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

File No.* SR - 2018 - * 023
Amendment No. (req. for Amendments *)

Filing by Cboe C2 Exchange, Inc.

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

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

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

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

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

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

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

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

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

The Exchange proposes a rule change to modify the handling of market orders to sell in no-bid series.

Contact Information

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

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

Signature

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

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

Date 11/06/2018

By Laura G. Dickman

(Name *)

(Title *)

Vice President, Associate General Counsel

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

dickman@cboe.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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

Item 1. **<u>Text of the Proposed Rule Change</u>**

(a) Cboe C2 Exchange, Inc. (the "Exchange" or "C2") proposes to amend its Rules regarding how the System handles market orders in series with no bid or no offer. The text of the proposed rule change is provided below and in Exhibit 1.

(additions are <u>underlined</u>; deletions are [bracketed])

* * * * *

Rules of Cboe C2 Exchange, Inc.

* * * * *

Rule 6.14. Order and Quote Price Protection Mechanisms and Risk Controls

The System's acceptance and execution of orders and quotes pursuant to the Rules, including Rules 6.11 through 6.13, are subject to the following price protection mechanisms and risk controls, as applicable.

(a) *Simple Orders.*

(1) *Market Orders in No-Bid (Offer) Series.* [If a User submits a sell (buy) market order to the System after a series is open when there is no NBB (NBO), the System cancels or rejects the market order.]

<u>(A) If the System receives a sell market order in a series after it is open for trading with an NBB of zero:</u>

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

<u>(ii) if the NBO in the series is greater than $0.50, then the System cancels or rejects the market order.</u>

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

* * * * *

(b) Not applicable.

(c) Not applicable.

Item 2. **<u>Procedures of the Self-Regulatory Organization</u>**

(a) The Exchange's President (or designee) pursuant to delegated authority approved the proposed rule change on November 5, 2018. The Exchange will announce via Exchange Notice the implementation date of the proposed rule change, which is currently expected to be November 29, 2018.

(b) Please refer questions and comments on the proposed rule change to Pat Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7467, or Laura G. Dickman, (312) 786-7572, Cboe C2 Exchange, Inc., 400 South LaSalle, Chicago, Illinois 60605.

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

(a) <u>Purpose</u>

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. (formerly named CBOE Holdings, Inc.) ("Cboe Global"), which is also the parent company of Cboe Exchange, Inc. ("Cboe Options") and Cboe C2 Exchange, Inc., acquired the Cboe EDGA Exchange, Inc. ("EDGA"), Cboe EDGX Exchange, Inc. ("EDGX or EDGX Options"), Cboe BZX Exchange, Inc. ("BZX" or "BZX Options"), and Cboe BYX Exchange, Inc. ("BYX" and, together with C2, Cboe Options, EDGX, EDGA, and BZX, the "Cboe Affiliated Exchanges"). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of a technology migration. Thus, the proposals set forth below are intended to add certain functionality to the Exchange's System that is more similar to functionality offered by Cboe Options in order to ultimately provide a consistent technology offering for market participants who interact with the Cboe Affiliated Exchanges. Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent practicable will reduce potential confusion for Users.

The Exchange proposes to amend its Rules regarding how the System handles a sell market order when there is no bid against which the order may execute. A market order is an order to buy or sell at the best price available at the time of execution.[1] Currently, pursuant to Rule 6.14(a)(1), if a User submits a sell market order to the System after a series is open when there is no national best bid ("NBB"), the System cancels or rejects the market order.[2] The Exchange proposes to amend how the System handles sell market orders submitted in a series with no bid. Specifically, if the System receives a market order to sell in an option series with an NBB of zero:

(1) if the NBO in the series is less than or equal to $0.50, then the System converts the market order to a limit order with a limit price equal to the minimum trading increment applicable to the series and enters the order into the Book with a timestamp based on the time it enters the Book. If the order has a Time-in-

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1 See Rule 1.1, definition of order.

2 Current Rule 6.14(a)(1) also provides that if a User submits a buy market order to the System after a series is open when there is no national best offer ("NBO"), the System cancels or rejects the market order. The proposed rule change does not modify this handling, and moves this provision (with nonsubstantive changes) to proposed Rule 6.14(a)(1)(B).

Force of GTC or GTD that expires on a subsequent day, the order remains on the Book as a Limit Order until it executes, expires, or the User cancels it.

(2) if the NBO in the series is greater than $0.50, then the System cancels the market order.[3]

The proposed rule change serves as a protection feature for investors in certain situations, such as when a series is no-bid because the last bid traded just prior to entry of the sell market order. The purpose of this threshold is to limit the automatic booking of market orders to sell at minimum increments to only those for true zero-bid options, as options in no-bid series with an offer of greater than $0.50 are less likely to be worthless.

For example, if the System receives a sell market order in a no-bid series with a minimum increment of $0.01 and the NBO is $0.01, the System will convert the order to a limit order with a price of $0.01 and enter it on the Book. Because the order will have a timestamp based on that time of Book entry, it will have priority behind any other limit orders to sell at $0.01 that were already resting on the Book. At that point, even if the series is no-bid because, for example, the last bid just traded and the limit order trades at $0.01, the next bid entered after the trade would not be higher than $0.01. If the order has a Time-in-Force of GTC or GTD that expires on a subsequent day, the order remains on the Book as a Limit Order until it executes, expires, or the User cancels it.[4]

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3 See proposed Rule 6.14(a)(1).

4 This functionality is consistent with the purpose of a GTC or GTD that expires on a subsequent trading day, which is to remain on the Book and available for execution until the User cancels it or until the time specified by the User. The Exchange notes that market orders with any other Time-in-Force would no longer be on the Book if they did not execute during the trading day.

However, if the System receives a sell market order in a no-bid series with a minimum increment of $0.01 and the NBO is $1.20 (because, for example, the last bid of $1.00 just traded and a new bid has not yet populated the disseminated quote), the System will cancel or reject the order. Cancellation prevents an anomalous execution price, since the next bid entered in that series is likely to be much higher than $0.01. It would be unfair to the User to let is market order trade as a limit order for $0.01 because, for example, the firm submitted the order during the brief time when there were no disseminated bids in a series trading significantly higher than the minimum increment.

The Exchange believes the threshold of $0.50 is reasonable. The Exchange notes that this threshold the same as the threshold in the Cboe Options rule,[5] and is less than the current width for the market order NBBO width protection, pursuant to which the System will reject or cancel back to the User a market order submitted to the System when the NBBO width is greater than 100% of the midpoint of the NBBO, subject to a $5 minimum and $10 maximum.[6] Notwithstanding this provision, the proposed rule change would allow for the potential execution of sell market orders in no-bid series with offers less than or equal to $0.50. If the threshold in the proposed rule change was higher, there would be increased risk of having a market order trade a minimum increment in a series

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5 See Cboe Options Rule 6.13(b)(vi).

6 See Rule 21.17(a); see also Exchange Notice, *BZX and EDGX Options Exchanges Feature Pack 2 – Update* (December 14, 2017), available at http://markets.cboe.com/resources/release_notes/2017/Update-2-Cboe-BZX-and-EDGX-Options-Exchanges-Feature-Pack-2.pdf, for current settings. Pursuant to this protection, if the NBBO for a series was $0.00 – $0.50, the width of the NBBO (0.50) is greater than 100% of the midpoint (0.25); however, pursuant to the minimum, a market order would be accepted pursuant to this protection because the width is less than the 5.00 minimum. The proposed rule change provides additional price protection for market orders in no-bid series.

that is not truly no-bid. The proposed rule change is substantially the same as Cboe Options Rule 6.13(b)(vi).

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[7] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[8] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[9] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change regarding the handling of sell Market Orders in no-bid series assists with the maintenance of fair and orderly markets and protects investors and the public interest, because it provides for automated handling of orders in series that are likely truly no-bid, ultimately resulting in more efficient executions of these orders. Additionally, the proposed rule change

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7 15 U.S.C. 78f(b).

8 15 U.S.C. 78f(b)(5).

prevents executions of sell market orders in no-bid series with higher offers at potentially extreme prices in series that are not truly no-bid. The Exchange believes this threshold appropriately reflects the interests of investors, as options in no-bid series with offers higher than $0.50 are less likely to be worthless than no-bid series with offers no higher than $0.50, and cancelling the orders will prevent execution of these orders at unfavorable prices. The Exchange also believes the $0.50 threshold promotes fair and orderly markets, because sell market orders in no-bid series with offers of $0.50 or less are likely to be individuals seeking to close out a worthless position, for which the proposed automatic handling is appropriate. The proposed change is also substantially the same as Cboe Options Rule 6.13(b)(vi).

When Cboe Options migrates to the same technology as that of the Exchange and other Cboe Affiliated Exchanges, Users of the Exchange and other Cboe Affiliated Exchanges will have access to similar functionality on all Cboe Affiliated Exchanges and similar language can be incorporated into the rules of all Cboe Affiliated Exchanges. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule changes will impose any burden on intramarket competition, because it will apply in the same manner to all sell

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9 Id.

market orders submitted in no-offer or no-bid series, respectively. Additionally, the proposed rule change has no impact on sell market orders submitted in no-bid series with an offer of more than $0.50, which orders will continue to be handled in the same manner as they are today (i.e. they will be cancelled or rejected). The Exchange does not believe the proposed rule change will impose any burden on intermarket competition, as it will provide sell market orders in true no-bid series with additional execution opportunities (either on the Exchange or at away markets pursuant to linkage rules) while providing an additional protection measure for sell market orders in no-bid series that may not be truly no-bid. The Exchange believes this price protection will allow Trading Permit Holders to submit sell market orders with reduced fear of inadvertent exposure to excessive risk, which will benefit investors through increased liquidity for the execution of their orders.

The proposed rule change is substantially the same as Cboe Options Rule 6.13(b)(vi).[10]

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

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

Item 6. Extension of Time Period for Commission Action

Not applicable.

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[10] The Exchange notes other options exchanges have similar rules that convert sell market orders in no-bid series to limit orders with a price of a minimum increment if the offer in the series is below a certain threshold (the thresholds differ in those rules). See, e.g., Miami International Securities Exchange, LLC ("MIAX") Rule 519(a)(1); and NASDAQ ISE, LLC ("ISE") Rule 713(b).

Item 7. **<u>Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)</u>**

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act[11] and Rule 19b-4(f)(6)[12] thereunder.

(b) The Exchange designates that the proposed rule change effects a change that (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Additionally, the Exchange has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

The proposed rule change does not significantly affect the protection of investors or the public interest, as it provides for automated handling of orders in series that are likely truly no-bid, ultimately resulting in more efficient executions of these orders. Additionally, the proposed rule change prevents executions of sell market orders in no-bid series with higher offers at potentially extreme prices in series that are not truly no-bid. The Exchange believes the proposed $0.50 threshold appropriately reflects the interests of investors, as options in no-bid series with offers higher than $0.50 are less likely to be worthless than no-bid series with offers no higher than $0.50, and cancelling

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11 15 U.S.C. 78s(b)(3)(A).

12 17 CFR 240.19b-4(f)(6).

the orders will prevent execution of these orders at unfavorable prices. The Exchange also believes the $0.50 threshold promotes fair and orderly markets, because sell market orders in no-bid series with offers of $0.50 or less are likely to be individuals seeking to close out a worthless position, for which the proposed automatic handling is appropriate.

The proposed rule change does not impose any significant burden on competition, because it will apply in the same manner to all sell market orders submitted in no-bid series, respectively. Additionally, the proposed rule change has no impact on sell market orders submitted in no-bid series with an offer of more than $0.50, which orders will continue to be handled in the same manner as they are today (i.e. they will be cancelled or rejected). The proposed rule change will provide sell market orders in no-bid series with offers of $0.50 or less with additional execution opportunities (either on the Exchange or at away markets pursuant to linkage rules) while providing an additional protection measure for sell market orders in no-bid series that may not be truly no-bid.

For the foregoing reasons, this rule filing qualifies as a "non-controversial" rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved. 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 to permit implementation on November 29, 2018. The proposed rule change is not novel or unique. The proposed rule change is substantially the same as Cboe Options Rule 6.13(b)(vi). Waiver of the operative delay will provide Users with additional flexibility to manage and display their orders and additional control over their executions on the Exchange as soon as possible. Additionally, waiver of the operative delay will allow the Exchange to continue to strive towards a complete technology integration of the Cboe Affiliated Exchanges, with gradual roll-outs of new functionality to ensure stability of the System. The proposed rule change is generally intended to codify certain system functionality to the Exchange's System, as well as add certain functionality to the Exchange's System, in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes and maintenance by Trading Permit Holders of the Exchange that are also participants on Cboe Affiliated Exchanges.

(c) Not applicable.

(d) Not applicable.

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

The proposed rule change is substantially the same as Cboe Options Rule 6.13(b)(vi). The proposed rule change differs from Cboe Options Rule 6.13(b)(vi) as it does not include any provisions related to the different trading sessions (regular trading hours and extended trading hours) available on Cboe Options or related to routing of market orders for manual handling on Cboe Options' trading floor, as those features are not available on the Exchange. However, the primary functionality of the proposed rule change and the Cboe Options rule is substantively the same.

Additionally, the proposed rule change includes a description of how GTC and GTD Market Orders will be handled over multiple trading days. This is not included in the Cboe Options rule, and based on a Cboe Options rule filing, is different than how a GTC Market Order (Cboe Options does not offer GTD orders) will be handled in this circumstance. On Cboe Options, if an order does not execute during the trading day as a limit order (i.e., a GTC order), the Cboe Options system at that time will no longer consider the order as a limit order and will again handle the order as a market order to sell after the close of trading. The market order will stay on the electronic book until the opening of the next trading day (or until cancelled), at which point it may execute during the open or, if it remains unexecuted after the opening of trading, it will either execute with the best bid at the time or, if the series is still no-bid, again be handled pursuant to Cboe Options Rule 6.13(b)(vi) (i.e. be considered a limit order with a price of a minimum increment if the offer is less than or equal to $0.50).[13] The proposed rule change ultimately results in similar behavior for these orders on the Exchange, as the Exchange continues to make the order available for execution for multiple days, consistent with the GTC and GTD Order Instructions, but does not convert and re-convert the order from market to limit, and vice versa, each trading day. The Exchange believes this is an immaterial difference, as it only impacts the handling of GTC orders (Cboe Options does not have GTD orders) that do not execute as limit orders during the trading day. The general proposed functionality will handle sell market orders in no-bid series with offers no greater than $0.50 in a substantially similar manner.

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[13] See Securities Exchange Act Release No. 73487 (October 31, 2014), 79 FR 66016 (November 6, 2014) (SR-CBOE-2014-067).

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

Not applicable.

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

Not applicable.

Item 11. Exhibits

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-C2-2018-023]

[Insert date]

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend its Rules Regarding How the System Handles Market Orders in Series With No Bid or No Offer

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on [insert date], Cboe C2 Exchange, Inc. (the "Exchange" or "C2") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[3] and Rule 19b-4(f)(6) thereunder.[4] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe C2 Exchange, Inc. (the "Exchange" or "C2") proposes to amend its Rules regarding how the System handles market orders in series with no bid or no offer.

(additions are underlined; deletions are [bracketed])

* * * * *

Rules of Cboe C2 Exchange, Inc.

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

2 17 CFR 240.19b-4.

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

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

* * * * *

Rule 6.14. Order and Quote Price Protection Mechanisms and Risk Controls

The System's acceptance and execution of orders and quotes pursuant to the Rules, including Rules 6.11 through 6.13, are subject to the following price protection mechanisms and risk controls, as applicable.

(a) *Simple Orders.*

(1) *Market Orders in No-Bid (Offer) Series.* [If a User submits a sell (buy) market order to the System after a series is open when there is no NBB (NBO), the System cancels or rejects the market order.]

(A) If the System receives a sell market order in a series after it is open for trading with an NBB of zero:

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

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

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

* * * * *

The text of the proposed rule change is also available on the Exchange's website (http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. (formerly named CBOE Holdings, Inc.) ("Cboe Global"), which is also the parent company of Cboe Exchange, Inc. ("Cboe Options") and Cboe C2 Exchange, Inc., acquired the Cboe EDGA Exchange, Inc. ("EDGA"), Cboe EDGX Exchange, Inc. ("EDGX or EDGX Options"), Cboe BZX Exchange, Inc. ("BZX" or "BZX Options"), and Cboe BYX Exchange, Inc. ("BYX" and, together with C2, Cboe Options, EDGX, EDGA, and BZX, the "Cboe Affiliated Exchanges"). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of a technology migration. Thus, the proposals set forth below are intended to add certain functionality to the Exchange's System that is more similar to functionality offered by Cboe Options in order to ultimately provide a consistent technology offering for market participants who interact with the Cboe Affiliated Exchanges. Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent practicable will reduce potential confusion for Users.

The Exchange proposes to amend its Rules regarding how the System handles a sell market order when there is no bid against which the order may execute. A market order is an order to buy or sell at the best price available at the time of execution.[5] Currently, pursuant to Rule 6.14(a)(1), if a User submits a sell market order to the System after a series is open when there is no national best bid ("NBB"), the System cancels or rejects the market order.[6] The Exchange proposes to amend how the System handles sell market orders submitted in a series with no bid. Specifically, if the System receives a market order to sell in an option series with an NBB of zero:

> (1) if the NBO in the series is less than or equal to $0.50, then the System converts the market order to a limit order with a limit price equal to the minimum trading increment applicable to the series and enters the order into the Book with a timestamp based on the time it enters the Book. If the order has a Time-in-Force of GTC or GTD that expires on a subsequent day, the order remains on the Book as a Limit Order until it executes, expires, or the User cancels it.
>
> (2) if the NBO in the series is greater than $0.50, then the System cancels the market order.[7]

The proposed rule change serves as a protection feature for investors in certain situations, such as when a series is no-bid because the last bid traded just prior to entry of the sell market order. The purpose of this threshold is to limit the automatic booking of market orders to sell at minimum increments to only those for true zero-bid options, as options in no-bid series with an offer of greater than $0.50 are less likely to be worthless.

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[5] See Rule 1.1, definition of order.

[6] Current Rule 6.14(a)(1) also provides that if a User submits a buy market order to the System after a series is open when there is no national best offer ("NBO"), the System cancels or rejects the market order. The proposed rule change does not modify this handling, and moves this provision (with nonsubstantive changes) to proposed Rule 6.14(a)(1)(B).

[7] See proposed Rule 6.14(a)(1).

For example, if the System receives a sell market order in a no-bid series with a minimum increment of $0.01 and the NBO is $0.01, the System will convert the order to a limit order with a price of $0.01 and enter it on the Book. Because the order will have a timestamp based on that time of Book entry, it will have priority behind any other limit orders to sell at $0.01 that were already resting on the Book. At that point, even if the series is no-bid because, for example, the last bid just traded and the limit order trades at $0.01, the next bid entered after the trade would not be higher than $0.01. If the order has a Time-in-Force of GTC or GTD that expires on a subsequent day, the order remains on the Book as a Limit Order until it executes, expires, or the User cancels it.[8]

However, if the System receives a sell market order in a no-bid series with a minimum increment of $0.01 and the NBO is $1.20 (because, for example, the last bid of $1.00 just traded and a new bid has not yet populated the disseminated quote), the System will cancel or reject the order. Cancellation prevents an anomalous execution price, since the next bid entered in that series is likely to be much higher than $0.01. It would be unfair to the User to let is market order trade as a limit order for $0.01 because, for example, the firm submitted the order during the brief time when there were no disseminated bids in a series trading significantly higher than the minimum increment.

The Exchange believes the threshold of $0.50 is reasonable. The Exchange notes that this threshold the same as the threshold in the Cboe Options rule,[9] and is less than the

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8 This functionality is consistent with the purpose of a GTC or GTD that expires on a subsequent trading day, which is to remain on the Book and available for execution until the User cancels it or until the time specified by the User. The Exchange notes that market orders with any other Time-in-Force would no longer be on the Book if they did not execute during the trading day.

9 See Cboe Options Rule 6.13(b)(vi).

current width for the market order NBBO width protection, pursuant to which the System will reject or cancel back to the User a market order submitted to the System when the NBBO width is greater than 100% of the midpoint of the NBBO, subject to a $5 minimum and $10 maximum.[10] Notwithstanding this provision, the proposed rule change would allow for the potential execution of sell market orders in no-bid series with offers less than or equal to $0.50. If the threshold in the proposed rule change was higher, there would be increased risk of having a market order trade a minimum increment in a series that is not truly no-bid. The proposed rule change is substantially the same as Cboe Options Rule 6.13(b)(vi).

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[11] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[12] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating,

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10 See Rule 21.17(a); see also Exchange Notice, *BZX and EDGX Options Exchanges Feature Pack 2 – Update* (December 14, 2017), available at http://markets.cboe.com/resources/release_notes/2017/Update-2-Cboe-BZX-and-EDGX-Options-Exchanges-Feature-Pack-2.pdf, for current settings. Pursuant to this protection, if the NBBO for a series was $0.00 – $0.50, the width of the NBBO (0.50) is greater than 100% of the midpoint (0.25); however, pursuant to the minimum, a market order would be accepted pursuant to this protection because the width is less than the 5.00 minimum. The proposed rule change provides additional price protection for market orders in no-bid series.

11 15 U.S.C. 78f(b).

12 15 U.S.C. 78f(b)(5).

clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[13] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change regarding the handling of sell Market Orders in no-bid series assists with the maintenance of fair and orderly markets and protects investors and the public interest, because it provides for automated handling of orders in series that are likely truly no-bid, ultimately resulting in more efficient executions of these orders. Additionally, the proposed rule change prevents executions of sell market orders in no-bid series with higher offers at potentially extreme prices in series that are not truly no-bid. The Exchange believes this threshold appropriately reflects the interests of investors, as options in no-bid series with offers higher than $0.50 are less likely to be worthless than no-bid series with offers no higher than $0.50, and cancelling the orders will prevent execution of these orders at unfavorable prices. The Exchange also believes the $0.50 threshold promotes fair and orderly markets, because sell market orders in no-bid series with offers of $0.50 or less are likely to be individuals seeking to close out a worthless position, for which the proposed automatic handling is appropriate. The proposed change is also substantially the same as Cboe Options Rule 6.13(b)(vi).

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[13] Id.

When Cboe Options migrates to the same technology as that of the Exchange and other Cboe Affiliated Exchanges, Users of the Exchange and other Cboe Affiliated Exchanges will have access to similar functionality on all Cboe Affiliated Exchanges and similar language can be incorporated into the rules of all Cboe Affiliated Exchanges. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule changes will impose any burden on intramarket competition, because it will apply in the same manner to all sell market orders submitted in no-offer or no-bid series, respectively. Additionally, the proposed rule change has no impact on sell market orders submitted in no-bid series with an offer of more than $0.50, which orders will continue to be handled in the same manner as they are today (i.e. they will be cancelled or rejected). The Exchange does not believe the proposed rule change will impose any burden on intermarket competition, as it will provide sell market orders in true no-bid series with additional execution opportunities (either on the Exchange or at away markets pursuant to linkage rules) while providing an additional protection measure for sell market orders in no-bid series that may not be truly no-bid. The Exchange believes this price protection will allow Trading Permit Holders to submit sell market orders with reduced fear of inadvertent exposure to excessive risk, which will benefit investors through increased liquidity for the execution of their orders.

The proposed rule change is substantially the same as Cboe Options Rule 6.13(b)(vi).[14]

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

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

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

Because the foregoing proposed rule change does not:

A. significantly affect the protection of investors or the public interest;

B. impose any significant burden on competition; and

C. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate,

it has become effective pursuant to Section 19(b)(3)(A) of the Act[15] and Rule 19b-4(f)(6)[16] thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

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14 The Exchange notes other options exchanges have similar rules that convert sell market orders in no-bid series to limit orders with a price of a minimum increment if the offer in the series is below a certain threshold (the thresholds differ in those rules). See, e.g., Miami International Securities Exchange, LLC ("MIAX") Rule 519(a)(1); and NASDAQ ISE, LLC ("ISE") Rule 713(b).

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

16 17 CFR 240.19b-4(f)(6).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-C2-2018-023 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-C2-2018-023. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m.

and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-C2-2018-023 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[17]

Secretary

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