OMB APPROVAL	
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Page 1 of * 29

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

File No.* SR - 2018 - * 003
Amendment No. (req. for Amendments *)

Filing by Cboe BYX 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 to amend paragraph (c)(5) of Exchange Rule 11.9 describing the operation of Minimum Quantity Orders.

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.

Date 03/16/2018
By Chris Solgan
(Name *)

(Title *)
Assistant 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.

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 * 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.

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 BYX Exchange, Inc. ("BYX" or the "Exchange") is filing with the Securities and Exchange Commission (the "Commission") a proposed rule change to amend paragraph (c)(5) of Exchange Rule 11.9 describing the operation of Minimum Quantity Orders.[3] 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.[4]

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

(a) The Exchange's President (or designee) pursuant to delegated authority approved the proposed rule change on March 6, 2018.

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

2 17 CFR 240.19b-4.

3 See Exchange Rule 11.9(c)(5) for a complete description of the operation of Minimum Quantity Orders.

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

(b) Please refer questions and comments on the proposed rule change to Patrick Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7467, or Chris Solgan, Assistant General Counsel, (646) 856-8723.

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 (c)(5) of Exchange Rule 11.9 describing the operation of Minimum Quantity Orders by removing language that provided for the re-pricing of incoming Minimum Quantity Orders to avoid an internally crossed book. As a result of this change, the Exchange proposes to specify within the rule when a Minimum Quantity Order would not be eligible to trade to prevent executions from occurring that may be inconsistent with intra-market price priority or that would cause a non-displayed order to trade ahead of a displayed order.

In sum, a Minimum Quantity Order is a non-displayed order that enables a User[5] to specify a minimum share amount at which the order will execute.[6] A Minimum Quantity Order will not execute unless the volume of contra-side liquidity available to execute against the order meets or exceeds the designated minimum size. By default, a Minimum Quantity Order will execute upon entry against a single order or multiple aggregated orders simultaneously. The Exchange recently amended the operation of Minimum Quantity Orders to permit a User to alternatively specify the order not execute

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5 The term "User" is defined as "any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3." See Exchange Rule 1.5(cc).

6 The Exchange will only honor a specified minimum quantity on BYX Only Orders that are non-displayed or Immediate-Or-Cancel and will disregard a minimum quantity on any other order. See Exchange Rule 11.9(c)(5).

against multiple aggregated orders simultaneously and that the minimum quantity condition be satisfied by each individual order resting on the BYX Book.[7]

The Exchange also recently amended the operation of Minimum Quantity Orders to re-price incoming Minimum Quantity Orders where that order may cross an order posted on the BYX Book.[8] Specifically, where there is insufficient size to satisfy an incoming order's minimum quantity condition and that incoming order, if posted at its limit price, would cross an order(s), whether displayed or non-displayed, resting on the BYX Book, the order with the minimum quantity condition would be re-priced to and ranked at the locking price. This functionality has not yet been implemented[9] and the Exchange now proposes to amend paragraph (c)(5) of Rule 11.9 to remove this re-pricing requirement.

As a result of the above change, the Exchange proposes to amend paragraph (c)(5) of Rule 11.9 to describe when a Minimum Quantity Order will not be eligible to trade to prevent executions from occurring that may be inconsistent with intra-market price priority or would result in a non-displayed order trading ahead of a same-priced, same-side displayed order.[10] The Exchange would not permit a Minimum Quantity Order that

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7 See Securities Exchange Act Release No. 81806 (October 3, 2017), 82 FR 47047 (October 10, 2017) (SR-BatsBYX-2017-24). This functionality is pending deployment and the implementation date will be announced via a trading notice.

8 Id.

9 See supra note 7. Exchange Rule 11.9(c)(5) does not require re-pricing where the Minimum Quantity Order is resting on the BYX Book. As such, an internally crossed book may occur where the incoming order is of insufficient size to satisfy the resting order's minimum quantity condition and that incoming order, if posted at its limit price, would cross that order with a minimum quantity condition resting on the BYX Book.

10 Exchange Rule 11.12(a) states that orders on the BYX Book are ranked and maintained by the Exchange according to price-time priority. Exchange Rule

crosses other displayed or non-displayed orders on the BYX Book to trade at prices that are worse than the price of such contra-side orders. The Exchange would also not permit a resting Minimum Quantity Order to trade at a price equal to a contra-side displayed order. This proposal is based on recently adopted NYSE Arca, Inc. ("NYSE Arca") Rule 7.31-E(i)(3)(C).[11]

Paragraph (c)(5) of Rule 11.9 would state that a Minimum Quantity Order to buy (sell) that is ranked in the BYX Book will not be eligible to trade: (i) at a price equal to or above (below) any sell (buy) orders that are displayed and that have a ranked price equal to or below (above) the price of such Minimum Quantity Order; or (ii) at a price above (below) any sell (buy) order that is non-displayed and has a ranked price below (above) the price of such Minimum Quantity Order.[12] However, a Minimum Quantity Order that crosses an order on BYX Book may execute at a price less aggressive than its ranked price against an incoming order so long as such execution is consistent with the above restrictions.

11.12(a) further prohibits a non-displayed order from trading ahead of a same-side, same-priced displayed order. This proposed rule change adds language to Exchange Rule 11.9(c)(5) to clarify this priority scheme during an internally crossed market.

11 See Securities Exchange Act Release No. 82504 (January 16, 2018), 83 FR 3038 (January 22, 2018) (SR-NYSEArca-2018-01) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 7.31–E Relating to Mid-Point Liquidity Orders and the Minimum Trade Size Modifier and Rule 7.36–E To Add a Definition of "Aggressing Order").

12 A Minimum Quantity Order to buy (sell) may execute at a price above (below) any sell (buy) order that is Non-Displayed and has a ranked price below (above) the price of such Minimum Quantity Order if that Non-Displayed order itself included a minimum quantity condition that prevented it from executing. See infra note 15.

The following examples describe the proposed operation of a Minimum Quantity Order during an internally crossed market. This first example addresses intra-market priority amongst a Minimum Quantity Order and other non-displayed orders in an internally crossed market as well as when an execution may occur at prices less aggressive than the resting order's ranked price. Assume the NBBO is $10.10 by $10.16. A non-displayed order to sell 50 shares at $10.12 is resting on the BYX Book ("Order A"). A non-displayed order to sell 25 shares at $10.11 is also resting on the BYX Book ("Order B"). The Exchange receives a Mid-Point Peg[13] order to buy at $10.14 with a minimum quantity condition to execute against a single order of 100 shares ("Order C"). Because Order C's minimum quantity condition cannot be met, Order C will not trade with Orders A or B and will be posted and ranked on the BYX Book at $10.13, the midpoint of the NBBO. The Exchange now has a non-displayed order crossing both non-displayed orders on the BYX Book. If the Exchange then receives a non-displayed order to sell for 100 shares at $10.11 ("Order D"),[14] although Order D would be marketable against Order C at $10.13, it would not trade at $10.13 because it is above the price of all resting sell orders. Order D will instead execute against Order C at $10.11, receiving price improvement relative to the midpoint of the NBBO.

This second example addresses intra-market priority amongst displayed orders, Minimum Quantity Orders and other non-displayed orders. The Exchange notes that the below behavior is not unique to an internally crossed market as the Exchange's priority rule, 11.12(a), currently prohibits non-displayed orders, including Minimum Quantity

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13 See Exchange Rule 11.9(c)(9).

14 On NYSE Arca, Order D will be posted to the NYSE Arca book at $10.11 and not execute against Order C at $10.13. See supra note 11.

Orders, from trading ahead of same-priced, same-side displayed orders. Assume the NBBO is \$10.00 by \$10.04. A non-displayed order to buy 500 shares at \$10.00 is resting on the BYX Book ("Order A"). A displayed order to buy 100 shares at \$10.00 is then entered and posted to the BYX Book ("Order B"). The Exchange receives a non-displayed order to sell 600 shares at \$10.00 with a minimum quantity condition to execute against a single order of 500 shares ("Order C"). Although Order A satisfies Order C's minimum quantity condition and has time priority ahead of Order B, no execution occurs because Order B is a displayed order and has execution priority over Order A, a non-displayed order. Order C does not execute against Order B because Order B does not satisfy Order C's minimum quantity condition. Order C is then posted to the BYX Book at \$10.00, non-displayed.

The Exchange also proposes two clarifying changes to paragraph (c)(5) of Exchange Rule 11.9. The rule currently states that a Minimum Quantity Order cedes execution priority when it would lock an order against which it would otherwise execute if it were not for the minimum execution size restriction.[15] The Exchange now proposes to add additional language to the rule to clarify when a resting non-displayed order may cede execution priority to a subsequent arriving same-side order. As amended, paragraph (h) of Rule 11.6 would state that if a resting non-displayed sell (buy) order did not meet the minimum quantity condition of a same-priced resting Minimum Quantity Order to buy (sell), a subsequently arriving sell (buy) order that meets the minimum quantity condition will trade ahead of such resting non-displayed sell (buy) order at that price. For

15 The Exchange proposes to amend this provision to clarify that a Minimum Quantity Order would cede execution priority when it would also cross an order against which it would otherwise execute if it were not for the minimum execution size restriction.

example, assume the NBBO is $10.00 by $10.10 and no orders are resting on the BYX Book. A non-displayed order to buy 700 shares at $10.10 with a minimum quantity condition to execute against a single order of 500 shares is resting on the BYX Book (Order A). A non-displayed order to sell 100 shares at $10.10 is then entered and posted to the BYX Book (Order B). Order B does not execute against Order A because Order B does not satisfy Order A's single minimum quantity condition of 500 shares. As a result, Order B is posted to the BYX Book at $10.10, creating an internally locked book. An order to sell 500 shares at $10.10 is then entered and executes against Order A at $10.10 for 500 shares because the incoming order is of sufficient size to satisfy Order A's minimum quantity condition of 500 shares. This clarification is also based on recently adopted NYSE Arca Rule 7.31-E(i)(3)(E)(ii).[16]

Lastly, the Exchange proposes to clarify that an incoming Minimum Quantity Order would be canceled where, if posted, it would cross the displayed price of an order on the BYX Book.[17] Conversely, an incoming Minimum Quantity Order would be posted to the BYX Book where it would not cross the displayed price of a resting contra-side order. For example, an order to buy at $11.00 with a minimum quantity condition of 500 shares is entered (Order A) and there is a displayed order resting on the BYX Book to sell 200 shares at $10.99 (Order B). Oder A would be cancelled because it crosses the displayed price of Order B and Order B does not contain sufficient size to satisfy Order A's minimum quantity condition of 500 shares. However, should Order A be priced at $10.99, it would not be cancelled and would be posted to the BYX Book, resulting in an

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16 Supra note 11.

17 A Minimum Quantity Order will be repriced in accordance with Exchange Rule 11.9(g)(4) where it would cross a protected quote displayed on an away market center.

internally locked market. Order A would not be executable at that price because it is priced equal to a contra-side displayed order. An internally crossed market may subsequently occur should an order to sell priced more aggressively than Order A be entered but not be of sufficient size to satisfy Order A's minimum quantity condition of 500 shares (e.g., an order to sell 100 shares at $10.98) and posted to the BYX Book.

(b) Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[18] in general, and furthers the objectives of Section 6(b)(5) of the Act[19] 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 because it would ensure that Minimum Quantity Orders do not trade through displayed orders or violate intra-market price priority. Specifically, the proposed rule change would protect displayed orders by preventing a Minimum Quantity Order from executing where it is locked by a contra-side Displayed order. The proposed rule change protects intra-market price priority by preventing a resting Minimum Quantity Order from executing where it is crossed by either a displayed or non-displayed order on the BYX Book. The proposed clarifications remove impediments to and perfect the mechanism of a free and open market and a national market system because they provide additional specificity regarding the

18 15 U.S.C. 78f(b).

19 15 U.S.C. 78f(b)(5).

operation of a Minimum Quantity Order, thereby avoiding potential investor confusion. In particular, the Exchange believes it is reasonable for a resting non-displayed order to cede execution priority to a subsequent arriving same-side order where that order is of sufficient size to satisfy a resting contra-side order's minimum quantity condition because doing so facilitates executions in accordance with the terms and conditions of each order. The proposed rule change is also substantially similar to a proposed rule change recently submitted by NYSE Arca for immediate effectiveness and published by the Commission.[20] The only differences between the proposed rule change and that of NYSE Arca is that: (i) NYSE Arca does not cancel a minimum quantity order that would cross a displayed order on the NYSE Arca book; and (ii) NYSE Arca will not execute resting orders at prices less aggressive than their limit prices in crossed markets. The Exchange believes that these differences are immaterial because they are designed to reduce the occurrences of internally crossed markets and facilitate executions that may not otherwise occur. These differences will also continue to ensure that executions occur in accordance with intra-market price priority on the Exchange while accounting for the differences in functionality and order types.

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. On the contrary, the proposed rule change is not designed to address any competitive issues because it is intended to provide clarity regarding the operation of Minimum Quantity Orders and when such orders are eligible to trade and not

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[20] See supra notes 11 and 14.

trade through displayed orders or violate intra-market price priority.

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)[21] of the Act and Rule 19b-4(f)(6)[22] 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 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.[23]

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4[24] because it would not significantly affect the protection of investors or the public interest. The proposed rule change does not

[21] 15 U.S.C. 78s(b)(3)(A).

[22] 17 CFR 240.19b-4(f)(6).

[23] Id.

[24] Id.

significantly affect the protection of investors or the public interest because it ensures that Minimum Quantity Orders would not trade through displayed orders or violate intra-market price priority. The proposed clarifications also do not significantly affect the protection of investors or the public interest because they provide additional specificity regarding the operation of a Minimum Quantity Order, thereby avoiding potential investor confusion. The proposed rule change does not affect the core operation of Minimum Quantity Orders, but rather seeks to address the operation of such orders in scenarios where an internally crossed book may occur. The proposed rule change is also substantially similar to a proposed rule change recently submitted by NYSE Arca for immediate effectiveness and published by the Commission.[25] The only differences between the proposed rule change and that of NYSE Arca is that: (i) NYSE Arca does not cancel a minimum quantity order that would cross a displayed order on the NYSE Arca book; and (ii) NYSE Arca will not execute resting orders at prices less aggressive than their limit prices in crossed markets. The Exchange believes that these differences are immaterial because they are designed to reduce the occurrences of internally crossed markets and facilitate executions that may not otherwise occur. These differences will also continue to ensure that executions occur in accordance with intra-market price priority on the Exchange while accounting for the differences in functionality and order types. Therefore, the proposed rule change does not present any new or novel issues not already considered by the Commission. In addition, the proposed rule change does not impose any significant burden on competition for the reasons set forth under Section 4 above. The Exchange has accordingly designated this rule filing as "non-controversial"

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[25] See supra notes 11 and 14.

under Section 19(b)(3)(A) of the Act[26] and paragraph (f)(6) of Rule 19b-4 thereunder.[27]

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

The proposed rule changes to Exchange Rule 11.6(h) are based on NYSE Arca Rules 7.31-E(i)(3)(C) and 7.31-E(i)(3)(E)(ii).[28]

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

Not applicable.

11. Exhibits

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

Exhibit 5 – Text of the Proposed Rule Change

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[26] 15 U.S.C. 78s(b)(3)(A).

[27] 17 C.F.R. 240.19b-4(f)(6).

[28] The only differences between the proposed rule change and that of NYSE Arca is that: (i) NYSE Arca does not cancel a minimum quantity order that would cross a displayed order on the NYSE Arca book; and (ii) NYSE Arca will not execute resting orders at prices less aggressive than their limit prices in crossed markets. See supra notes 14 and 14.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-_____________; File No. SR-CboeBYX-2018-003)

Self-Regulatory Organizations; Cboe BYX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Paragraph (c)(5) of Exchange Rule 11.9 Describing the Operation of Minimum Quantity Orders

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 BYX Exchange, Inc. ("BYX" 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 (c)(5) of Exchange Rule 11.9 describing the operation of Minimum Quantity Orders.[5]

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

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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 11.9(c)(5) for a complete description of the operation of Minimum Quantity Orders.

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 (c)(5) of Exchange Rule 11.9 describing the operation of Minimum Quantity Orders by removing language that provided for the re-pricing of incoming Minimum Quantity Orders to avoid an internally crossed book. As a result of this change, the Exchange proposes to specify within the rule when a Minimum Quantity Order would not be eligible to trade to prevent executions from occurring that may be inconsistent with intra-market price priority or that would cause a non-displayed order to trade ahead of a displayed order.

In sum, a Minimum Quantity Order is a non-displayed order that enables a User[6] to specify a minimum share amount at which the order will execute.[7] A Minimum

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6 The term "User" is defined as "any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3." See Exchange Rule 1.5(cc).

Quantity Order will not execute unless the volume of contra-side liquidity available to execute against the order meets or exceeds the designated minimum size. By default, a Minimum Quantity Order will execute upon entry against a single order or multiple aggregated orders simultaneously. The Exchange recently amended the operation of Minimum Quantity Orders to permit a User to alternatively specify the order not execute against multiple aggregated orders simultaneously and that the minimum quantity condition be satisfied by each individual order resting on the BYX Book.[8]

The Exchange also recently amended the operation of Minimum Quantity Orders to re-price incoming Minimum Quantity Orders where that order may cross an order posted on the BYX Book.[9] Specifically, where there is insufficient size to satisfy an incoming order's minimum quantity condition and that incoming order, if posted at its limit price, would cross an order(s), whether displayed or non-displayed, resting on the BYX Book, the order with the minimum quantity condition would be re-priced to and ranked at the locking price. This functionality has not yet been implemented[10] and the

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7 The Exchange will only honor a specified minimum quantity on BYX Only Orders that are non-displayed or Immediate-Or-Cancel and will disregard a minimum quantity on any other order. See Exchange Rule 11.9(c)(5).

8 See Securities Exchange Act Release No. 81806 (October 3, 2017), 82 FR 47047 (October 10, 2017) (SR-BatsBYX-2017-24). This functionality is pending deployment and the implementation date will be announced via a trading notice.

9 Id.

10 See supra note 8. Exchange Rule 11.9(c)(5) does not require re-pricing where the Minimum Quantity Order is resting on the BYX Book. As such, an internally crossed book may occur where the incoming order is of insufficient size to satisfy the resting order's minimum quantity condition and that incoming order, if posted at its limit price, would cross that order with a minimum quantity condition resting on the BYX Book.

Exchange now proposes to amend paragraph (c)(5) of Rule 11.9 to remove this re-pricing requirement.

As a result of the above change, the Exchange proposes to amend paragraph (c)(5) of Rule 11.9 to describe when a Minimum Quantity Order will not be eligible to trade to prevent executions from occurring that may be inconsistent with intra-market price priority or would result in a non-displayed order trading ahead of a same-priced, same-side displayed order.[11] The Exchange would not permit a Minimum Quantity Order that crosses other displayed or non-displayed orders on the BYX Book to trade at prices that are worse than the price of such contra-side orders. The Exchange would also not permit a resting Minimum Quantity Order to trade at a price equal to a contra-side displayed order. This proposal is based on recently adopted NYSE Arca, Inc. ("NYSE Arca") Rule 7.31-E(i)(3)(C).[12]

Paragraph (c)(5) of Rule 11.9 would state that a Minimum Quantity Order to buy (sell) that is ranked in the BYX Book will not be eligible to trade: (i) at a price equal to or above (below) any sell (buy) orders that are displayed and that have a ranked price equal to or below (above) the price of such Minimum Quantity Order; or (ii) at a price above

11 Exchange Rule 11.12(a) states that orders on the BYX Book are ranked and maintained by the Exchange according to price-time priority. Exchange Rule 11.12(a) further prohibits a non-displayed order from trading ahead of a same-side, same-priced displayed order. This proposed rule change adds language to Exchange Rule 11.9(c)(5) to clarify this priority scheme during an internally crossed market.

12 See Securities Exchange Act Release No. 82504 (January 16, 2018), 83 FR 3038 (January 22, 2018) (SR-NYSEArca-2018-01) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 7.31–E Relating to Mid-Point Liquidity Orders and the Minimum Trade Size Modifier and Rule 7.36–E To Add a Definition of "Aggressing Order").

(below) any sell (buy) order that is non-displayed and has a ranked price below (above) the price of such Minimum Quantity Order.[13] However, a Minimum Quantity Order that crosses an order on BYX Book may execute at a price less aggressive than its ranked price against an incoming order so long as such execution is consistent with the above restrictions.

The following examples describe the proposed operation of a Minimum Quantity Order during an internally crossed market. This first example addresses intra-market priority amongst a Minimum Quantity Order and other non-displayed orders in an internally crossed market as well as when an execution may occur at prices less aggressive than the resting order's ranked price. Assume the NBBO is $10.10 by $10.16. A non-displayed order to sell 50 shares at $10.12 is resting on the BYX Book ("Order A"). A non-displayed order to sell 25 shares at $10.11 is also resting on the BYX Book ("Order B"). The Exchange receives a Mid-Point Peg[14] order to buy at $10.14 with a minimum quantity condition to execute against a single order of 100 shares ("Order C"). Because Order C's minimum quantity condition cannot be met, Order C will not trade with Orders A or B and will be posted and ranked on the BYX Book at $10.13, the midpoint of the NBBO. The Exchange now has a non-displayed order crossing both non-displayed orders on the BYX Book. If the Exchange then receives a non-displayed order

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13 A Minimum Quantity Order to buy (sell) may execute at a price above (below) any sell (buy) order that is Non-Displayed and has a ranked price below (above) the price of such Minimum Quantity Order if that Non-Displayed order itself included a minimum quantity condition that prevented it from executing. See infra note 16.

14 See Exchange Rule 11.9(c)(9).

to sell for 100 shares at $10.11 (“Order D”),[15] although Order D would be marketable against Order C at $10.13, it would not trade at $10.13 because it is above the price of all resting sell orders. Order D will instead execute against Order C at $10.11, receiving price improvement relative to the midpoint of the NBBO.

This second example addresses intra-market priority amongst displayed orders, Minimum Quantity Orders and other non-displayed orders. The Exchange notes that the below behavior is not unique to an internally crossed market as the Exchange’s priority rule, 11.12(a), currently prohibits non-displayed orders, including Minimum Quantity Orders, from trading ahead of same-priced, same-side displayed orders. Assume the NBBO is $10.00 by $10.04. A non-displayed order to buy 500 shares at $10.00 is resting on the BYX Book (“Order A”). A displayed order to buy 100 shares at $10.00 is then entered and posted to the BYX Book (“Order B”). The Exchange receives a non-displayed order to sell 600 shares at $10.00 with a minimum quantity condition to execute against a single order of 500 shares (“Order C”). Although Order A satisfies Order C’s minimum quantity condition and has time priority ahead of Order B, no execution occurs because Order B is a displayed order and has execution priority over Order A, a non-displayed order. Order C does not execute against Order B because Order B does not satisfy Order C’s minimum quantity condition. Order C is then posted to the BYX Book at $10.00, non-displayed.

The Exchange also proposes two clarifying changes to paragraph (c)(5) of Exchange Rule 11.9. The rule currently states that a Minimum Quantity Order cedes

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15 On NYSE Arca, Order D will be posted to the NYSE Arca book at $10.11 and not execute against Order C at $10.13. See supra note 12.

execution priority when it would lock an order against which it would otherwise execute if it were not for the minimum execution size restriction.[16] The Exchange now proposes to add additional language to the rule to clarify when a resting non-displayed order may cede execution priority to a subsequent arriving same-side order. As amended, paragraph (h) of Rule 11.6 would state that if a resting non-displayed sell (buy) order did not meet the minimum quantity condition of a same-priced resting Minimum Quantity Order to buy (sell), a subsequently arriving sell (buy) order that meets the minimum quantity condition will trade ahead of such resting non-displayed sell (buy) order at that price. For example, assume the NBBO is $10.00 by $10.10 and no orders are resting on the BYX Book. A non-displayed order to buy 700 shares at $10.10 with a minimum quantity condition to execute against a single order of 500 shares is resting on the BYX Book (Order A). A non-displayed order to sell 100 shares at $10.10 is then entered and posted to the BYX Book (Order B). Order B does not execute against Order A because Order B does not satisfy Order A's single minimum quantity condition of 500 shares. As a result, Order B is posted to the BYX Book at $10.10, creating an internally locked book. An order to sell 500 shares at $10.10 is then entered and executes against Order A at $10.10 for 500 shares because the incoming order is of sufficient size to satisfy Order A's minimum quantity condition of 500 shares. This clarification is also based on recently adopted NYSE Arca Rule 7.31-E(i)(3)(E)(ii).[17]

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[16] The Exchange proposes to amend this provision to clarify that a Minimum Quantity Order would cede execution priority when it would also cross an order against which it would otherwise execute if it were not for the minimum execution size restriction.

[17] Supra note 12.

Lastly, the Exchange proposes to clarify that an incoming Minimum Quantity Order would be canceled where, if posted, it would cross the displayed price of an order on the BYX Book.[18] Conversely, an incoming Minimum Quantity Order would be posted to the BYX Book where it would not cross the displayed price of a resting contra-side order. For example, an order to buy at $11.00 with a minimum quantity condition of 500 shares is entered (Order A) and there is a displayed order resting on the BYX Book to sell 200 shares at $10.99 (Order B). Oder A would be cancelled because it crosses the displayed price of Order B and Order B does not contain sufficient size to satisfy Order A's minimum quantity condition of 500 shares. However, should Order A be priced at $10.99, it would not be cancelled and would be posted to the BYX Book, resulting in an internally locked market. Order A would not be executable at that price because it is priced equal to a contra-side displayed order. An internally crossed market may subsequently occur should an order to sell priced more aggressively than Order A be entered but not be of sufficient size to satisfy Order A's minimum quantity condition of 500 shares (e.g., an order to sell 100 shares at $10.98) and posted to the BYX Book.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[19] in general, and furthers the objectives of Section 6(b)(5) of the Act[20] in particular, in that it is designed to promote just and equitable principles of trade, to foster

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[18] A Minimum Quantity Order will be repriced in accordance with Exchange Rule 11.9(g)(4) where it would cross a protected quote displayed on an away market center.

[19] 15 U.S.C. 78f(b).

[20] 15 U.S.C. 78f(b)(5).

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 because it would ensure that Minimum Quantity Orders do not trade through displayed orders or violate intra-market price priority. Specifically, the proposed rule change would protect displayed orders by preventing a Minimum Quantity Order from executing where it is locked by a contra-side Displayed order. The proposed rule change protects intra-market price priority by preventing a resting Minimum Quantity Order from executing where it is crossed by either a displayed or non-displayed order on the BYX Book. The proposed clarifications remove impediments to and perfect the mechanism of a free and open market and a national market system because they provide additional specificity regarding the operation of a Minimum Quantity Order, thereby avoiding potential investor confusion. In particular, the Exchange believes it is reasonable for a resting non-displayed order to cede execution priority to a subsequent arriving same-side order where that order is of sufficient size to satisfy a resting contra-side order's minimum quantity condition because doing so facilitates executions in accordance with the terms and conditions of each order. The proposed rule change is also substantially similar to a proposed rule change recently submitted by NYSE Arca for immediate effectiveness and published by the Commission.[21] The only differences between the proposed rule change and that of NYSE Arca is that: (i) NYSE Arca does not cancel a minimum quantity order that would

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[21] See supra notes 12 and 15.

cross a displayed order on the NYSE Arca book; and (ii) NYSE Arca will not execute resting orders at prices less aggressive than their limit prices in crossed markets. The Exchange believes that these differences are immaterial because they are designed to reduce the occurrences of internally crossed markets and facilitate executions that may not otherwise occur. These differences will also continue to ensure that executions occur in accordance with intra-market price priority on the Exchange while accounting for the differences in functionality and order types.

(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. On the contrary, the proposed rule change is not designed to address any competitive issues because it is intended to provide clarity regarding the operation of Minimum Quantity Orders and when such orders are eligible to trade and not trade through displayed orders or violate intra-market price priority.

(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[22] and paragraph (f)(6) of Rule 19b-4 thereunder,[23] 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-CboeBYX-2018-003 on the subject line.

Paper Comments:

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22 15 U.S.C. 78s(b)(3)(A).

23 17 CFR 240.19b-4.

- 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 No. SR-CboeBYX-2018-003. 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-CboeBYX-2018-003 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.[24]

Robert W. Errett
Deputy Secretary

24 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Proposed new language is underlined; proposed deletions are marked by [brackets].

CHAPTER XI. TRADING RULES

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Rule 11.9. Orders and Modifiers

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(a) – (b) (No change).

(c) Other Types of Orders

(1) – (4) (No change).

(5) Minimum Quantity Order. A limit order to buy or sell that will only execute if a specified minimum quantity of shares can be obtained. By default, a Minimum Quantity Order will execute upon entry against a single order or multiple aggregated orders simultaneously. A User may alternatively specify the order not execute against multiple aggregated orders simultaneously and that the minimum quantity condition be satisfied by each individual order resting on the BYX Book. If there are such orders, but there are also orders that do not satisfy the minimum quantity condition, the Minimum Quantity Order will execute against orders resting on the BYX Book in accordance with Rule 11.12, Priority of Orders, until it reaches an order that does not satisfy the minimum quantity condition, and then the remainder of the order will be posted to the BYX Book or cancelled in accordance with the terms of the order. If, upon entry, there are no orders that satisfy the minimum quantity condition resting on the BYX Book, the order will either be posted to the BYX Book or cancelled in accordance with the terms of the order. Where there is insufficient size to satisfy an incoming order's minimum quantity condition, [and] that incoming order will not trade and will be[, if] posted on the BYX Book at its limit price[, would cross an order(s) resting on the BYX Book, the order with the minimum quantity condition will be re-priced to and ranked at the locking price]. However, a Minimum Quantity Order will be cancelled where, if posted, it would cross the displayed price of an order on the BYX Book. A Minimum Quantity Order to buy (sell) that is ranked in the BYX Book will not be eligible to trade: (i) at a price equal to or above (below) any sell (buy) orders that are displayed and that have a ranked price equal to or below (above) the price of such Minimum Quantity Order; or (ii) at a price above (below) any sell (buy) order that is non-displayed and has a ranked price below (above) the price of such Minimum Quantity Order. However, a Minimum Quantity Order that crosses an order on the BYX Book may execute at a price less aggressive than its ranked price against an incoming order so long as such execution is consistent with the above restrictions. A Minimum Quantity Order may be partially executed so long as the execution size of the individual order or aggregate size of

multiple orders, as applicable, is equal to or exceeds the quantity provided in the instruction. Any shares remaining after a partial execution will continue to be executed at a size that is equal to or exceeds the quantity provided in the instruction. If posted to the BYX Book, the order may only execute against individual incoming orders with a size that satisfies the minimum quantity condition. A Minimum Quantity Order cedes execution priority when it would lock or cross an order against which it would otherwise execute if it were not for the minimum execution size restriction. If a resting non-displayed sell (buy) order did not meet the minimum quantity condition of a same-priced resting Minimum Quantity Order to buy (sell), a subsequently arriving sell (buy) order that meets the minimum quantity condition will trade ahead of such resting non-displayed sell (buy) order at that price. Where the number of shares remaining after a partial execution are less than the quantity provided in the instruction, the Minimum Quantity Order shall be equal to the number of shares remaining. The Exchange will only honor a specified minimum quantity on BYX Only Orders that are non-displayed or IOCs and will disregard a minimum quantity on any other order. Minimum Quantity Orders are not eligible to be routed to another Trading Center in accordance with Rule 11.13.

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