Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 40	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2018 - * 058
		Amendment No. (req. for Amendments *)

Filing by   Cboe EDGX Exchange, Inc.

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

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

Rule

Pilot ☐	Extension of Time Period for Commission Action * ☐	Date Expires *

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

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * ☐ Section 806(e)(2) * ☐	Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐   Exhibit 3 Sent As Paper Document ☐

Description

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

The Exchange proposes to amend its provision related to its Risk Monitor Mechanism.

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 *	Corinne	Last Name *	Klott

Title *   Assistant General Counsel

E-mail *   cklott@cboe.com

Telephone *   (312) 786-7793   Fax

Signature

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

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

(Title *)

Date   11/29/2018

By   Corinne Klott

(Name *)

Assistant General Counsel

kmurray@cboe.com

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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

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

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document
☐

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

Add   Remove   View

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

Partial Amendment

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

Item 1.   **Text of the Proposed Rule Change**

(a)   Cboe EDGX Exchange, Inc. (the "Exchange" or "EDGX") proposes to amend its provision related to its Risk Monitor Mechanism. The text of the proposed rule change is provided in Exhibit 5.

 (b)   Not applicable.

(c)   Not applicable.

Item 2.   **Procedures of the Self-Regulatory Organization**

(a)   The Exchange's President (or designee) pursuant to delegated authority approved the proposed rule change on November 8, 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 Corinne Klott, (312) 786-7793, 400 South LaSalle, Chicago, Illinois 60605.

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

(a)   <u>Purpose</u>

The Exchange proposes to amend Rule 21.16 which governs the Risk Monitor Mechanism.

<u>Background</u>

By way of background, the Risk Monitor Mechanism providers Users[1] with the ability to manage their order and execution risk. Particularly, Rule 21.16 provides that the System will maintain a counting program for each User. A User may configure a single counting program or multiple counting programs to govern its trading activity (i.e., on a

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[1]   <u>See</u> Exchange Rule 1.5(ee). The term "User" means any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3. As discussed below, the Exchange is proposing to replace references to "Users" in Rule 21.16 with "Member".

per port basis). The counting program counts executions, contract volume and notional value, within a specified time period established by each User ("specified time period") and on an absolute basis for the trading day ("absolute limits"). The specified time period will commence for an option when a transaction occurs in any series in such option. The counting program will also count a User's executions, contract volume and notional value across all options which a User trades ("Firm Category"). When the system determines that a User's Specified Engagement Trigger (i.e., a volume trigger, notional trigger, count trigger and percentage trigger) has reached its established limit, the Risk Monitor Mechanism cancels or rejects such User's orders or quotes[2] in all series of the class and cancels or rejects any additional orders or quotes from the User in the class until the counting program resets.

Proposed Rule Change

The Exchange proposes to amend Rule 21.16 to (i) adopt the Risk Monitor Mechanism rule language used by its affiliated exchange, Cboe C2 Exchange, Inc. ("C2") (ii) provide the ability for Users to configure limits applicable to a group of EFIDs, and (iii) adopt a new a new risk parameter.

Rule Harmonization

First, the Exchange proposes to harmonize its Risk Monitor Mechanism Rule to that of its affiliated Exchange, C2. Particularly, C2 Rule 6.14 governs, among other things, its Risk Monitor Mechanism functionality. The Exchange notes the functionality of the Risk Monitor Mechanism is substantively the same as the Risk Monitor Mechanism on EDGX. Indeed, the Exchange notes that C2 just recently adopted Rule

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[2]   See infra discussion accompanying footnotes 6-7.

6.14 in connection with the technology migration of C2 onto the options platform of EDGX, and at such time conformed its previous Risk Monitor Mechanism functionality to the functionality that already existed on EDGX.[3] Although the functionality is substantively the same, the rule structure and terminology used in the EDGX and C2 rules differ. The Exchange wishes to provide harmonization with respect to this rule across the two exchanges and accordingly proposes to conform EDGX Rule 21.16 to C2 Rule 6.14(c)(5) (i.e., delete current Rule 21.16 in its entirety with the exception of subparagraphs (d) and (e), which will be relocated as described below, and adopt in whole the language from the relevant provisions of C2 Rule 6.14). As noted above, the Exchange is also proposing substantive enhancements to its current functionality, which is described further below. The Exchange notes that C2 is simultaneously proposing the same Risk Monitor Mechanism enhancements and those enhancements are included in the new proposed conformed rule language.

First, the Exchange notes that proposed Rule 21.16 will not use the term "User", and instead will use the term "Member".[4] The Exchange notes that the definition of User is broader than Member, as it specifically captures Sponsored Participants. The Exchange believes "Member" is the more appropriate term to use with respect to the Risk Monitor

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3   See Securities Exchange Act Release No. 83214 (May 11, 2018), 83 FR 22796 (May 16, 2018) (SR-C2-2018-005).

4   See Exchange Rule 1.5(n). The term "Member" shall mean any registered broker or dealer that has been admitted to membership in the Exchange. A Member will have the status of a "member" of the Exchange as that term is defined in Section 3(a)(3) of the Act. Membership may be granted to a sole proprietor, partnership, corporation, limited liability company or other organization which is a registered broker or dealer pursuant to Section 15 of the Act, and which has been approved by the Exchange. The Exchange notes that corresponding C2 Rule 6.14(c)(5) will use the term "TPH", as "Member" is not a defined term used by C2.

Mechanism as the rule describes how the functionality works with respect to Members, and not necessarily Sponsored Participants. The Exchange notes that it currently does not have any Sponsored Participants, and to the extent it expects to have any in the future, it will revise the rule as needed to incorporate how the Risk Monitor Mechanism would function with respect to Sponsored Participants. The Exchange notes that "User" will be referred to herein as "Member".

Next, in connection with adopting C2's Risk Monitor Mechanism Rule language, the Exchange notes that it will be eliminating the term "class" and replacing it with "underlying". Specifically, the Exchange notes that the Risk Monitor Mechanism is configured to count the risk parameters (referred to as "Specified Engagement Triggers" in current EDGX Rule 21.16) across underlying securities or indexes. As an example, any option related to Apple (AAPL), would be considered to have the same underlying. Accordingly, if a corporate action resulted in AAPL1, AAPL and APPL1 one would be considered to share the same underlying symbol AAPL. Only a single symbol-level rule for underlying AAPL would be configurable by the Risk Monitor Mechanism. The Exchange notes that the term "underlying" is also utilized in the Exchange's technical specification documents. The Exchange therefore believes underlying is a more accurate term to use.

The Exchange also intends to clarify and codify in the new rule language what occurs in the event a Member does not reactivate its ability to send quotes or orders after its configured risk parameter limits have been reached. Currently, EDGX Rule 21.16 explains how a Member may reset its counting periods. The proposed rule language includes a provision that provides that if the Exchange cancels all of a Member's quotes

and orders resting in the Book, and the Member does not reactivate its ability to send quotes or orders, the block will be in effect only for the trading day that the Member reached its limits. The Exchange notes this is not a substantive change, but rather is current practice, and that its affiliated Exchange, Cboe Options, includes similar language in its rules.[5] The Exchange believes adding this provision to the rules provides further transparency in its rules and reduces potential confusion as to what would happen in the situation where a Member fails to reset the counting program.

In connection with adopting C2's Risk Monitor Mechanism Rule language, the Exchange also proposes to include language regarding a reset limit. Particularly, C2 Rule 6.14(c)(5)(d)(iii) (which will be renumbered to C2 Rule 6.14(c)(5)(d)(iv)) provides that the Exchange may restrict the number of Member underlying, EFID and EFID Group resets per second. The Exchange believes adding this provision to its rules provides transparency in the rules that the Exchange can impose such a restriction. The Exchange notes this is not a substantive change, but rather current practice.

In connection with the harmonization of C2 Rue 6.14, the Exchange notes that certain terminology is also changing. For example, current EDGX Rule 21.16, provides that the counting program counts a Member's executions, contract volume and notional value across all options which a Member trades ("Firm Category"). Going forward, this concept will be restated to provide generally that the System will count the risk parameters across all underlyings of an EFID ("EFID limit"). The Exchange reiterates the concept is the same, but the language conforms to C2 rules and makes the rule easier to read.

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[5]   See Cboe Options Rule 8.18.

The Exchange also proposes to adopt a definition of EFID as it proposes to reference EFIDs in proposed EDGX Rule 21.16. Particularly, the Exchange proposes to add Rule 21.1(k) to define and describe EFIDs. Specifically, a Member may obtain one or more EFIDs from the Exchange (in a form and manner determined by the Exchange). The Exchange assigns an EFID to a Member, which the System uses to identify the Member and clearing number for the execution of orders and quotes submitted to the System with that EFID.[6] Each EFID corresponds to a single Member and a single clearing number of a Clearing Member with the Clearing Corporation. A Member may obtain multiple EFIDs, which may be for the same or different clearing numbers. A Member may only identify for any of its EFIDs the clearing number of a Clearing Member that is a Designated Give Up or Guarantor of the Trading Permit Holder as set forth in Rule 21.12. A Member is able (in a form and manner determined by the Exchange) to designate which of its EFIDs may be used for each of its ports. If a Member submits an order or quote through a port with an EFID not enabled for that port, the System cancels or rejects the order or quote. The proposed rule change regarding EFIDs is not a substantive change but rather codifies current functionality and mirrors current C2 Rule 6.8(b). The Exchange believes including a description of the use of EFIDs in the Rules adds transparency to the Rules.

The Exchange also notes that the new harmonized rule language incorporates the use of the term "quote" and "quotes".[7] Currently, however, when describing what

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[6]   The Exchange notes that currently EDGX's rules refer only to the term "MPID", which is a Member's market participant identifier used for equities trading. The Exchange does not utilize MPIDs on its options platform and uses EFIDS instead. EFIDS are generally equivalent to MPIDs.

[7]   See subparagraph (b), (c) and (d) of proposed EDGX Rule 21.16.

happens when a Specified Engagement Trigger is reached, Rule 21.16(b)(i) only references what happens to a Member's "orders". The Exchange notes however, that the term "order" as is used in Rule 21.16 was intended to capture both orders and quotes. Particularly, an "order" is defined as a firm commitment to buy or sell option contracts submitted to the System by a Member, and a "quote" is defined as a bid or offer entered by a Market-Maker as a firm order that updates the Market-Maker's previous bid or offer, if any.[8] Indeed, the Exchange notes that the proposed reference to "quote" and "quotes" is not a substantive change to how the Risk Monitor Mechanism currently works or will work going forward. Accordingly, the Exchange believes incorporating the term "quote" and "quotes" alleviates confusion and better reflects how the Risk Monitor Mechanism operates (i.e., both orders and quotes, as defined, can be affected). Similarly, the Exchange believes the proposal to eliminate the references to a "User's order size" and "Market-Maker's quote size" with respect to how the percentage trigger is calculated is not a substantive change. The Exchange notes the trigger is calculated the same on EDGX and C2, and although proposed EDGX Rule 21.16(a)(iv) doesn't reference orders and Market-Maker quotes in particular, the calculation will not be changing and the Exchange doesn't believe a reference to orders and Market-Maker quote size in particular under this provision is necessary.

As noted above, the Exchange is not proposing to eliminate subparagraphs (d) or (e) of current EDGX Rule 21.16, but rather relocate these provisions. The Exchange proposes to first relocate the contents of current subparagraph (d) to new subparagraph (d)(vi) of proposed EDGX Rule 21.16 and clarify that the proposed provision governs

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[8] See EDGX Rules 16.1(a)(42) and (51) and 21.1(c).

"other resets" (i.e., resets that are not a result from a limit being reached).[9] Particularly, the provision provides the System will reset the counting period for absolute limits when a Member refreshes its risk limit thresholds. The System will also reset the counting program and commence a new specified time period when (i) a previous specified time period has expired and a transaction occurs in any series of an underlying or (ii) a Member refreshes its risk limit thresholds prior to the expiration of the specified time period. The Exchange proposes to keep this language as it provides transparency in the rules as to when other resets occur without limits being reached.. Lastly, the Exchange notes that it proposes to relocate current subparagraph (e) to new subparagraph (f). Particularly, new subparagraph (f) provides that a Member may also engage the Risk Monitor Mechanism to cancel resting bids and offers, as well as subsequent orders as set forth in EDGX Rule 22.11.[10]

EFID Groups

The Exchange next proposes to provide in the rules that in addition to underlying limits and EFID limits, the System will be able to count each of the risk parameters across all underlyings for a group of EFIDs ("EFID Group")("EFID Group limit").[11] Similar to when a underlying limit or EFID limit are reached, when a Member's EFID Group limit is reached, the Risk Monitor Mechanism will cancel or reject such Member's

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[9]   The Exchange notes that C2 is also proposing to add this provision to its C2 Rule 6.14 in order to provide further transparency in its rules governing the Risk Monitor Mechanism.

[10]   The Exchange notes that C2 is proposing to also add this provision to its C2 Rule 6.14 in order to provide further transparency in its rules governing the Risk Monitor Mechanism.

[11]   An EFID may not belong to more than one EFID Group. The Exchange notes that the Members determine how many, if any, EFID Groups to establish and determine which EFIDs belong to a particular EFID Group, if any.

orders or quotes in all underlying and cancel or reject any additional orders or quotes from any EFID within that EFID Group in all underlyings until the counting program resets. The System will not accept new orders or quotes from any EFID within an EFID Group after an EFID Group limit is reached until the Member manually notifies the Trade Desk to reset the counting program for the EFID Group, unless the Member instructs the Exchange to permit it to reset the counting program by submitting an electronic message to the System. The Exchange believes each Member is in the best position to determine risk settings appropriate for its firm based on its trading activity and business needs and that it may be based on a single EFID or EFID Group(s). The Exchange notes that its affiliate Exchange, Cboe Exchange, Inc. ("Cboe Options") similarly allows its members to set similar risk parameters at the acronym-level (which is similar to an EFID) or firm level (similar to an EFID Group).[12]

New Risk Parameter

The Exchange lastly proposes to adopt a new risk parameter. Specifically, under the proposed functionality, a Member may specify a maximum number of times that the risk parameters (*i.e.*, volume, notional, count and/or percentage) are reached over a specified interval or absolute period ("risk trips"). When a risk trip limit has been reached, the Risk Monitor Mechanism will cancel or reject a Member's orders or quotes pursuant to subparagraph (b) of Rule 21.16. The Exchange notes that a similar risk parameter (i.e., a parameter based on the number of risk "incidents" that occur over a

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[12]   See Cboe Options Rule 8.18.

specified time) is available on its affiliate Exchange, Cboe Options.[13] The Exchange believes the proposed changes to its Risk Monitor Mechanism rule sufficiently allows Members to adjust and adopt parameter inputs in accordance with their business models and risk management needs.

(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.[14] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[15] 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)[16] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

First, the Exchange believes its proposal to harmonize Rule 21.16 to C2 Rule 6.14 provides uniformity across affiliated exchange rules that govern the same functionality

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[13]   See Cboe Options Rule 8.18, which provides that a Hybrid Market Maker or a TPH Organization may specify a maximum number of Quote Risk Monitor Mechanism ("QRM") QRM Incidents on an Exchange-wide basis.

[14]   15 U.S.C. 78f(b).

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

[16]   Id.

and makes the rule easier to read, which reduces potential confusion. The Exchange also proposes to mirror C2 Rule 6.14 because it believes consistent rules will increase the understanding of the Exchange's operations for Members that are also participants on C2. As discussed above, notwithstanding the proposal to adopt new terminology and/or the absence of certain references, the Exchange intends no substantive changes to the meaning or application of Rule 21.16 other than what is described above with respect to EFID Groups and the new risk trips parameter. Particularly, the Exchange believes the adoption of the definition of "EFID" provides transparency in the rules and alleviates confusion, as the Exchange references EFIDs multiple times throughout proposed Rule 21.16 and utilizes EFIDs generally on the Exchange with respect to its options platform. The Exchange notes the proposed definition is substantively the same as the definition of EFIDs under C2's rules.[17] The Exchange believes the use of "quote" and "quotes" also alleviates confusion as the current Risk Monitor Mechanism in fact affects both orders and quotes, as defined, and was intended to cover both a Member's orders and Market Maker quotes. Similarly, the Exchange believes using the term "underlying" instead of "class" and "Member" instead of "user" alleviates potential confusion as the proposed terms more accurately reflect how the Risk Monitor Mechanism operates.

The Exchange believes the rule changes to codify current practice alleviates potential confusion, provides transparency in the rules and makes the rules easier to read. For example, providing language regarding (i) a Member's failure to reset or initiate a reset of the counting program and (ii) the Exchange's ability to restrict resets, provides transparency in the rules as to what occurs in those situations, harmonizes rule language

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[17]   See C2 Rule 6.8(b).

with that of the Exchange's affiliated Exchanges, and reduces potential confusion. The alleviation of confusion removes impediments to, and perfects the mechanism of, a free and open market and a national market system, and, in general, protects investors and the public interest.

The Exchange believes providing Members the ability to configure certain risk parameters across underlyings for an EFID Group is also appropriate because it permits a Member to protect itself from inadvertent exposure to excessive risk on an additional level (i.e., on an EFID group-level, not just underlying- or EFID-level). Reducing such risk will enable Members to enter quotes and orders with protection against inadvertent exposure to excessive risk, which in turn will benefit investors through increased liquidity for the execution of their orders. Such increased liquidity benefits investors because they may receive better prices and because it may lower volatility in the options market. The Exchange also believes each Member is in the best position to determine risk settings appropriate for its firm based on its trading activity and business needs and that that may be based on an EFID Group(s). Additionally, as discussed above, Cboe Options similarly allows its members to set risk parameters at the acronym-level (which is similar to an EFID) or firm-level (similar to an EFID Group).[18]

Lastly, the Exchange believes the proposal to adopt the new risk parameter based on number of times a risk parameter or group of risk parameters are reached will provide Members with an additional tool for managing risks. Furthermore, as noted above, the Exchange's affiliated exchange offers similar functionality.[19] Overall, the proposed rule change provides Members more protections that reduce the risks from potential system

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[18]   See Cboe Options Rule 8.18.
[19]   See Cboe Options Rule 8.18.

errors and market events. As a result, the proposed changes, including the new risk parameter for the Risk Monitor Mechanism, have the potential to promote just and equitable principles of trade. Additionally, the proposed changes apply to all Members.

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. Rather, the Exchange believes that the proposed changes with respect to its Risk Monitor Mechanism help promote fair and orderly markets and provide clarity and transparency the Rule. For example, the proposed rule change adds an additional risk control parameter and flexibility to help further prevent potentially erroneous executions, which benefits all market participants. The proposed changes apply uniformly to all Members and the Exchange notes that the proposed changes apply to all quotes and orders in the same manner. Additionally, the Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed enhancements apply only to trading on the Exchange. Additionally, the Exchange notes that it is voluntary for the Members to determine whether to make use of the new enhancements of the Risk Monitor Mechanism. To the extent that the proposed changes may make the Exchange a more attractive trading venue for market participants on other exchanges, such market participants may elect to become Exchange market participants.

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

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

Item 6.   **Extension of Time Period for Commission Action**

Not applicable.

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

(a)   The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act[20] and Rule 19b-4(f)(6)[21] 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 Exchange believes that the proposed rule change is non-controversial and would not significantly affect the protection of investors or the public interest because the proposal raises no novel issues, and serves to enhance functionality already available on the Exchange. Moreover, the Exchange believes that the proposal is consistent with the protection of investors and the public interests because it will permit dealers to better manage potential risks of multiple executions that, in today's highly automated and electronic trading environment, can occur simultaneously across multiple series and

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[20]   15 U.S.C. 78s(b)(3)(A).
[21]   17 CFR 240.19b-4(f)(6).

multiple underlyings. Additionally, the Exchange believes that the proposed changes to the existing Risk Monitor Mechanism would not impose any significant burden on competition, but would instead promote just and equitable principles of trade on the Exchange. In addition, the Exchange believes that the proposed changes would not impose any significant burden on competition because it would provide additional protections from erroneous executions. Lastly, the Exchange believes the proposal to harmonize Rule 21.16 to C2 Rule 6.14 provides uniformity across affiliated exchange rules that govern the same functionality and makes the rule easier to read, which reduces potential confusion.

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 the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. The Exchange notes that the proposed enhanced functionality to the Risk Monitor Mechanism will be available starting November 29, 2018. Waiver of the operative delay would allow the proposed flexibility and functionality, which the Exchange believes would better allow its TPH to manage potential risks, to be implemented as soon as it's available. The Exchange notes it

has issued regular updates to its Members regarding the proposed enhancements, as well as its anticipated timeline so that Members were able make any requisite system changes. Specifications that include the new Risk Monitor Mechanism enhancements are also available on the Exchange's website, and are updated as necessary.

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

The proposed rule change adopts rule language from C2 Rule 6.8(b) and 6.14. The proposed rule change also adopts similar functionality provided for under Cboe Options Rule 8.18. Particularly, Cboe Options allows its members to set similar risk parameters at the acronym-level (which is similar to an EFID) or firm level (similar to an EFID Group) and also has a parameter based on the number of risk "incidents" that occur over a specified time).

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 5.   Proposed rule text.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-   ; File No. SR-CboeEDGX-2018-058]

[Insert date]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend its Provision Related to its Risk Monitor Mechanism

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 EDGX Exchange, Inc. (the "Exchange" or ""EDGX"") 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 EDGX Exchange, Inc. (the "Exchange" or "EDGX") proposes to amend its provision related to its Risk Monitor Mechanism. The text of the proposed rule change is provided in Exhibit 5.

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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).

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

The Exchange proposes to amend Rule 21.16 which governs the Risk Monitor

Mechanism.

Background

By way of background, the Risk Monitor Mechanism providers Users[5] with the

ability to manage their order and execution risk. Particularly, Rule 21.16 provides that the

System will maintain a counting program for each User. A User may configure a single

counting program or multiple counting programs to govern its trading activity (i.e., on a

per port basis). The counting program counts executions, contract volume and notional

value, within a specified time period established by each User ("specified time period")

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[5]   See Exchange Rule 1.5(ee). The term "User" means any Member or Sponsored
        Participant who is authorized to obtain access to the System pursuant to Rule
        11.3. As discussed below, the Exchange is proposing to replace references to
        "Users" in Rule 21.16 with "Member".

and on an absolute basis for the trading day ("absolute limits"). The specified time period

will commence for an option when a transaction occurs in any series in such option. The

counting program will also count a User's executions, contract volume and notional value

across all options which a User trades ("Firm Category"). When the system determines

that a User's Specified Engagement Trigger (i.e., a volume trigger, notional trigger, count

trigger and percentage trigger) has reached its established limit, the Risk Monitor

Mechanism cancels or rejects such User's orders or quotes[6] in all series of the class and

cancels or rejects any additional orders or quotes from the User in the class until the

counting program resets.

Proposed Rule Change

The Exchange proposes to amend Rule 21.16 to (i) adopt the Risk Monitor

Mechanism rule language used by its affiliated exchange, Cboe C2 Exchange, Inc. ("C2")

(ii) provide the ability for Users to configure limits applicable to a group of EFIDs, and

(iii) adopt a new a new risk parameter.

Rule Harmonization

First, the Exchange proposes to harmonize its Risk Monitor Mechanism Rule to

that of its affiliated Exchange, C2. Particularly, C2 Rule 6.14 governs, among other

things, its Risk Monitor Mechanism functionality. The Exchange notes the functionality

of the Risk Monitor Mechanism is substantively the same as the Risk Monitor

Mechanism on EDGX. Indeed, the Exchange notes that C2 just recently adopted Rule

6.14 in connection with the technology migration of C2 onto the options platform of

EDGX, and at such time conformed its previous Risk Monitor Mechanism functionality

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[6]   See infra discussion accompanying footnotes 6-7.

to the functionality that already existed on EDGX.[7] Although the functionality is substantively the same, the rule structure and terminology used in the EDGX and C2 rules differ. The Exchange wishes to provide harmonization with respect to this rule across the two exchanges and accordingly proposes to conform EDGX Rule 21.16 to C2 Rule 6.14(c)(5) (i.e., delete current Rule 21.16 in its entirety with the exception of subparagraphs (d) and (e), which will be relocated as described below, and adopt in whole the language from the relevant provisions of C2 Rule 6.14). As noted above, the Exchange is also proposing substantive enhancements to its current functionality, which is described further below. The Exchange notes that C2 is simultaneously proposing the same Risk Monitor Mechanism enhancements and those enhancements are included in the new proposed conformed rule language.

First, the Exchange notes that proposed Rule 21.16 will not use the term "User", and instead will use the term "Member".[8] The Exchange notes that the definition of User is broader than Member, as it specifically captures Sponsored Participants. The Exchange believes "Member" is the more appropriate term to use with respect to the Risk Monitor Mechanism as the rule describes how the functionality works with respect to Members, and not necessarily Sponsored Participants. The Exchange notes that it currently

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[7]   See Securities Exchange Act Release No. 83214 (May 11, 2018), 83 FR 22796 (May 16, 2018) (SR-C2-2018-005).

[8]   See Exchange Rule 1.5(n). The term "Member" shall mean any registered broker or dealer that has been admitted to membership in the Exchange. A Member will have the status of a "member" of the Exchange as that term is defined in Section 3(a)(3) of the Act. Membership may be granted to a sole proprietor, partnership, corporation, limited liability company or other organization which is a registered broker or dealer pursuant to Section 15 of the Act, and which has been approved by the Exchange. The Exchange notes that corresponding C2 Rule 6.14(c)(5) will use the term "TPH", as "Member" is not a defined term used by C2.

does not have any Sponsored Participants, and to the extent it expects to have any in the future, it will revise the rule as needed to incorporate how the Risk Monitor Mechanism would function with respect to Sponsored Participants. The Exchange notes that "User" will be referred to herein as "Member".

Next, in connection with adopting C2's Risk Monitor Mechanism Rule language, the Exchange notes that it will be eliminating the term "class" and replacing it with "underlying". Specifically, the Exchange notes that the Risk Monitor Mechanism is configured to count the risk parameters (referred to as "Specified Engagement Triggers" in current EDGX Rule 21.16) across underlying securities or indexes. As an example, any option related to Apple (AAPL), would be considered to have the same underlying. Accordingly, if a corporate action resulted in AAPL1, AAPL and APPL1 one would be considered to share the same underlying symbol AAPL. Only a single symbol-level rule for underlying AAPL would be configurable by the Risk Monitor Mechanism. The Exchange notes that the term "underlying" is also utilized in the Exchange's technical specification documents. The Exchange therefore believes underlying is a more accurate term to use.

The Exchange also intends to clarify and codify in the new rule language what occurs in the event a Member does not reactivate its ability to send quotes or orders after its configured risk parameter limits have been reached. Currently, EDGX Rule 21.16 explains how a Member may reset its counting periods. The proposed rule language includes a provision that provides that if the Exchange cancels all of a Member's quotes and orders resting in the Book, and the Member does not reactivate its ability to send quotes or orders, the block will be in effect only for the trading day that the Member

reached its limits. The Exchange notes this is not a substantive change, but rather is current practice, and that its affiliated Exchange, Cboe Options, includes similar language in its rules.[9] The Exchange believes adding this provision to the rules provides further transparency in its rules and reduces potential confusion as to what would happen in the situation where a Member fails to reset the counting program.

In connection with adopting C2's Risk Monitor Mechanism Rule language, the Exchange also proposes to include language regarding a reset limit. Particularly, C2 Rule 6.14(c)(5)(d)(iii) (which will be renumbered to C2 Rule 6.14(c)(5)(d)(iv)) provides that the Exchange may restrict the number of Member underlying, EFID and EFID Group resets per second. The Exchange believes adding this provision to its rules provides transparency in the rules that the Exchange can impose such a restriction. The Exchange notes this is not a substantive change, but rather current practice. The Exchange believes adding this provision to the rules provides further transparency in its rules and reduces potential confusion as to whether the Exchange may restrict resets.

In connection with the harmonization of C2 Rue 6.14, the Exchange notes that certain terminology is also changing. For example, current EDGX Rule 21.16, provides that the counting program counts a Member's executions, contract volume and notional value across all options which a Member trades ("Firm Category"). Going forward, this concept will be restated to provide generally that the System will count the risk parameters across all underlyings of an EFID ("EFID limit"). The Exchange reiterates the concept is the same, but the language conforms to C2 rules and makes the rule easier to read.

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9   See Cboe Options Rule 8.18.

The Exchange also proposes to adopt a definition of EFID as it proposes to reference EFIDs in proposed EDGX Rule 21.16. Particularly, the Exchange proposes to add Rule 21.1(k) to define and describe EFIDs. Specifically, a Member may obtain one or more EFIDs from the Exchange (in a form and manner determined by the Exchange). The Exchange assigns an EFID to a Member, which the System uses to identify the Member and clearing number for the execution of orders and quotes submitted to the System with that EFID.[10] Each EFID corresponds to a single Member and a single clearing number of a Clearing Member with the Clearing Corporation. A Member may obtain multiple EFIDs, which may be for the same or different clearing numbers. A Member may only identify for any of its EFIDs the clearing number of a Clearing Member that is a Designated Give Up or Guarantor of the Trading Permit Holder as set forth in Rule 21.12. A Member is able (in a form and manner determined by the Exchange) to designate which of its EFIDs may be used for each of its ports. If a Member submits an order or quote through a port with an EFID not enabled for that port, the System cancels or rejects the order or quote. The proposed rule change regarding EFIDs is not a substantive change but rather codifies current functionality and mirrors current C2 Rule 6.8(b). The Exchange believes including a description of the use of EFIDs in the Rules adds transparency to the Rules.

The Exchange also notes that the new harmonized rule language incorporates the use of the term "quote" and "quotes".[11] Currently, however, when describing what

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[10]   The Exchange notes that currently EDGX's rules refer only to the term "MPID", which is a Member's market participant identifier used for equities trading. The Exchange does not utilize MPIDs on its options platform and uses EFIDS instead. EFIDS are generally equivalent to MPIDs.

[11]   See subparagraph (b), (c) and (d) of proposed EDGX Rule 21.16.

happens when a Specified Engagement Trigger is reached, Rule 21.16(b)(i) only references what happens to a Member's "orders". The Exchange notes however, that the term "order" as is used in Rule 21.16 was intended to capture both orders and quotes. Particularly, an "order" is defined as a firm commitment to buy or sell option contracts submitted to the System by a Member, and a "quote" is defined as a bid or offer entered by a Market-Maker as a firm order that updates the Market-Maker's previous bid or offer, if any.[12] Indeed, the Exchange notes that the proposed reference to "quote" and "quotes" is not a substantive change to how the Risk Monitor Mechanism currently works or will work going forward. Accordingly, the Exchange believes incorporating the term "quote" and "quotes" alleviates confusion and better reflects how the Risk Monitor Mechanism operates (i.e., both orders and quotes, as defined, can be affected). Similarly, the Exchange believes the proposal to eliminate the references to a "User's order size" and "Market-Maker's quote size" with respect to how the percentage trigger is calculated is not a substantive change. The Exchange notes the trigger is calculated the same on EDGX and C2, and although proposed EDGX Rule 21.16(a)(iv) doesn't reference orders and Market-Maker quotes in particular, the calculation will not be changing and the Exchange doesn't believe a reference to orders and Market-Maker quote size in particular under this provision is necessary.

As noted above, the Exchange is not proposing to eliminate subparagraphs (d) or (e) of current EDGX Rule 21.16, but rather relocate these provisions. The Exchange proposes to first relocate the contents of current subparagraph (d) to new subparagraph (d)(vi) of proposed EDGX Rule 21.16 and clarify that the proposed provision governs

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[12]   See EDGX Rules 16.1(a)(42) and (51) and 21.1(c).

"other resets" (i.e., resets that are not a result from a limit being reached).[13] Particularly, the provision provides the System will reset the counting period for absolute limits when a Member refreshes its risk limit thresholds. The System will also reset the counting program and commence a new specified time period when (i) a previous specified time period has expired and a transaction occurs in any series of an underlying or (ii) a Member refreshes its risk limit thresholds prior to the expiration of the specified time period. The Exchange proposes to keep this language as it provides transparency in the rules as to when other resets occur without limits being reached.. Lastly, the Exchange notes that it proposes to relocate current subparagraph (e) to new subparagraph (f). Particularly, new subparagraph (f) provides that a Member may also engage the Risk Monitor Mechanism to cancel resting bids and offers, as well as subsequent orders as set forth in EDGX Rule 22.11.[14]

EFID Groups

The Exchange next proposes to provide in the rules that in addition to underlying limits and EFID limits, the System will be able to count each of the risk parameters across all underlyings for a group of EFIDs ("EFID Group")("EFID Group limit").[15] Similar to when a underlying limit or EFID limit are reached, when a Member's EFID Group limit is reached, the Risk Monitor Mechanism will cancel or reject such Member's

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[13]   The Exchange notes that C2 is also proposing to add this provision to its C2 Rule 6.14 in order to provide further transparency in its rules governing the Risk Monitor Mechanism.

[14]   The Exchange notes that C2 is proposing to also add this provision to its C2 Rule 6.14 in order to provide further transparency in its rules governing the Risk Monitor Mechanism.

[15]   An EFID may not belong to more than one EFID Group. The Exchange notes that the Members determine how many, if any, EFID Groups to establish and determine which EFIDs belong to a particular EFID Group, if any.

orders or quotes in all underlying and cancel or reject any additional orders or quotes from any EFID within that EFID Group in all underlyings until the counting program resets. The System will not accept new orders or quotes from any EFID within an EFID Group after an EFID Group limit is reached until the Member manually notifies the Trade Desk to reset the counting program for the EFID Group, unless the Member instructs the Exchange to permit it to reset the counting program by submitting an electronic message to the System. The Exchange believes each Member is in the best position to determine risk settings appropriate for its firm based on its trading activity and business needs and that it may be based on a single EFID or EFID Group(s). The Exchange notes that its affiliate Exchange, Cboe Exchange, Inc. ("Cboe Options") similarly allows its members to set similar risk parameters at the acronym-level (which is similar to an EFID) or firm level (similar to an EFID Group).[16]

New Risk Parameter

The Exchange lastly proposes to adopt a new risk parameter. Specifically, under the proposed functionality, a Member may specify a maximum number of times that the risk parameters (*i.e.*, volume, notional, count and/or percentage) are reached over a specified interval or absolute period ("risk trips"). When a risk trip limit has been reached, the Risk Monitor Mechanism will cancel or reject a Member's orders or quotes pursuant to subparagraph (b) of Rule 21.16. The Exchange notes that a similar risk parameter (i.e., a parameter based on the number of risk "incidents" that occur over a specified time) is available on its affiliate Exchange, Cboe Options.[17] The Exchange

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[16]   See Cboe Options Rule 8.18.

[17]   See Cboe Options Rule 8.18, which provides that a Hybrid Market Maker or a TPH Organization may specify a maximum number of Quote Risk Monitor

believes the proposed changes to its Risk Monitor Mechanism rule sufficiently allows

Members to adjust and adopt parameter inputs in accordance with their business models

and risk management needs.

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.[18]

Specifically, the Exchange believes the proposed rule change is consistent with the

Section 6(b)(5)[19] 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)[20] requirement that the rules of an exchange not be designed to permit

unfair discrimination between customers, issuers, brokers, or dealers.

First, the Exchange believes its proposal to harmonize Rule 21.16 to C2 Rule 6.14

provides uniformity across affiliated exchange rules that govern the same functionality

and makes the rule easier to read, which reduces potential confusion. The Exchange also

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Mechanism ("QRM") QRM Incidents on an Exchange-wide basis.

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

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

[20]   Id.

proposes to mirror C2 Rule 6.14 because it believes consistent rules will increase the understanding of the Exchange's operations for Members that are also participants on C2. As discussed above, notwithstanding the proposal to adopt new terminology and/or the absence of certain references, the Exchange intends no substantive changes to the meaning or application of Rule 21.16 other than what is described above with respect to EFID Groups and the new risk trips parameter. Particularly, the Exchange believes the adoption of the definition of "EFID" provides transparency in the rules and alleviates confusion, as the Exchange references EFIDs multiple times throughout proposed Rule 21.16 and utilizes EFIDs generally on the Exchange with respect to its options platform. The Exchange notes the proposed definition is substantively the same as the definition of EFIDs under C2's rules.[21] The Exchange believes the use of "quote" and "quotes" also alleviates confusion as the current Risk Monitor Mechanism in fact affects both orders and quotes, as defined, and was intended to cover both a Member's orders and Market Maker quotes. Similarly, the Exchange believes using the term "underlying" instead of "class" and "Member" instead of "user" alleviates potential confusion as the proposed terms more accurately reflect how the Risk Monitor Mechanism operates.

The Exchange believes the rule changes to codify current practice alleviates potential confusion, provides transparency in the rules and makes the rules easier to read. For example, providing language regarding (i) a Member's failure to reset or initiate a reset of the counting program and (ii) the Exchange's ability to restrict resets, provides transparency in the rules as to what occurs in those situations, harmonizes rule language with that of the Exchange's affiliated Exchanges, and reduces potential confusion. The

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[21]   See C2 Rule 6.8(b).

alleviation of confusion removes impediments to, and perfects the mechanism of, a free and open market and a national market system, and, in general, protects investors and the public interest.

The Exchange believes providing Members the ability to configure certain risk parameters across underlyings for an EFID Group is also appropriate because it permits a Member to protect itself from inadvertent exposure to excessive risk on an additional level (i.e., on an EFID group-level, not just underlying- or EFID-level). Reducing such risk will enable Members to enter quotes and orders with protection against inadvertent exposure to excessive risk, which in turn will benefit investors through increased liquidity for the execution of their orders. Such increased liquidity benefits investors because they may receive better prices and because it may lower volatility in the options market. The Exchange also believes each Member is in the best position to determine risk settings appropriate for its firm based on its trading activity and business needs and that that may be based on an EFID Group(s). Additionally, as discussed above, Cboe Options similarly allows its members to set risk parameters at the acronym-level (which is similar to an EFID) or firm-level (similar to an EFID Group).[22]

Lastly, the Exchange believes the proposal to adopt the new risk parameter based on number of times a risk parameter or group of risk parameters are reached will provide Members with an additional tool for managing risks. Furthermore, as noted above, the Exchange's affiliated exchange offers similar functionality.[23] Overall, the proposed rule change provides Members more protections that reduce the risks from potential system errors and market events. As a result, the proposed changes, including the new risk

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[22]   See Cboe Options Rule 8.18.

[23]   See Cboe Options Rule 8.18.

parameter for the Risk Monitor Mechanism, have the potential to promote just and

equitable principles of trade. Additionally, the proposed changes apply to all Members.

          B.   <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

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. Rather, the Exchange believes that the proposed changes with respect to its

Risk Monitor Mechanism help promote fair and orderly markets and provide clarity and

transparency the Rule. For example, the proposed rule change adds an additional risk

control parameter and flexibility to help further prevent potentially erroneous executions,

which benefits all market participants. The proposed changes apply uniformly to all

Members and the Exchange notes that the proposed changes apply to all quotes and

orders in the same manner. Additionally, the Exchange does not believe that the proposed

rule change will impose any burden on intermarket competition that is not necessary or

appropriate in furtherance of the purposes of the Act because the proposed enhancements

apply only to trading on the Exchange. Additionally, the Exchange notes that it is

voluntary for the Members to determine whether to make use of the new enhancements of

the Risk Monitor Mechanism. To the extent that the proposed changes may make the

Exchange a more attractive trading venue for market participants on other exchanges,

such market participants may elect to become Exchange market participants.

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

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[24] and Rule 19b-4(f)(6)[25] thereunder. At any time within

60 days of the filing of the proposed rule change, the Commission summarily may

temporarily suspend such rule change if it appears to the Commission that such action is

necessary or appropriate in the public interest, for the protection of investors, or

otherwise in furtherance of the purposes of the Act. If the Commission takes such action,

the Commission will institute proceedings to determine whether the proposed rule change

should be approved or disapproved.

IV. **Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments

concerning the foregoing, including whether the proposed rule change is consistent with

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

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

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

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeEDGX-2018-058 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-CboeEDGX-2018-058. 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-CboeEDGX-2018-058 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.[26]

Secretary

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[26]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

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Rules of Cboe EDGX Exchange, Inc.

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Rule 21.1. Definitions

The following definitions apply to Chapter XXI for the trading of options listed on EDGX Options.

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(k)   The term "EFIDs" means Executing Firm IDs and shall refer to what the System uses to identify the Member and the clearing number for the execution of orders and quotes submitted to the System with that EFID. A Member may obtain one or more EFIDs from the Exchange (in a form and manner determined by the Exchange). The Exchange assigns an EFID to its Members.

> (1) Each EFID corresponds to a single Member and a single clearing number of a Clearing Member with the Clearing Corporation.

> (2) A Member may obtain multiple EFIDs, which may be for the same or different clearing numbers. A Member may only identify for any of its EFIDs the clearing number of a Clearing Member that is a Designated Give Up or Guarantor of the Member as set forth in Rule 21.12.

> (3) A Member is able (in a form and manner determined by the Exchange) to designate which of its EFIDs may be used for each of its ports. If a Member submits an order or quote through a port with an EFID not enabled for that port, the System cancels or rejects the order or quote.

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Rule 21.16.   Risk Monitor Mechanism

[(a)   The System will maintain a counting program ("counting program") for each User. A single User may configure a single counting program or multiple counting programs to govern its trading activity (i.e., on a per port basis). The counting program will count executions of contracts traded by each User. The counting program counts executions, contract volume and notional value, within a specified time period established by each User (the "specified time period") and on an absolute basis for the trading day ("absolute limits"). The specified time period will commence for an option when a transaction occurs in any

series in such option. The counting program will also count a User's executions, contract volume and notional value across all options which a User trades ("Firm Category").

(b)

(i)   Risk Monitor Mechanism. The System will engage the Risk Monitor Mechanism in a particular option when the counting program has determined that a User's trading has reached a Specified Engagement Trigger (as defined below) established by such User during the specified time period or on an absolute basis. When a Specified Engagement Trigger is reached in an option, the Risk Monitor Mechanism will automatically remove such User's orders in all series of the particular option and reject any additional orders from a User in such option until the counting program has been reset in accordance with paragraph (d) below. When a Specified Engagement Trigger is reached in the Firm Category, the Risk Monitor Mechanism will automatically remove such User's orders in all series of all options and reject any additional orders from a User until the counting program has been reset in accordance with paragraph (d) below. The Risk Monitor Mechanism will also attempt to cancel any orders that have been routed away to other options exchanges on behalf of the User. Unless otherwise instructed by the User, the Exchange will not allow a User to automatically reset the counting program when the Specified Engagement Trigger has been reached in the Firm Category and Users will instead need to contact the Exchange to request a reset.

(ii)   Specified Engagement Triggers. Each User can, optionally, establish Engagement Triggers per option or in the Firm Category. Engagement Triggers can be set as follows:

(A) a contract volume trigger, measured against the number of contracts executed (the "volume trigger");

(B) a notional value trigger, measured against the notional value of executions ("notional trigger");

(C) an execution count trigger, measured against the number of executions ("count trigger"); and

(D) a percentage based trigger, measured against the number of contracts executed as a percentage of the number of contracts outstanding within a time period designated by the Exchange ("percentage trigger"). The percentage trigger specified shall be calculated as follows:

(1)   the counting program shall first calculate, for each series of an option class, the percentage of a User's order size in the specified class or a Market Maker's quote size in the appointed class that is executed on each side of the market;

(2)   the counting program shall then sum the overall series percentages for the entire option class to calculate the percentage trigger.

(c)   Any marketable orders, or quotes that are executable against a User's quotation that are received prior to the time the Risk Monitor Mechanism is engaged will be automatically executed at the price up to the size of the User's quotation, regardless of whether such an execution results in executions in excess of the User's Specified Engagement Trigger.

(d)   The System will reset the counting period for absolute limits when a User refreshes its risk limit thresholds. The System will reset the counting program and commence a new specified time period when:

(1)   A previous counting period has expired and a transaction occurs in any series in such option; or

(2)   A User refreshes its risk limit thresholds prior to the expiration of the specified time period.

(e)   A User may also engage the Risk Monitor Mechanism to cancel resting bids and offers, as well as subsequent orders as set forth in Rule 22.11.

Interpretations and Policies

.01   Complex orders, as defined in Rule 21.20(a), participate in the Risk Monitor Mechanism as set forth above in this Rule 21.16. For purposes of counting within a specified time period and for purposes of calculating absolute limits, the Exchange will count individual trades executed as part of a complex order when determining whether a volume trigger, notional trigger or count trigger has been reached. For purposes of counting within a specified time period and for purposes of calculating absolute limits, the Exchange will count the percentage executed of a complex order when determining whether the percentage trigger has been reached.]

(a) Each Member may establish limits for the following parameters in the Exchange's counting program. The System counts each of the following within an underlying for an EFID ("underlying limit"), across all underlyings for an EFID ("EFID limit"), and/or across all underlyings for a group of EFIDs ("EFID Group") ("EFID Group limit"), over a Member-established time period ("interval") and on an absolute basis for a trading day ("absolute limits"):

(i)   number of contracts executed ("volume");

(ii)   notional value of executions ("notional");

(iii)   number of executions ("count");

(iv)   number of contracts executed as a percentage of number of contracts outstanding within an Exchange-designated time period or during the trading day, as applicable ("percentage"), which the System determines by calculating the percentage of a Member's outstanding

contracts that executed on each side of the market during the time period or trading day, as applicable, and then summing the series percentages on each side in the underlying; and

(v)   number of times the limits established by the parameters under (a)(i)-(iv) above are reached ("risk trips").

(b) When the System determines that the volume, notional, count, percentage, or risk trips limits have been reached:

(i) a Member's underlying limit within the interval or the absolute limit for the underlying, the Risk Monitor Mechanism cancels or rejects such Member's orders or quotes in all series of the underlying and cancels or rejects any additional orders or quotes from the Member in the underlying until the counting program resets (as described below).

(ii) a Member's EFID limit within the interval or the absolute limit for the EFID, the Risk Monitor Mechanism cancels or rejects such Member's orders or quotes in all underlyings and cancels or rejects any additional orders or quotes from the EFID in all underlyings until the counting program resets (as described below).

(iii) a Member's EFID Group limit within the interval or the absolute limit for the EFID Group, the Risk Monitor Mechanism cancels or rejects such Member's orders or quotes in all underlyings and cancels or rejects any additional orders or quotes from any EFID within the EFID Group in all underlyings until the counting program resets (as described below).

The Risk Monitor Mechanism will also attempt to cancel or reject any orders routed away to other exchanges.

(c) The System will execute any marketable orders or quotes that are executable against a Member's order or quote and received prior to the time the Risk Monitor Mechanism is triggered at the price up to the size of the Member's order or quote, even if such execution results in executions in excess of the Member's parameters.

(d) *Counting Program Reset.*

(i) *Underlying Limit.* The System will not accept new orders or quotes from a Member after an underlying limit is reached until the Member submits an electronic instruction System to reset the counting program for the underlying.

(ii) *EFID Limit.* The System will not accept new orders or quotes from the EFID after its EFID limit is reached until the Member manually notifies the Trade Desk to reset the counting program for the EFID, unless the Member

instructs the Exchange to permit it to reset the counting program by submitting an electronic message to the System.

(iii) *EFID Group Limit*. The System will not accept new orders or quotes from any EFID within the EFID Group after an EFID Group limit is reached until the Member manually notifies the Trade Desk to reset the counting program for the EFID Group, unless the Member instructs the Exchange to permit it to reset the counting program by submitting an electronic message to the System.

(iv) *Reset Limit*. The Exchange may restrict the number of Member underlying, EFID and EFID Group resets per second.

(v) *Failure to reset*. If the Exchange cancels all of a Member's quotes and orders resting in the Book, and the Member does not reactivate its ability to send quotes or orders, the block will be in effect only for the trading day that the Member reached its underlying, EFID and/or EFID Group limit.

(vi) *Other Resets*. The System will reset the counting period for absolute limits when a Member refreshes its risk limit thresholds. The System will reset the counting program and commence a new interval time period when (i) a previous interval time period has expired and a transaction occurs in any series of an underlying or (ii) a Member refreshes its risk limit thresholds prior to the expiration of the interval time period.

(e) *Complex Orders*. The System counts individual trades executed as part of a complex order (or COA response) when determining whether the volume, notional, count, or risk trips limit has been reached. The System counts the percentage executed of a complex order (or COA response) when determining whether the percentage limit has been reached.

(f) A Member may also engage the Risk Monitor Mechanism to cancel resting bids and offers, as well as subsequent orders as set forth in Rule 22.11.

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