX Book. This will include orders with a Post Only or Book Only instruction as well

as orders with a TIF instruction of Day, GTD, GTX, RHO, PRE, PTX, and PTD.

Paragraphs (9), (10), and (11) would not apply to orders that include a TIF of IOC or

FOK as those orders are to be executed or cancelled upon entry and would never be

placed on the EDGX Book.

(b)   Statutory Basis

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[18]   17 CFR 242.201.

[19]   Exchange Rule 11.8(b).

[20]   These TIF instructions govern during which trading sessions an order remains eligible for execution and when that order expires if posted to the EDGX Book. See Exchange Rule 11.6(q)(7), (8), and (9). See also Securities Exchange Act Release No. 77538 (April 6, 2016), 81 FR 21632 (April 12, 2016) (SR-EDGX-2016-06).

[21]   See Exchange Rule 11.6(q) (defining each of these TIF instructions).

The Exchange believes that its proposal is consistent with Section 6(b) of the

Act[22] in general, and furthers the objectives of Section 6(b)(5) of the Act[23] in particular,

in that it is designed to promote just and equitable principles of trade, to foster

cooperation and coordination with persons engaged in 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. The proposed rule change removes impediments to and perfects the mechanism

of a free and open market and a national market system by ensuring that Limit Orders

with a Primary Pegged instruction and Primary Offset Amount displayed on the EDGX

Book do not inadvertently re-price off similar orders on away exchanges in absence of

other liquidity creating the illusion of aberrant prices for the security. The proposed rule

change would restrict the use of the order type to Regular Trading Hours only, the most

liquid part of the trading day, thereby significantly decreasing the possibility of such

orders re-pricing off of each other in the absence of additional liquidity. The Exchange

does not propose to amend or alter the operation of Limit Orders with a Pegged

instruction in any other manner. The proposed rule change also promotes just and

equitable principles of trade by limiting the times at which such orders are active so as to

ensure that the order pegs to prices that reflect the true NBBO of the security and not the

Primary Offset Amount of a pegged order in the absence of other liquidity. Lastly, the

Exchange believes the proposed rule change removes impediments to and perfect the

mechanism of a free and open market and a national market system by updating the rule

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[22]   15 U.S.C. 78f(b).

[23]   15 U.S.C. 78f(b)(5).

to account for all scenarios in which a Limit Order may be placed on the EDGX Book

and subject to the functionality covered in paragraphs (9), (10), and (11) of Rule 11.8(b).

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

The Exchange does not believe that the proposed rule change will result in any

burden on competition that is not necessary or appropriate in furtherance of the purposes

of the Act, as amended. The proposed rule change is intended to ensure Limit Orders

with a Primary Pegged instruction and Primary Offset Amount displayed on the EDGX

Book do not inadvertently re-price off similar orders on away exchanges in absence of

other liquidity. It is not intended to have a competitive impact.

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

No comments were solicited or received on the proposed rule change.

6.   Extension of Time Period for Commission Action

Not applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)[24]

of the Act and Rule 19b-4(f)(6)[25] thereunder. The proposed rule change effects a change

that (A) does not significantly affect the protection of investors or the public interest; (B)

does not impose any significant burden on competition; and (C) by its terms, does not

become operative for thirty (30) days after the date of the filing, or such shorter time as

the Commission may designate if consistent with the protection of investors and the

public interest; provided that the self-regulatory organization has given the Commission

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[24]   15 U.S.C. 78s(b)(3)(A).

[25]   17 CFR 240.19b-4(f)(6).

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.[26]

The Exchange believes that the proposed rule change meets the criteria of

subparagraph (f)(6) of Rule 19b-4[27] because it would not significantly affect the

protection of investors or the public interest. The proposed rule change does not

significantly affect the protection of investors or the public interest because it ensures

Limit Orders with a Primary Pegged instruction and Primary Offset Amount displayed on

the EDGX Book do not inadvertently re-price off of similar orders on away exchanges in

absence of other liquidity. The Exchange has only witnessed this occurring after the

close of trading, on only one occasion, and not with the use of any other pegged order

type or instruction. The Exchange intends to monitor the use of Limit Order with both a

Display instruction and Primary Peg instruction that include a Primary Offset Amount

during Regular Trading Hours to identify when the situation subject to this proposal may

occur. The Exchange does not propose to amend or alter the operation of Limit Orders

with a Pegged instruction in any other manner. Furthermore, updating the rule to account

for all scenarios in which a Limit Order may be placed on the EDGX Book and subject to

the functionality covered in paragraphs (9), (10), and (11) of Rule 11.8(b) does not

significantly affect the protection of investors or the public interest because it aligns the

rule with current system functionality. In addition, the proposed rule change does not

impose any significant burden on competition for the reasons set forth under Section IV

above. The Exchange has accordingly designated this rule filing as "non-controversial"

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26   Id.

27   Id.

under Section 19(b)(3)(A) of the Act[28] and paragraph (f)(6) of Rule 19b-4 thereunder.[29]

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. Waiver of the 30-day operative delay would permit the Exchange to implement the proposed rule change immediately. Waiver of the operative delay is consistent with the protection of investors and the public interest because it will enable the Exchange to update functionality during the operative delay period to restrict Limit Orders with a Primary Pegged instruction and Primary Offset Amount displayed on the EDGX Book to a TIF instruction of Day or RHO that would ensure such orders do not inadvertently re-price off of similar orders on away exchanges in absence of other liquidity. Waiver of the operative delay is, therefore, consistent with the protection of investors and the public interest.

At any time within sixty (60) days of the filing of such proposed rule change, the Commission may summarily 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.

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

    No applicable.

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

    Not applicable.

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

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[28] 15 U.S.C. 78s(b)(3)(A).

[29] 17 C.F.R. 240.19b-4.

Not applicable.

11.   Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Federal Register.

Exhibit 5 – Text of the Proposed Rule Change

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-_____; File No. SR-CboeEDGX-2017-002)

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and
Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rule 11.8,
Order Types

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 _____,

Cboe EDGX Exchange, Inc. ("EDGX" or the "Exchange") filed with the Securities and

Exchange Commission ("Commission") the proposed rule change as described in Items I

and II below, which Items have been prepared by the Exchange. The Exchange has

designated this proposal as a "non-controversial" proposed rule change pursuant to

Section 19(b)(3)(A) of the Act[3] and Rule 19b-4(f)(6)(iii) thereunder,[4] which renders it

effective upon filing with the Commission. 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 filed a proposal to amend paragraph (b) of Exchange Rule 11.8,

Order Types, to restrict the Time-In-Force ("TIF") instruction that a Limit Order with

both a Display[5] instruction and Primary Peg[6] instruction that also includes a Primary

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

[2]   17 CFR 240.19b-4.

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

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

[5]   See Exchange Rule 11.6(e)(1).

[6]   See Exchange Rule 11.6(j)(2).

Offset Amount (defined below) may have to Regular Hours Only ("RHO")[7] or Day[8] if

entered during Regular Trading Hours.[9]

The text of the proposed rule change is available at the Exchange's website at

www.markets.cboe.com, at the principal office of the Exchange, 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 parts of such statements.

        (A)   Self-Regulatory Organization's Statement of the Purpose of, and Statutory
                Basis for, the Proposed Rule Change

        1.   Purpose

The Exchange proposes to amend paragraph (b) of Exchange Rule 11.8, Order

Types, to restrict the TIF instruction that a Limit Order with both a Display instruction

and Primary Peg instruction and a Primary Offset Amount may have to RHO or, if

entered during Regular Trading Hours, a TIF of Day. Exchange Rule 11.8(b)(9) allows

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[7]   See Exchange Rule 11.6(q)(6) (defining a TIF of RHO as an instruction a User
        may attach to an order designating it for execution only during Regular Trading
        Hours).

[8]   See Exchange Rule 11.6(q)(2) (defining a TIF of Day as an instruction a User
        may attach to an order stating that an order to buy or sell which, if not executed,
        expires at the end of Regular Trading Hours).

[9]   Regular Trading Hours is defined as the time between 9:30 a.m. and 4:00 p.m.
        Eastern Time. See Exchange Rule 1.5(y).

for a Limit Order to include a Primary Peg instruction. Exchange Rule 11.6(j)(2) describes the Primary Peg instruction as an order with instructions to peg to the National Best Bid ("NBB"), for a buy order, or the National Best Offer ("NBO"), for a sell order. A User[10] may, but is not required to, elect an offset equal to or greater than one Minimum Price Variation above or below the NBB or NBO that the order is pegged to ("Primary Offset Amount"). The Primary Offset Amount for an order with Primary Peg instruction that is to be displayed on the EDGX Book must result in the price of such order being inferior to or equal to the inside quote on the same side of the market.

Exchange Rule 11.8(b)(2) sets forth the TIF instructions that may be attached to a Limit Order. Some available TIF instructions enable a Limit Order to expire at a time past the end of Regular Trading Hours at 4:00 p.m. Eastern Time. These TIF instructions are Good-'til Extended Day ("GTX"), Good-'til Day ("GTD"), Pre-Opening Session 'til Extended Day ("PTX"), and Pre-Opening Session 'til Day ("PTD").[11] The System automatically defaults the Limit Order to include a TIF instruction of Day if the User does not select a different TIF instruction.[12]

The Exchange has observed that Limit Orders with a Primary Peg instruction displayed on the EDGX Book with non-aggressive Primary Offset Amounts and similar orders entered on away exchanges that remain active after the end of Regular Trading Hours may be pegged to and repriced off of each other during extended hours trading when no other reference price is available due to orders expiring or being cancelled at

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[10]   See Exchange Rule 1.5(ee).

[11]   See Exchange Rule 11.6(q) (defining each of these TIF instructions).

[12]   See Exchange Rule 11.8(b)(2).

4:00 p.m. Eastern Time. The following example illustrates this scenario. Assume the NBBO is $0.00 by $0.00. Market Maker 1 enters an order on Exchange A to buy 100 shares at $10.00 resulting in a new NBBO of $10.00 by $0.00. Market Maker 2 sends a Displayed Primary Peg order to Exchange B to buy 100 with a -$0.01 Primary Offset Amount. That order is posted on Exchange B at $9.99. Market Maker 3 then also sends a Displayed Primary Peg order to Exchange C to buy 100 with a -$0.01 Primary Offset Amount. That order is posted on Exchange C at $9.99. The NBBO remains $10.00 by $0.00. Market Maker 1 cancels their order to buy 100 shares at $10.00. The NBBO is now $9.99 by $0.00. Exchange B re-prices Market Maker 2's Displayed Primary Peg order to buy to $9.98, one cent below Market Maker 3's Displayed Primary Peg order on Exchange C. The NBBO is now $9.98 by $0.00. Exchange C then re-prices Market Maker 3's Displayed Primary Peg order to buy to $9.97, one cent below Market Maker 2's Displayed Primary Peg order on Exchange B. In the absence of new additional liquidity being entered at the NBB, each order would continue to be re-priced off each other until each reach $0.00.[13]

To prevent this from occurring, the Exchange proposes to restrict the TIF instruction that a Limit Order with both a Display instruction and Primary Peg instruction that include a Primary Offset Amount may have to RHO, or, if entered during Regular Trading Hours, a TIF instruction of Day. Doing so would cause Displayed Primary Peg

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[13] While this behavior may occur in less liquid securities during Regular Trading Hours, the Exchange has only witnessed this occurring after the close of trading, on only one occasion, and not with the use of any other pegged order type or instruction. The Exchange intends to monitor the use of Limit Order with both a Display instruction and Primary Peg instruction that include a Primary Offset Amount during Regular Trading Hours to identify when the situation subject to this proposal may occur.

orders resting on the EDGX Book to be eligible for execution from 9:30 a.m. to 4:00 p.m.

Eastern Time. Limiting the TIF instructions to RHO and Day only for Displayed Primary

Peg orders with Primary Offsets Amounts would ensure that these orders are eligible for

execution during Regular Trading Hours, which is the most liquid portion of the trading

day, thereby significantly decreasing the possibility that such orders may re-price off

similar orders entered on away exchanges in the absence of additional liquidity at the

NBB or NBO. The proposed rule change would cause Displayed Primary Peg orders

with Primary Offset Amounts to expire at the end of Regular Trading Hours when a vast

majority of orders expire and do not participate in extended hours trading. As amended,

paragraph (b)(9) of the Rule 11.8 would be amended to state that a Limit Order that

includes both a Displayed instruction and Primary Peg instruction with a Primary Offset

Amount (as defined in Rule 11.6(j)(2)) shall only include a TIF instruction of RHO or, if

entered during Regular Trading Hours, a TIF instruction of Day. As is the case today,

Users may continue to enter Displayed Primary Peg orders with Primary Offset Amounts

and a TIF instruction of RHO beginning at 6:00 a.m. Eastern Time. However, those

orders would not be eligible for execution until 9:30 a.m. Eastern Time, the start of

Regular Trading Hours.[14] Displayed Primary Peg orders with Primary Offset Amounts

and a TIF of Day will be rejected if entered prior to 9:30 a.m., the start of Regular

Trading Hours. Primary Pegged orders that do not include a Primary Offset Amount or

that are not displayed on the EDGX Book would have no restrictions on the TIF

instructions that may be attached to the order pursuant to Exchange Rule 11.8(b)(2).

Exchange Rule 11.8(b)(2) currently states that a Limit Order would be defaulted to a TIF

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[14]   See Exchange Rule 11.1(a)(1).

instruction of Day. The Exchange proposes to amend Exchange Rule 11.8(b)(2) to state

that the default behavior would be subject to the behavior proposed to be added to

Exchange Rule 11.8(b)(9). As such, a Limit Order with both a Display instruction and

Primary Peg instruction and a Primary Offset Amount that defaults to a TIF instruction of

Day would be rejected if entered prior to the start of Regular Trading Hours. That order

would need to be reentered with a TIF instruction of RHO. If entered during Regular

Trading Hours, a Limit Order with both a Display instruction and Primary Peg instruction

and a Primary Offset Amount that defaults to a TIF instruction of Day would be accepted

by the System and handled in accordance with its order instructions.

In light of the change proposed above, the Exchange also proposes the following

clarifying change to Exchange Rule 11.8(b) to account for a TIF instruction of RHO or

Day being applied to a Displayed Primary Peg order with a Primary Offset Amount.

Exchange Rule 11.8(b) specifies that the functionality described in paragraphs (9), (10),

and (11) of the rule is available for Limit Orders that include a Post Only or Book Only

instruction or TIF instruction of Day, GTD or GTX. As described above, paragraph (9)

of Rule 11.8(b) explains that a Limit Order may be accompanied by a Pegged instruction.

Paragraph (10) of Rule 11.8(b) describes the default behavior of order to comply with

Rule 610 of Regulations NMS[15] and states that a Limit Order to buy (sell) that would

cross the market at the time of entry would not be executed at a price higher (lower) than

the locking price. Lastly, paragraph (11) of Rule 11.8(b) states that a Limit Order that

includes a Short Sale instruction[16] that is not marked Short Exempt,[17] and that cannot be

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[15]   17 CFR 242.610

[16]   Exchange Rule 11.6(o).

executed in the System or displayed by the System on the EDGX Book at its limit price because a Short Sale Circuit Breaker[18] is in effect, will be subject to the Re-Pricing Instruction to comply with Rule 201 of Regulation SHO,[19] unless the User affirmatively elects to have the order immediately Cancel Back.[20]

The functionality described in each of these paragraphs by design only applies to orders once they are posted to the EDGX Book. For instance, an order would only be re-priced to comply with Rule 610 or Regulation NMS or Rule 201 of Regulation SHO once posted to the EDGX Book to ensure it is posted at a price that complies with both rules. Over time, this language preceding paragraph (9) of Rule 11.8(b) has become outdated and does not account for TIF instructions that have been adopted since this provision of the rule was put into effect.[21] These include TIF instructions of PRE, PTX and PTD.[22] Therefore, the Exchange proposes to amend this provision to make it more general and simply state that paragraphs (9), (10), and (11) apply only to orders that are posted to the EDGX Book. This will include orders with a Post Only or Book Only instruction as well as orders with a TIF instruction of Day, GTD, GTX, RHO, PRE, PTX, and PTD. Paragraphs (9), (10), and (11) would not apply to orders that include a TIF of IOC or

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[17]   Exchange Rule 11.6(p).

[18]   17 CFR 242.201.

[19]   17 CFR 242.201.

[20]   Exchange Rule 11.8(b).

[21]   These TIF instructions govern during which trading sessions an order remains eligible for execution and when that order expires if posted to the EDGX Book. See Exchange Rule 11.6(q)(7), (8), and (9). See also Securities Exchange Act Release No. 77538 (April 6, 2016), 81 FR 21632 (April 12, 2016) (SR-EDGX-2016-06).

[22]   See Exchange Rule 11.6(q) (defining each of these TIF instructions).

FOK as those orders are to be executed or cancelled upon entry and would never be

placed on the EDGX Book.

      2.   Statutory Basis

      The Exchange believes that its proposal is consistent with Section 6(b) of the

Act[23] in general, and furthers the objectives of Section 6(b)(5) of the Act[24] in particular,

in that it is designed to promote just and equitable principles of trade, to foster

cooperation and coordination with persons engaged in 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. The proposed rule change removes impediments to and perfects the mechanism

of a free and open market and a national market system by ensuring that Limit Orders

with a Primary Pegged instruction and Primary Offset Amount displayed on the EDGX

Book do not inadvertently re-price off similar orders on away exchanges in absence of

other liquidity creating the illusion of aberrant prices for the security. The proposed rule

change would restrict the use of the order type to Regular Trading Hours only, the most

liquid part of the trading day, thereby significantly decreasing the possibility of such

orders re-pricing off of each other in the absence of additional liquidity. The Exchange

does not propose to amend or alter the operation of Limit Orders with a Pegged

instruction in any other manner. The proposed rule change also promotes just and

equitable principles of trade by limiting the times at which such orders are active so as to

ensure that the order pegs to prices that reflect the true NBBO of the security and not the

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[23]   15 U.S.C. 78f(b).

[24]   15 U.S.C. 78f(b)(5).

Primary Offset Amount of a pegged order in the absence of other liquidity. Lastly, the

Exchange believes the proposed rule change removes impediments to and perfect the

mechanism of a free and open market and a national market system by updating the rule

to account for all scenarios in which a Limit Order may be placed on the EDGX Book

and subject to the functionality covered in paragraphs (9), (10), and (11) of Rule 11.8(b).

       (B)   Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will result in any

burden on competition that is not necessary or appropriate in furtherance of the purposes

of the Act, as amended. The proposed rule change is intended to ensure Limit Orders

with a Primary Pegged instruction and Primary Offset Amount displayed on the EDGX

Book do not inadvertently re-price off similar orders on away exchanges in absence of

other liquidity. It is not intended to have a competitive impact.

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

No comments were solicited or received 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) by its terms, become operative for 30 days from the date on which it

was filed or such shorter time as the Commission may designate it has become effective

pursuant to Section 19(b)(3)(A) of the Act[25] and paragraph (f)(6) of Rule 19b-4

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[25]   15 U.S.C. 78s(b)(3)(A).

thereunder,[26] the Exchange has designated this rule filing as non-controversial. 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.

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: (1) necessary or appropriate in the public interest; (2) for

the protection of investors; or (3) otherwise in furtherance of the purposes of the Act. If

the Commission takes such action, the Commission shall institute proceedings to

determine whether the proposed rule 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 proposal is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic Comments:

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

- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-
  CboeEDGX-2017-002 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.

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26   17 CFR 240.19b-4.

All submissions should refer to File No. SR-CboeEDGX-2017-002. 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, DC 20549, on official business days between the hours of 10:00 am and

3:00 pm. Copies of such filing will also be available for inspection and copying at the

principal office of the Exchange. All comments received will be posted without change.

 Persons submitting comments are cautioned that we do not redact or edit personal

identifying information from comment submissions. You should submit only

information that you wish to make available publicly. All submissions should refer to File

No. SR-CboeEDGX-2017-002 and should be submitted on or before [_____21 days

from publication in the Federal Register].

    For the Commission, by the Division of Trading and Markets, pursuant to

delegated authority.[27]

                                        Robert W. Errett
                                        Deputy Secretary

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[27]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

Proposed new language is <u>underlined</u>; proposed deletions are marked by [brackets].

CHAPTER XI. TRADING RULES

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Rule 11.8. Order Types

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(a)   (No change).

(b)   Limit Order. An order to buy or sell a stated amount of a security at a specified price or better. A marketable Limit Order is a Limit Order to buy (sell) at or above (below) the lowest (highest) Protected Offer (Protected Bid) for the security.

      (1)   (No change).

      (2)   Time-in-Force. A Limit Order must have one of the following TIF instructions: IOC, FOK, Day, RHO, GTX, GTD, PRE, PTX, or PTD. Unless otherwise instructed by the User <u>or as provided in paragraph (9) below</u>, the System will automatically default a Limit Order to a TIF instruction of Day. Limit Orders with a TIF instruction of IOC that do not include a Book Only instruction and that cannot be executed in accordance with Rule 11.10(a)(4) on the System when reaching the Exchange will be eligible for routing away pursuant to Rule 11.11. A Limit Order with a TIF instruction of FOK is not eligible for routing away pursuant to Rule 11.11.

      (3) – (8)   (No change).

The following functionality described in paragraphs (9) – (11) below is available for Limit Orders that <u>are posted to the EDGX Book</u>[include a Post Only or Book Only instruction or TIF instruction of Day, GTD or GTX].

      (9)   Pegged. A User may indicate that the order include a Pegged instruction (i.e., Market Peg or Primary Peg). A Limit Order that includes a Pegged instruction is not eligible to be routed to another Trading Center in accordance with Rule 11.11. <u>Notwithstanding paragraph (2) above, a Limit Order that includes both a Displayed instruction and Primary Peg instruction with a Primary Offset Amount (as defined in Rule 11.6(j)(2)) shall only include a TIF instruction of RHO, or if entered during Regular Trading Hours, a TIF instruction of Day.</u>

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