

Required fields are shown with yellow backgrounds and asterisks.

Filing by Cboe 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) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="checkbox"/> Date Expires * <input type="text"/>			Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/> Section 806(e)(2) * <input type="checkbox"/>	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>
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Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

The Exchange proposes to amend the Exchange's rules regarding the electronic processing of simple orders and regarding connectivity to the Exchange in connection with the upcoming System migration.

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

First Name * Laura	Last Name * Dickman
Title * Vice President, Associate General Counsel	
E-mail * dickman@cboe.com	
Telephone * (312) 786-7572	Fax <input type="text"/>

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 07/01/2019	Vice President, Associate General Counsel
By Laura G. Dickman	<input type="text"/>
(Name *)	

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF 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

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

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

Partial Amendment

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

Item 1. Text of the Proposed Rule Change

(a) Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to amend and move certain current Rules related to System¹ connectivity and order entry and allocation from the Exchange’s currently effective Rulebook (“current Rulebook”) to the shell structure for the Exchange’s Rulebook that will become effective upon the migration of the Exchange’s trading platform to the same system used by the Cboe Affiliated Exchanges (as defined below) (“shell Rulebook”). 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 July 1, 2019. The proposed rule change would become operative on the date on which the Exchange completes the migration of its trading platform to the same system used by the Cboe Affiliated Exchanges (as defined below), which is expected to occur on October 7, 2019.

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

¹ The term “System” means the Exchange’s hybrid trading platform that integrates electronic and open outcry trading of option contracts on the Exchange, and includes any connectivity to the foregoing trading platform that is administered by or on behalf of the Exchange, such as a communications hub. See Rule 1.1 in the current Rulebook and the shell Rulebook.

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

(a) Purpose

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. (formerly named CBOE Holdings, Inc.) ("Cboe Global"), which is also the parent company of Cboe C2 Exchange, Inc. ("C2"), acquired Cboe EDGA Exchange, Inc. ("EDGA"), Cboe EDGX Exchange, Inc. ("EDGX" or "EDGX Options"), Cboe BZX Exchange, Inc. ("BZX" or "BZX Options"), and Cboe BYX Exchange, Inc. ("BYX" and, together with Cboe Options, C2, EDGX, EDGA, and BZX, the "Cboe Affiliated Exchanges"). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of a technology migration. Cboe Options intends to migrate its trading platform to the same system used by the Cboe Affiliated Exchanges, which the Exchange expects to complete on October 7, 2019. Cboe Options believes offering similar functionality to the extent practicable will reduce potential confusion for market participants. In connection with this technology migration, the Exchange has a shell Rulebook that resides alongside its current Rulebook, which shell Rulebook will contain the Rules that will be in place upon completion of the Cboe Options technology migration.

System Connectivity

Current Rule 6.23A describes current provisions regarding System access and connectivity. The proposed rule change deletes current Rule 6.23A from the current Rulebook, and amends and moves relevant provisions to proposed Rule 5.5 in the shell Rulebook. Proposed Rule 5.5(a) states only authorized Users and associated persons of Users may establish connectivity to and access the Exchange to submit orders and quotes

and enter auction responses in accordance with the Exchange's System access procedures, technical specifications, and requirements.² This is consistent with current Rule 6.23A(a), (d), and (e), which provides only authorized market participants (which may only be Trading Permit Holders, associated persons of Trading Permit Holders with authorized access, and Sponsored Users pursuant to current Rule 6.20A) may access the Exchange electronically to facilitate quote and order entry, as well as auction processing, in accordance with Exchange-prescribed technical specifications (to the extent any agreement is required to be signed, as indicated in current Rule 6.23A(d), that would be indicated in such specifications).³

Proposed Rule 5.5(b) describes Executing Firm IDs ("EFIDs"). A Trading Permit Holder 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 Trading Permit Holder, which the System uses to identify the Trading Permit Holder and the clearing number for the execution of orders and quotes submitted to the System with that EFID. Each EFID corresponds to a single Trading Permit Holder and a single clearing number of a Clearing Trading Permit Holder with the Clearing Corporation.⁴ A Trading Permit Holder may

² These procedures, technical specifications, and requirements are available on the Exchange's website.

³ See also C2 Rule 6.8(a). Users will continue to only be able to directly access the System from a jurisdiction expressly approved by the Exchange pursuant to current Rule 3.4A (which rule the Exchange intends to move to Rule 3.5 in the shell Rulebook). See current Rule 6.23A(d) (proposed Rule 5.9(a)). BZX Options and EDGX Options Rules 11.3 and 20.1(a) also provide that only an Options Member or a person associated with an Options Member, as well as Sponsored Participants, may access the systems and effect any options transactions on those exchanges.

⁴ The Clearing Corporation is the Options Clearing Corporation. See Rule 1.1 in the shell Rulebook.

obtain multiple EFIDs, which may be for the same or different clearing numbers. A Trading Permit Holder may only identify for any of its EFIDs the clearing number of a Clearing Trading Permit Holder that is a Designated Give Up or Guarantor of the Trading Permit Holder as set forth in current Rule 6.21.⁵ A Trading Permit Holder 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 User 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 similar to the current use of acronyms on the Exchange and consistent with the use of EFIDs on the Cboe Affiliated Exchanges.⁶ The Exchange believes including a description of the use of EFIDs in the Rules adds transparency to the Rules.

The proposed rule change defines the term port in proposed Rule 5.5.⁷ The Exchange will provide Users with access to the System through various ports, as is the case on the Cboe Affiliated Exchanges. A User may connect to the Exchange using a logical port available through an application programming interface (“API”), such as the industry-standard Financial Information eXchange (“FIX”) protocol or Binary Order Entry (“BOE”) protocol. Users may use multiple logical ports. Cboe Market Interface will no longer be available following the technology migration, as that is an API on the Exchange’s current System while BOE is an API available on the new technology platform. This functionality is similar to bandwidth packets currently available on the Exchange, as described in current

⁵ The Exchange intends to move current Rule 6.21 to Rule 5.9 in the shell Rulebook.

⁶ The proposed rule change is substantially the same as BZX Options Rule 21.1(k); C2 Rule 6.8(b); and EDGX Options Rule 21.1(k).

⁷ The proposed rule change also adds a reference to this definition in Rule 1.1 in the shell Rulebook.

Rule 6.23B (and therefore the Exchange proposes to delete that rule from the current Rulebook). Bandwidth packets restrict the maximum number of orders and quotes per second in the same way logical ports do, and Users may similarly have multiple logical ports as they may have bandwidth packets to accommodate their order and quote entry needs. The Exchange believes it is reasonable to not limit bulk ports, as the purpose of these ports is to submit bids and offers in bulk (as further described below). As discussed below, the Exchange will have the authority to otherwise mitigate message traffic as necessary.

There are three different types of ports: physical ports, logical ports, and bulk ports. The Exchange notes that a bulk port is a type of logical port.

- A “physical port” provides a physical connection to the System. A physical port may provide access to multiple logical ports.
- A “logical port” or “logical session” provides Users with the ability within the System to accomplish a specific function through a connection, such as order entry, data receipt, or access to information.
- A “bulk port” is a dedicated logical port that provides Users with the ability to submit bulk messages, single orders, or auction responses, as further discussed below.

Port is the term the Exchange will use to describe the connection a User will use to connect to the System following the technology migration. Currently, the Exchange refers to System connections as logins, but the functionality is generally the same.⁸

The Exchange’s new technology platform is currently the trading platform for the other Cboe Affiliated Exchanges, and thus has an established disaster recovery plan. The

⁸ The proposed rule change is substantially the same as BZX Options Rule 21.1(l); C2 Rule 6.8(c); and EDGX Options Rule 21.1(j).

proposed rule change moves the Exchange's rule provisions regarding disaster recovery from Rule 6.18 in the current Rulebook to Rule 5.24 in the shell Rulebook.⁹ The proposed rule change amends the provisions regarding Trading Permit Holders that must connect to the Exchange's backup systems and participate in functional and performance testing announced by the Exchange, which occurs at least once every 12 months.¹⁰ These requirements are similar to those of Cboe Affiliated Exchanges.¹¹ Currently, the Exchange identifies Trading Permit Holders that must connect to backup systems and participate in testing based on criteria such as whether the TPH is an appointed DPM, LMM, or Market-Maker in a class and the quality of markets provided by the DPM, LMM, or Market-Maker, the amount of volume transacted by the market participant in a class or on the Exchange in general, operational capacity, trading experience, and historical contribution to fair and orderly markets on the Exchange. At a minimum, all Market-Makers in option classes exclusively listed on the Exchange that stream quotes in those classes and all DPMs in

⁹ The proposed rule change also deletes current Rule 6.19, which is currently reserved.

¹⁰ The Exchange currently requires designated Trading Permit Holders to participate in backup system testing on an annual basis pursuant to current Rules 6.18 and 6.23A(f). The proposed rule change deletes current Rule 6.23A(f), as it relates to mandatory testing, which is covered by proposed Rule 5.24.

¹¹ See, e.g., BZX Options Rule 2.4; C2 Rule 6.34; and EDGX Rule 2.4. The Exchange notes BZX Options and C2 do not currently have DPMs or LMMs (BZX has LMMs with respect to equities listed on that exchange), and thus the rules of those exchanges do not require connectivity by corresponding market participants. Additionally, EDGX Options only has DPMs. Additionally, SPX and VIX options only trade on Cboe Options, and thus the rules of other exchanges do not impose requirements with respect to trading in those classes. The Exchange notes the other Cboe Affiliated Exchanges intend to update their disaster recovery rules regarding notice to the market participants that must connect to the backup systems to conform to the proposed rule change.

multiply listed options classes must connect to the backup systems.¹² Proposed Rule 5.24(b) requires the following TPHs to connect to backup systems and participate in testing:

- TPHs that the Exchange has determined contribute a meaningful percentage of the Exchange's overall volume.
- TPHs that the Exchange has determined contribute a meaningful percentage of the Exchange's executed customer volume in SPX and VIX combined.¹³
- TPHs that participate as Market-Makers (including LMMs) in option classes exclusively listed on the Exchange that submit continuous electronic quotes in those classes.
- TPHs that participate as DPMs in multiply listed option classes.¹⁴

These requirements are consistent with the criteria listed in current Rule 6.24(b).

This proposed rule includes more detail regarding which categories of TPHs must connect to the backup systems. Proposed Interpretation and Policy .01 states for purposes of determining which TPHs contribute a meaningful percentage of the Exchange's overall volume and customer volume in SPX and VIX pursuant to proposed subparagraphs (b)(1) and (2), respectively, the Exchange measures volume executed on the Exchange during a specified calendar quarter (the "measurement quarter"). The Exchange will provide TPHs with reasonable advance notice of the applicable meaningful percentage and measurement

¹² See current Rule 6.18(b)(iv).

¹³ The Exchange believes this requirement is appropriate since SPX and VIX options are exclusively listed on the Exchange, and there is significant trading in these options, and this proposed requirement will ensure that TPHs will be available to receive and submit to the Exchange orders when the Exchange's primary system is inoperable.

¹⁴ Pursuant to proposed Rule 5.24(c), all TPHs may connect to the Exchange's backup systems and participate in testing of these systems.

quarter.¹⁵ The Exchange will individually notify all TPHs that are subject to this connection requirement based on the applicable meaningful percentage following the completion of the applicable measurement quarter. The Exchange will provide these TPHs with reasonable advance notice that they must participate in the testing described above.¹⁶

Proposed Rule 5.24(a) through (c) are consistent with Regulation SCI requirements, which apply to certain self-regulatory organizations (including the Exchange), alternative trading systems (“ATs”), plan processors, and exempt clearing agencies (collectively, “SCI entities”), and requires these SCI entities to comply with requirements with respect to the automated systems central to the performance of their regulated activities. The Exchange takes pride in the reliability and availability of its systems. The Exchange and the Cboe Affiliated Exchanges have put extensive time and resources toward planning for system failures and already maintain robust business continuity and disaster recovery plans consistent with the proposed rule.

The proposed rule change retains moves paragraphs (c) through (f) of current Rule 6.18 to proposed paragraphs (d) through (g) of proposed Rule 5.24, as they relate to the Exchange’s trading floor. To conform to the corresponding rules of Cboe Affiliated Exchanges, the proposed rule change deletes the other provisions. The proposed rule change also makes nonsubstantive changes to some of the disaster recovery provisions, including updating paragraph lettering and numbering, making grammatical changes, simplifying certain provisions, and incorporating defined terms.

¹⁵ A meaningful percentage may not apply retroactively to any measurement quarter completed or in progress.

¹⁶ This is consistent the measurement and notice provision in Miami International Securities Exchange, Inc. (“MIAX”) Rule 321, Interpretation and Policy .01.

Proposed Rule 5.25 describes steps the Exchange may take to mitigate message traffic, based on the Exchange's traffic with respect to target traffic levels and in accordance with the Exchange's overall objective of reducing both peak and overall traffic. First, the System will not send an outbound message¹⁷ in a series that has not been but is about to be sent if a more current quote message for the same series is available for sending, but does not delay the sending of any messages (referred to in proposed Rule 5.25 as "replace on queue"). Second, the System will prioritize price update messages over size update messages in all series and in conjunction with the replace on queue functionality described above. Current Rules contain various provisions the Exchange may use on its current technology platform to mitigate message traffic, such as current Rule 6.23A(b) (which permits the Exchange to limit the number of messages sent by TPHs accessing the Exchange electronically in order to protect the integrity of the trading system) and (c) (which provides the Exchange may utilize a mechanism so that newly received quotations and other changes to the Exchange's best bid and offer are not disseminated for a period of up to, but not more than one second in order to control the number of quotations the Exchange disseminates), and Rule 6.23B (regarding bandwidth packets).¹⁸ The proposed rule change essentially replaces these provisions. The Exchange does not have unlimited capacity to support unlimited messages, and the technology platform onto which it will

¹⁷ This refers to outbound messages being sent to data feeds and OPRA.

¹⁸ As noted above, the proposed rule change deletes current Rule 6.23B. The proposed Rule change also deletes the remainder of Rule 6.23A(b), which states the Exchange may impose restrictions on the use of a computer connected through an API if necessary to ensure the proper performance of the system. The proposed rules do not contain a similar provision; however, to the extent the Exchange wanted to impose any type of these restrictions in the future, it would similar submit a rule change to the Commission.

migrate contains the above functionality, which are reasonable measures the Exchange may take to manage message traffic and protect the integrity of the System.¹⁹

The proposed rule moves the rule regarding back-up trading arrangements from Rule 6.16 in the current Rulebook to Rule 5.26 in the shell Rulebook. The proposed rule change deletes a cross-reference to current Rule 8.87.01, which the proposed rule change deletes, and instead states the Exchange may establish a lower DPM²⁰ participation entitlement percentage applicable to trading on a Cboe Options' facility on the Back-Up Exchange than the percentage applicable under the rules of the Back-Up Exchange, if Cboe Options and the Back-Up Exchange agree. This is consistent with the Exchange's current authority under the Rules. The proposed rule change makes no changes to this rule, except nonsubstantive changes, including updating paragraph lettering and numbering, making grammatical changes, updating cross-references, and incorporating defined terms.

Order and Quote Entry and Allocation

The System currently begins accepting orders in quotes at 4:00 p.m. Central Time the previous trading day for the Global Trading Hours ("GTH") trading session and at 6:30

¹⁹ The proposed rule change is substantially similar to BZX Options Rule 21.14, C2 Rule 6.35, and EDGX Options Rule 21.14. Note the BZX Options and EDGX Options rules also include a provision regarding their ability to periodically delist options with an average daily volume of less than 100 contracts. Current Exchange Rule 5.4, Interpretation and Policy .13 permits the Exchange to delist any class immediately if the class is open for trading on another national securities exchange, or to not open any additional series for trading in a class that is solely open for trading on the Exchange. This provision achieves the same purpose as the BZX Options and EDGX Options rules, and thus it is unnecessary to add that provision to the Exchange's Rules.

²⁰ The proposed rule change also adds the Exchange may do this for the LMM participation entitlement percentage, as LMMs and PMM serve substantially similar functions.

a.m. Central Time for the Regular Trading Hours (“RTH”) trading session.²¹ Pursuant to proposed Rule 5.7, Users can enter orders and quotes into the System, or cancel previously entered orders, from 2:00 a.m. Eastern Time until RTH market close. While Users will have less time to submit orders and quotes prior to the GTH opening, the Exchange believes having one hour to submit orders and quotes in All Sessions Classes prior to the GTH opening is sufficient given that the Exchange lists fewer classes for trading during GTH, and it is the same amount of time they have to submit orders and quotes in RTH Only classes prior to the RTH trading session.²²

Users may enter orders and quotes during that time, subject to the following requirements and conditions:

- Users may transmit to the System multiple orders and quotes at a single price level or multiple price levels.
- Each order and quote a User submits to the Exchange must contain the minimum information identified in the Exchange’s technical specifications.
- The System timestamps an order or quote upon receipt, which determines the time ranking of the order or quote for purposes of processing the order or quote.

²¹ See current Rule 6.2(a); see also Cboe Options Regulatory Circular RG15-103 (July 13, 2015). The Exchange currently begins accepting orders and quotes at 7:30 a.m. Eastern Time for the RTH trading session, which time is not changing.

²² Pursuant to C2 Options Rule 6.11(a) and EDGX Options Rule 21.7(a), the Queuing Period for the GTH trading session will similarly begin one hour prior to the beginning of that trading session on those exchanges. Current Rule 6.2(a) provides the Exchange with flexibility regarding when to begin the pre-opening period. The Exchange proposes to eliminate this flexibility from the Rules, as it does not believe it is necessary any more. If the Exchange determines to change the time at which the Queuing Period will begin, it will submit a rule filing.

- For each System Security,²³ the System transmits to OPRA for display the aggregate size of all orders and quotes in the System eligible for display at the best price to buy and sell.
- After the RTH market close, Users may cancel orders with Time-in-Force of good-til-cancelled (“GTC”) or good-til-date (“GTD”) that remain on the Book until 4:45 p.m. Eastern Time.²⁴

The proposed provisions described in the first four bullets above are consistent with current functionality, and the proposed rule change merely adds this detail to the Rules. The Exchange believes adding these provisions to the Rules provides additional transparency for market participants. The Exchange adds the provision in the fifth bullet above, which provides Users with additional flexibility to manage their orders that remain in the Book following the RTH market close. Cancelling a GTC or GTD order at 4:30 p.m. has the same effect as cancelling that order at 7:30 a.m. the following day – ultimately it accommodates the User’s goal of cancelling an order prior to it potentially executing during the Opening Process the following morning.²⁵

The proposed rule change also moves the provisions regarding the requirement to systematize an order from Rule 6.24 in the current Rulebook to Rule 5.7(f) and Interpretations .01 through .06, except the proposed rule change deletes current

²³ A System Security is a class that currently trades on the Exchange. See Rule 1.1 in the shell Rulebook.

²⁴ See proposed Rule 5.7(a) – (e).

²⁵ This proposed change is also substantively the same as C2 Rule 6.9; and EDGX Options Rule 21.6(a) – (c) and (f). The proposed rule change is also similar to BZX Options Rule 21.6(a) – (c) (this rule does not contain the provision regarding when a User may cancel a GTC or GTD order; however, the Exchange understands this is consistent with BZX Options functionality).

Interpretation and Policy .03. That provision describes the Exchange's Telephone and Terminal Order Formats Manual, which the Exchange prescribes. This manual no longer exists, and any order formats regarding systemization are included in the Exchange's technical specifications or otherwise disseminated to Trading Permit Holders by Regulatory Circular or Exchange Notice.²⁶ The proposed rule change makes no other substantive changes to current Rule 6.24, and makes certain nonsubstantive changes, such as to reflect defined terms, update paragraph lettering and numbering, update cross-references, and make other grammatical changes.

The Exchange currently offers quoting functionality to Market-Makers, which permits Market-Makers to update their electronic quotes in block quantities.²⁷ Quotes on the Exchange do not route to other exchanges,²⁸ and Market-Makers generally enter new quotes at the beginning of the trading day based on then-current market conditions.²⁹ The Exchange proposes to replace quoting functionality with bulk message functionality. As noted above, a bulk port is a dedicated logical port that provides Users with the ability to submit bulk messages, single orders, or auction responses. The proposed rule change

²⁶ See Rule 1.2 in current Rulebook (Rule 1.5 in shell Rulebook).

²⁷ See Rule 1.1 (definition of quote). In other words, a Market-Maker may submit a single message to the Exchange, which message contains bids and offers in multiple series.

²⁸ See current Rule 6.14B (which describes how the Exchange routes orders (specifically intermarket sweep orders) but not quotes to other exchanges); see also NYSE Arca, LLC ("Arca") Rule 6.37-O(a)(3)(D) (which states quotes do not route).

²⁹ The Exchange understands this to be common practice by Market-Makers throughout the industry, and is consistent with Cboe Options functionality, which cancels all unexecuted resting Market-Maker quotes at the close of each trading day. Additionally, it is consistent with Market-Makers' obligation to update market quotations in response to changed market conditions. See current Rule 8.5(a)(4); see also Cboe Options Rule 8.7(b)(iii).

defines bulk message as a single electronic message a User submits to the Exchange in which the User may enter, modify, or cancel up to an Exchange-specified number of bids and offers.³⁰ A User may submit a bulk message through a bulk port as described below. The System handles a bulk message bid or offer in the same manner as it handles an order or quote, unless the Rules specify otherwise.³¹

Users may submit bulk messages through a bulk port, subject to the following:

- a bulk message has a time-in-force of Day³²;
- a Market-Maker with an appointment in a class may designate a bulk message for that class as Post Only or Book Only, and other Users must designate a bulk message for that class as Post Only; and
- a User may establish a default match trade prevention (“MTP”) modifier of MTP Cancel Newest (“MCN”), MTP Cancel Oldest (“MCO”), or MTP Cancel Both (“MCB”),³³ and a default value of attributable or non-attributable, for a bulk port,

³⁰ Pursuant to Rule 1.5 in the shell Rulebook, the Exchange will announce this number via Exchange Notice or publicly available technical specifications. The limit on bids and offers per message is a reasonable measure for the Exchange to use to manage message traffic and activity to protect the integrity of the System.

³¹ See Rule 1.1 in the shell Rulebook. In other words, a bulk message will be treated as an order (or quote if submitted by a Market-Maker) pursuant to the Rules, including with respect to priority and allocation. The proposed rule change identifies the rule provisions pursuant to which bulk messages will be handled in a different manner. The proposed rule change also amends the definition of quote in Rule 1.1 in the shell Rulebook to provide that a quote is a firm bid or offer a Market-Maker submits electronically in as an order or bulk message (as well as a firm bid or offer a Market-Maker represents in open outcry on the trading floor).

³² The proposed rule change adds to Rule 5.6(a) in the shell Rulebook that an order instruction or time-in-force applied to a bulk message applies to each bid and offer within that bulk message. For example, a Market-Maker cannot designate one bulk message bid within a single message as Post Only and designate another bulk message bid within the same message as Book Only.

³³ See Rule 5.6(c) of the shell Rulebook for definitions of MTP modifiers.

each of which applies to all bulk messages submitted to the Exchange through that bulk port.³⁴

Users may also submit single orders through a bulk port in the same manner as Users may submit orders to the Exchange through any other type of port, including designated with any order instruction and any time-in-force in proposed Rule 5.30, except a Market-Maker with an appointment in a class may designate an order for that class submitted through a bulk port only as Post Only or Book Only, and other Users must designate an order for that class submitted through a bulk port as Post Only.³⁵ Users may also submit auction responses (using auction response messages) in the same manner as Users may submit auction responses to the Exchange through any other type of port.³⁶

The proposed rule change restricts orders and bulk messages to Post Only and Book Only³⁷ with a time-in-force of Day. As a general matter, bulk ports are intended to be limited for the use of liquidity provision on the Exchange, particularly by, but not limited to, Market-Makers. In turn, the Exchange believes it is unnecessary to allow orders entered via bulk ports to be able to last beyond the trading day on which they were entered.

Proposed Rule 5.5(c)(3)(A)(i) states that bulk messages have a time-in-force of Day. As discussed above, this is consistent with current Exchange quoting functionality, which cancels all resting quotes at the close of the trading day. This is also consistent with a Market-Maker's obligation to update its quotes in response to changed market conditions in

³⁴ See proposed Rule 5.5(c)(3)(A).

³⁵ See proposed Rule 5.5(c)(3)(B).

³⁶ See proposed Rule 5.5(c)(3)(C).

³⁷ Consistent with the definitions of Post Only and Book Only (see Rule 5.6(c) in the shell Rulebook), bulk message bids and offers will not route.

its appointed classes.³⁸ Users will have the ability to cancel bulk message bids and offers at any time during the trading day, and may apply any other time-in-force designation to an order submitted through a bulk port (as further discussed below) or other type of port.

Unlike current Exchange quoting functionality, which is only available to Market-Makers in their appointed classes, the proposed bulk messages will be available to all Users. While all Users will be able to use bulk messages, the primary purpose of quoting functionality and the proposed bulk message functionality is to encourage market-maker quoting on exchanges. The proposed rule change provides that a Market-Maker with an appointment in a class may designate a bulk message for that class as “Post Only” or “Book Only.” This will provide Exchange Market-Makers with substantially similar functionality that is currently available to them on the Exchange, which permits Market-Makers’ incoming quotes to execute against resting orders and quotes, except against the resting quote of another Market-Maker (see discussion below).³⁹ The Exchange believes permitting Market-Makers to use bulk message to remove liquidity from the Book (if they so elect) will keep Exchange Market-Makers on an even playing field with market-makers on other exchanges that offer quoting functionality. Additionally, Market-Makers are subject to various obligations, including obligations to provide two-sided quotes, to provide continuous quotes, and to trade at least 75% of its contracts each quarter in its appointed classes.⁴⁰ The Exchange believes providing Market-Makers with flexibility to use the Post

³⁸ See Rule 8.7(b)(iii).

³⁹ Incoming market-maker quotes on some options exchanges may execute against interest resting in the book (see, e.g., Arca Rule 6.37A-O(a)(3)), while on other options exchanges they may not (see, e.g., Box Options Exchange, LLC (“BOX”) Rule 8050, IM-8050-3).

⁴⁰ See current Rule 8.7.

Only or Book Only instruction with respect to bulk messages will provide Market-Makers with additional tools, to meet their obligations in a manner they deem appropriate. The Exchange further believes this may encourage liquidity providers to register as Market-Makers.

The proposed rule change provides that other Users (*i.e.*, non-Market-Makers or Market-Makers without an appointment in the class) must designate a bulk message for that class as “Post Only.” Because these Users do not have access to quoting functionality today, the proposed rule change will provide these Users with functionality that is not available to them today. This will provide Users with flexibility avoid incurring certain fees for removing liquidity if their intent is to add liquidity to the Book. The Exchange notes that Users may apply the Book Only instruction to orders submitted to the Exchange through other ports.

The proposed rule change also permits Users to establish a default MTP modifier of MCN, MCO, or MCB that would apply to all bulk messages submitted through a bulk port. Cboe Options currently offers a Market-Maker Trade Prevention Order, which would be cancelled if it would trade against a resting quote or order for the same Market-Maker, and also cancel the resting order or quote.⁴¹ This is equivalent to the MCBO modifier (except the MCB modifier may be used by all Users rather than just Market-Makers). The proposed rule change provides Users with the ability to apply the same trade prevention designation that is available for quotes on the Exchange to bulk messages (MCB), as well as two additional MTP options (MCN and MCO) (the Exchange notes there is currently no trade prevention functionality equivalent to MCN or MCO available on the Exchange for quotes).

⁴¹ See Rule 6.53 in the current Rulebook.

Allowing three MTP modifiers for bulk messages will provide Users with additional control over the circumstances in which their bulk message bids and offers (and resting orders (including bulk message bids and offers)) will interact with each other. The Exchange does not believe there is demand by Users for the MDC and MCS modifiers (which will be available on the Exchange for orders) for bulk messages. There is currently no trade prevention functionality equivalent to MDC or MCS available on the Exchange today. The Exchange notes all Users may continue to apply all MTP modifiers to orders submitted through a bulk port or any other type of port.

Generally, the System will handle bulk message bids and offers in the same manner as it handles orders and quotes with the same order instructions and times-in-force that will be applied to bulk messages, including prioritizing, displaying, and executing them pursuant to proposed Rule 5.32.⁴² Current Rule 6.45(c) provides in the event a Market-Maker's disseminated quote locks with another Market-Maker's disseminated quote, a counting period begins during which Market-Makers whose quotes are locked may eliminate the locked market. If, at the end of the counting period, the quotes remain locked, the locked quotes automatically execute against each other.⁴³ Proposed Rule 5.32(c)(6) states the System cancels or rejects a Book Only bulk message bid (offer) or order bid (offer) (or unexecuted portion) submitted by a Market-Maker with an appointment in the class through a bulk port if it would execute against a resting offer (bid) with a Capacity of M. This functionality is similar to the current quote-lock functionality. While current functionality permits locked quotes to execute against each other after a specified amount of time, it also provides Market-Makers with an opportunity to update their resting quotes, which would

⁴² See proposed Rule 5.32(a).

⁴³ Inverted quotes would be handled in a similar manner pursuant to Rule 6.45(c).

prevent execution of an incoming Market-Maker quote against a resting Market-Maker quote. As proposed, a Market-Maker bulk message or order bid or offer will be rejected if it would execute against resting Market-Maker interest. The Market-Maker may resubmit its bulk message or order bid or offer after being rejected, which would be able to rest in the Book if the Market-Maker repriced its resting bid or offer in the interim. Additionally, a Market-Maker may interact with resting Market-Maker interest by submitting an order to the Exchange through a different type of port.

Proposed Rule 5.7(a) provides that a User may only enter one bid and one offer for a series per EFID per bulk port. The Exchange believes this will encourage Users to submit their best bids and offers in series, and thus provide displayed liquidity to the market and contribute to price discovery. Note firms may have multiple EFIDs and multiple bulk ports, and thus will have the ability through separate ports or EFIDs to submit additional bids and offers using bulk messages in the same series if they choose. This provision is consistent with the Exchange's current rule interpretation.⁴⁴

As noted above, the proposed rule change will permit Users to submit single orders to the Exchange through bulk ports. The Exchange believes this will encourage Users that may not have quoting systems to provide liquidity to the Exchange. Proposed Rule 5.5(c)(3)(B) subjects single orders submitted through bulk ports to the same Book Only and Post Only restrictions described above for Market-Makers with appointments in a class and other Users. This will provide Users with additional functionality that is not currently available today, as orders may not be submitted through quoting connections on the

⁴⁴ See Cboe Options Regulatory Circular RG18-008 (March 6, 2018), which provides that each Market-Maker acronym (which is comparable to an EFID), may only have one quote (which is considered to be a two-sided quote) in each series at a time.

Exchange. Because there are no time-in-force restrictions on orders submitted through bulk ports, Users may allow their liquidity to rest on the Exchange for multiple trading days, if Users so choose. This will also provide Users with additional control over the orders they use to provide liquidity to the Exchange through bulk ports. Additionally, proposed Rule 5.32(6) imposes the same prohibition on Market-Maker orders submitted through bulk ports from removing resting Market-Maker interest that applies to bulk messages, as described above. The Exchange believes it is appropriate for orders submitted through bulk ports be subject to the same restrictions on adding and removing liquidity as bulk messages submitted through bulk ports, so that orders submitted through bulk ports do not have an advantage over bulk messages, and vice versa.

While liquidity providers are most commonly registered Market-Makers, other professional traders also provide liquidity to the options market, which contributes to price discovery. As a result, the Exchange believes it is appropriate to make bulk messages available to all Users to encourage them to provide liquidity, which is critical to the Exchange's market. Additionally, permitting orders to be submitted through bulk ports will provide all liquidity providers with additional flexibility with respect to functionality they may use to provide liquidity to the Exchange.

The proposed rule change amends Rule 5.6(b), (c), and (d) in the shell Rulebook to provide that eligible order types, order instructions, and times-in-force, respectively, are subject to the proposed restrictions in proposed Rule 5.5(c) with respect to orders and bulk

messages submitted through a bulk port, as well as to clarify which order types, order instructions, and times-in-force are and are not available for bulk messages.⁴⁵

Rule 5.6(a) in the shell Rulebook permits the Exchange to make order types, order instructions, and times-in-force listed in that Rule available on a system, class, and trading session basis for electronic processing.⁴⁶ Proposed Rule 5.30 provides that the Exchange may make the following order types, order instructions, and times-in-force⁴⁷ available during RTH:

- Order types: limit order and market order.
- Order instructions: all-or-none (“AON”), attributable, book only, all sessions, cancel back, electronic only, MTP modifier, minimum quantity, non-attributable, post only, price adjust, qualified cross contingent (“QCC”),⁴⁸ reserve order, RTH only, stop (stop-loss), and stop limit.

⁴⁵ The Exchange notes a User may not designate a bulk message as AON. AON orders are not displayed, and thus do not contribute to price discovery. Additionally, the size contingency restricts the ability of an AON order to execute, and thus its purpose is not to provide liquidity, which contradicts the purpose of bulk messages.

⁴⁶ Rule 6.1A(f) in the current Rulebook also provides that all order types that are available for electronic processing during RTH and as otherwise determined by the Exchange will be available for trading during GTH, except market orders, market-on-close orders (which includes limit-on-close orders pursuant to the current definition of market-on-close orders in current Rule 6.53), stop orders, and GTC orders. The proposed rule change deletes current Rule 6.1A(f), as proposed Rule 5.30 covers this information.

⁴⁷ See Rule 5.6 in the shell Rulebook for definitions of each order type, order instruction, and time-in-force.

⁴⁸ Note it is not specified in the current Rulebooks that QCC orders are not available during GTH; however, this is consistent with the fact that only index options are eligible for trading during GTH.

- Times-in-force: day, fill-or-kill (“FOK”), GTC, GTD, immediate-or-cancel (“IOC”), limit-on-close (“LOC”), market-on-close (“MOC”), and opening rotation (“OPG”).⁴⁹

Proposed Rule 5.30 provides that the Exchange may make the following order types, order instructions, and times-in-force available during GTH⁵⁰:

- Order types: limit order.
- Order instructions: AON, attributable, book only, all sessions, cancel back, electronic only, MTP modifier, minimum quantity, non-attributable, post only, price adjust, reserve order, and stop-limit.
- Times-in-force: day, FOK, GTC, GTD, IOC, and OPG.⁵¹

The proposed rule change updates the definition of QCC orders in Rule 5.6(c) of the Shell Rulebook to codify in the Rules certain functionality for QCC orders with more than one option leg (“Complex QCC orders”). The current definition does not explicitly state that each leg of a complex QCC order must be at least 1,000 standard option contracts (or 10,000 mini-option contracts). However, that requirement is set forth in Cboe Options

⁴⁹ With the exception of order instructions and times-in-force that are not currently available on the Exchange but will be following the technology migration, these are the same order types, order instructions, and times-in-force the Exchange may currently make available during RTH.

⁵⁰ The Exchange notes it intends to indicate which order types, order instructions, and times-in-force the Exchange may make available for complex orders during each trading session in a separate rule filing.

⁵¹ With the exception of order instructions and times-in-force that are not currently available on the Exchange but will be following the technology migration, these are the same order types, order instructions, and times-in-force the Exchange may currently make available during GTH, except for GTC. Because the Exchange will use the same Book for GTH and RTH, the Exchange will make available the GTC time-in-force for GTH, as an order in an All Sessions class with that time-in-force can remain in the Book following the conclusion of the GTH trading session and be available for trading during the RTH trading session.

Regulatory Circular RG13-102 (July 19, 2013). Additionally, the current rule does not explicitly state that the legs of complex QCC orders must execute at prices at or better than the NBBO of the series, at prices better than a priority customer order resting in the Simple Book, or that a Complex QCC order may not execute at the same price as complex orders resting on the complex order book, but the Exchange understands this is consistent with current Cboe Options functionality.⁵² The proposed rule change does not change the current functionality of QCC orders, but rather adds details regarding the functionality to the Rules.

The proposed rule change moves the provisions regarding the electronic processing, display, priority, and execution of simple orders from the current Rulebook to proposed Rule 5.32 in the shell Rulebook.⁵³

Current Rule 6.45(a)(i) provides that orders and quotes are allocated pursuant to the aggregated pro-rata base allocation algorithm, except in classes the Exchange determines to apply the price-time or pro-rata base allocation algorithm. Following the technology migration, the Exchange will determine to only apply the price-time or pro-rata base allocation algorithm, which are currently available on the Cboe Affiliated Exchanges.⁵⁴ Therefore, the proposed rule change deletes aggregated pro-rata priority from the possible base allocation algorithms. Aggregated pro-rata is similar to standard pro-rata, except broker-dealer orders at the same price are aggregated prior to the pro-rata distribution and

⁵² The proposed definition of a QCC order is virtually identical to the definition of a QCC order in EDGX Options Rule 21.1(d)(10). QCC orders are not currently available on BZX Options or C2.

⁵³ The Exchange intends to move the provisions regarding the allocation and execution of orders in open outcry in current Rule 6.45(b) and Interpretation and Policy .06 to the shell Rulebook in a separate rule filing.

⁵⁴ See BZX Options Rule 21.8(a) (price-time); C2 Options Rule 6.12(a) (price-time and pro-rata); and EDGX Options Rule 21.8(c) (pro-rata).

counted as a single order with the aggregated size. While these algorithms allocate orders and quotes in a different manner because of this aggregation, and may result in different allocations of orders and quotes, the resulting allocations are generally similar.

Proposed Rule 5.32(a) states the Exchange determines which base allocation algorithm in proposed subparagraph (1), and whether one or more of the priority overlays in subparagraph (2), will apply on a class-by-class basis. This is consistent with current Rule 6.45(a)(i).⁵⁵ Proposed Rule 5.32(a)(1)(A) states resting orders and quotes on the Book with the highest bid and lowest offer have priority. If there are two or more resting orders or quotes at the same price, the System prioritizes them at the same price in the order in which the System received them (*i.e.*, time priority).⁵⁶ Proposed Rule 5.32(a)(1)(B) states resting orders and quotes on the Book with the highest bid and lowest offer have priority. If there are two or more resting orders at the same price, the System allocates orders proportionally according to size (*i.e.*, on a pro-rata basis). The System allocates executable quantity to the nearest whole number, with fractions $\frac{1}{2}$ or greater rounded up (in size-time priority) and fractions less than $\frac{1}{2}$ rounded down. If the executable quantity cannot be evenly allocated, the System distributes remaining contracts one at a time in size-time priority to orders that were rounded down.⁵⁷ This differs from the current the pro-rata allocation algorithm, pursuant to which the System allocates contracts to the first resting order or quote proportionally according to size (based on the number of remaining contracts to be allocated

⁵⁵ Pursuant to any allocation algorithm and priority overlay, the System only allocates to an order or quote up to the number of contracts of that order at the execution price. See current Rule 6.45(a)(i) and proposed Rule 5.32(a).

⁵⁶ See current Rule 6.45(a)(i)(A). The proposed rule change makes no substantive changes to the price-time base allocation algorithm.

⁵⁷ See also C2 Rule 6.12(a)(2)(B); and EDGX Options Rule 21.8(c).

and the size of the remaining resting orders and quotes), and allocates contracts to the next resting order or quote. The System repeats this process until it allocates all contracts from the incoming order or quote. The system rounds fractions $\frac{1}{2}$ or greater up and fractions less than $\frac{1}{2}$ down. The Exchange believes the proposed pro-rata algorithm is a fair, objective, and simple systematic process to allocate “extra” contracts when more than one market participant may be entitled to those extra contracts after rounding. It is also consistent with the pro-rata process on Cboe Affiliated Exchanges.⁵⁸

Proposed Rule 5.32(a)(2) describes the priority overlays the Exchange may apply to a class, which are the same priority overlays the Exchange may apply today. The Exchange may apply one or more priority overlays to a class in any sequence,⁵⁹ except if the Exchange applies any participation entitlement pursuant to proposed subparagraph (B) or the small order priority pursuant to proposed subparagraph (C), the Exchange must apply the Priority Customer overlay in proposed subparagraph (A) ahead of the participation entitlement and small-size priority in the priority sequence.⁶⁰ After the System executes an incoming order subject to the applicable priority overlays, the System executes any remaining orders on the Book (which are non-Priority Customer orders if the Exchange applies any of the overlays in proposed subparagraphs (A) through (C)) pursuant to the applicable base allocation algorithm. This is consistent with current functionality, and the proposed rule change is adding this detail to the Rules.⁶¹

⁵⁸ See C2 Rule 6.12(a)(2)(B); and EDGX Options Rule 21.8(c).

⁵⁹ See current Rule 6.45(a)(ii).

⁶⁰ See current Rule 6.45(a)(ii)(B)(2) and (a)(ii)(c).

⁶¹ See also EDGX Options Rule 21.8(e).

Proposed Rule 5.32(a)(2)(A) describes the Priority Customer overlay, pursuant to which a Priority Customer order at the highest bid or lowest offer has priority over orders and quotes of all other market participants (*i.e.*, non-Priority Customers) at that price. If there are two or more Priority Customer orders at the same price, the System prioritizes them in the order in which the System received them (*i.e.*, time priority).⁶²

Proposed Rule 5.32(a)(2)(B) describes the Designated Primary Market-Maker (“DPM”), Lead Market-Maker (“LMM”), and Preferred Market-Maker (“PMM”) participations entitlements.⁶³ The Exchange may apply one or more of the DPM, LMM, and PMM participation entitlements (in any sequence) to a class. If the DPM, LMM, or PMM, as applicable, has a quote at the highest bid or lowest offer, it will receive the greater of (1) the number of contracts it would receive pursuant to the applicable base allocation algorithm and (2) 50% of the contracts if there is one other non-Priority Customer order or quote, 40% of the contracts if there are two non-Priority Customer orders or quotes, or 30% of the contracts if there are three or more non-Priority Customer orders or quotes at that price.⁶⁴

⁶² See current Rule 6.45(a)(ii)(A). The proposed rule change makes no substantive changes to the Priority Customer overlay. See also EDGX Options Rule 21.18(d)(1).

⁶³ The provisions describing the current participation entitlements are in current Rules 6.45(b)(ii)(B), 8.13(c), 8.15(d), and 8.87, which the proposed rule change deletes. The proposed rule change also deletes Rule 8.87, Interpretation and Policy .01, as the Exchange does not intend to establish a different participation rate for newly listed products. Additionally, the proposed rule change deletes current Rule 8.87, Interpretations and Policies .02 and .03 (which contain exceptions to a DPM’s continuous electronic quoting obligations). The Exchange intends to move these provisions to the shell Rulebook in a future filing regarding Market-Maker quoting obligations. The proposed rule change also deletes Rule 8.15(c), which is currently reserved.

⁶⁴ See current Rules 8.13(c), 8.15(d)(ii), and 8.87(b)(2). The proposed rule change deletes the provision that all broker-dealers at the same price will be treated as

Only one participation entitlement may apply to a trade (*e.g.*, if the Exchange applies a PMM participation entitlement and DPM participation entitlement to a class, with the PMM participation entitlement ahead of the DPM participation entitlement in the priority sequence, and both a PMM and DPM have a quote at the highest bid or lowest offer, the PMM will receive an entitlement on a trade and the DPM will not).⁶⁵ The participation entitlement will be based on the number of non-Priority Customer contracts remaining after the Priority Customer overlay is applied.⁶⁶ If the Exchange appoints both an On-Floor LMM or DPM and an Off-Floor DPM or LMM to a class, the On-Floor LMM or DPM, as applicable, may receive a participation entitlement with respect to orders represented in open outcry but not for orders executed electronically, and an Off-Floor DPM or LMM, as applicable, may receive a participation entitlement with respect to orders executed electronically but not orders represented in open outcry.⁶⁷ Additionally, the DPM/LMM/PMM participation entitlements do not apply during GTH.⁶⁸

one broker-dealer order (with size consisting of the cumulative number of contracts in those non-Market-Maker broker-dealer orders). The System will treat each order as an individual order. The Exchange believes this will also be a fair, objective, and simple systematic process, and may provide other market participants with additional opportunities to participate in executions where a participation entitlement applies. The proposed rule change makes no other substantive changes to the participation entitlements. DPMs, LMMs, and PMMs are subject to the obligations set forth in current Rules 8.13, 8.15, and 8.17, respectively.

⁶⁵ See current Rule 6.45(a)(ii)(B)(3) (proposed Rule 5.32(a)(2)(B)(i)).

⁶⁶ See current Rule 6.45(a)(ii)(B)(2) (proposed Rule 5.32(a)(2)(B)(ii)).

⁶⁷ See current Rules 8.15(d)(i) and 8.87(b)(iv) (proposed Rule 5.32(a)(2)(B)(iii)).

⁶⁸ See current Rule 6.1A(e)(iii)(B) and 8.87(b)(iv) (proposed Rule 5.32(a)(2)(B)(iv)). Note the current rule only references the LMM participation entitlement. However, to the extent the Exchange appoints a DPM or PMM to a class for the GTH trading session, the Exchange would similarly not have the applicable participation entitlement apply during that trading session at this time.

Proposed Rule 5.32(a)(2)(C) describes the small-size order entitlement (also referred to as the 1 – 5 lot entitlement).⁶⁹ If an incoming order or quote has five or fewer contracts (a “small-size order”), and the DPM or LMM, as applicable, in the class has a quote at the highest bid or lowest offer, it has priority to execute against the entire size of the order or quote that does not execute against any Priority Customer orders on the Book at that price.⁷⁰ If a small-size order is preferred to a PMM, the PMM has a quote at the BBO, and the Exchange has applied the PMM participation entitlement to the class, the PMM receives its participation entitlement, and the small-size order entitlement does not apply to any execution of that order. If the PMM does not have a quote at the BBO, but the DPM or LMM, as applicable does, the DPM/LMM participation entitlement will apply to any execution of that order.⁷¹ If a small-size order is preferred to a DPM or LMM, and the Exchange has applied the PMM and DPM or LMM participation entitlement, the DPM or LMM receives the small-size order entitlement, and the participation entitlement does not apply to execution of that order.⁷² The small-size order does not apply to executions following auctions.⁷³ The Exchange will continue to review the small-size order entitlement on a quarterly basis, and will reduce the size of the small-size orders if they comprise more

⁶⁹ See current Rule 6.45(a)(ii)(c). The proposed rule change makes no substantive changes to the small-size order entitlement.

⁷⁰ See also EDGX Options Rule 21.8(g)(2).

⁷¹ See current Rule 6.45(a)(ii)(c)(3) and proposed Rule 5.32(a)(2)(C)(i); see also EDGX Options Rule 21.8(h)(1)(A).

⁷² See current Rule 6.45(a)(ii)(c) and proposed Rule 5.32(a)(2)(C)(ii); see also EDGX Options Rule 21.8(h)(1)(C). While this is not specified in the current Rule, the proposed rule change is consistent with current functionality and adds this detail to the Rules.

⁷³ See current Rule 6.45(a)(ii)(c)(4) and proposed Rule 5.32(a)(2)(C)(iii).

than 40% of the volume executed on the Exchange (excluding volume resulting from the execution of orders in the Automated Improvement Mechanism (“AIM”)).⁷⁴

Proposed Rule 5.32(a)(2)(D) describes the Market Turner priority.⁷⁵ A “Market Turner” is a TPH that first entered an order or quote at a better price than the previous highest bid or lowest offer, which order is continuously on the Book (and not modified in a manner that changes its priority) until it trades. A Market Turner has priority to execute against 50% of an incoming order or quote, or against the number of contracts remaining after any priority overlays ahead of the Market Turner priority are applied).⁷⁶ There may be a Market Turner for each price at which a particular order or quote trades.⁷⁷ Market-Turner priority remains with an order or quote once established (*i.e.* if the market moves in the same direction as the Market Turner’s order or quote moved the market, and then moves back to the Market Turner’s original price, the Market Turner retains priority at that original price).⁷⁸ Any unexecuted portion of a Market Turner order or quote retains its Market Turner priority at its original price.⁷⁹ Market Turner priority may not be established until

⁷⁴ See current Rule 6.45(a)(ii)(c)(1) and proposed Rule 5.32(a)(2)(C)(iv).

⁷⁵ See current Rule 6.45(a)(ii)(D). The proposed rule change makes no substantive changes to the Market Turner priority.

⁷⁶ This is consistent with current functionality, and the proposed rule change adds this detail to the Rules. Currently, the Exchange may receive priority against an entire incoming order or quote or a percentage of that order or quote. See current Rule 6.45(a)(ii)(D). The Exchange currently sets this percentage to 50%, and intends to maintain that percentage following the technology migration, so the proposed rule change specifies this in the Rules.

⁷⁷ See current Rule 6.45(a)(ii)(D) and proposed Rule 5.32(a)(2)(D)(i).

⁷⁸ See current Rule 6.45(a)(ii)(D) and proposed Rule 5.32(a)(2)(D)(ii).

⁷⁹ See current Rule 6.45(a)(ii)(D) and proposed Rule 5.32(a)(2)(D)(iii).

after the market open. Once established, Market Turner priority remains in effect for an order or quote until the market close.⁸⁰

The proposed rule change moves the following additional priority rules to proposed Rule 5.32(a)(3):

- Displayed orders at a given price have priority over nondisplayed orders (current Rule 6.45(a)(v)(A)).
- Priority Customer Reserve Quantities at the same price execute in time sequence, and non-Priority Customer Reserve Quantities execute in accordance with the applicable base allocation algorithm (current Rule 6.45(a)(v)(B)).
- An AON order is always last in priority order (including after nondisplayed Reserve Quantity). The System allocates AON orders at the same price based on the time the System receives them (i.e., in time priority), except if the Exchange applies the Priority Customer overlay to a class, Priority Customer AON orders have priority over non-Priority Customer AON orders (current Rule 6.45(a)(v)(D)).⁸¹ A transaction may occur at the same price as an AON order resting on the EDGX Options Book without the AON order participating in the transaction. Notwithstanding proposed Rule 5.32(a)(1), a transaction may occur at a price lower

⁸⁰ See current Rule 6.45(a)(ii)(D) and proposed Rule 5.32(a)(2)(D)(iv).

⁸¹ The proposed rule change also states that a transaction may occur at the same price as an AON order resting on the Book without the AON participating in the transaction, and that notwithstanding proposed Rule 5.32(a)(1), a transaction may occur at a price lower (higher) than an AON order bid (offer) resting on the Book if the size of the resting AON order cannot be satisfied. See current Rule 6.44, Interpretation and Policy .02 (which was deleted from the current Rulebook pursuant to SR-CBOE-2019-027).

(higher) than an AON order bid (offer) resting on the Book if the size of the resting AON order cannot be satisfied (current Rule 6.44, Interpretation and Policy .02).

Other than the deletion of the aggregated pro rata base allocation algorithm (and the related aggregation provisions within the participation entitlement overlay) and how the System will round and allocate contracts when they cannot be divided evenly pursuant to the pro-rata base allocation algorithm, the System will allocate orders and quotes in the same manner as it does today. As noted above, the Exchange believes the proposed pro-rata base allocation (which the Exchange will apply to any classes to which the Exchange currently applies the aggregated pro-rata base allocation algorithm) is a fair, objective, and simple systematic process that is equivalent to the pro-rata base allocation algorithm available on Cboe Affiliated Exchanges. While the aggregated pro-rata and pro-rata algorithms each allocate orders and quotes in a different manner because of the aggregation of broker-dealer interest at the same price, and may result in different allocations of orders and quotes, the resulting allocations are generally similar.

Proposed Rule 5.32(b) describes a new Price Adjust process, which is a repricing mechanism offer to Users on BZX Options, C2, and EDGX Options.⁸² Orders designated to be subject to the Price Adjust process or not designated as Cancel Back (and thus not subject to the Price adjust process), will be handled pursuant to proposed Rule 5.32(b). The Price Adjust process (in addition to the Cancel Back order instruction) is an additional way in which the Exchange will ensure compliance with the locked and crossed market rules in

⁸² The proposed Price Adjust process is substantially the same as EDGX Options Rule 21.1(i). Note BZX Options and C2 do not have AON orders, and thus the Price Adjust process described in their rules do not account for AON orders (and are equivalent to proposed paragraph 5.32(b)(1)(A)(i)). See BZX Options Rule 21.1(i); and C2 Rule 6.12(b).

current Chapter VI, Section E (which the proposed rule change moves to Chapter 5, Section E in the shell Rulebook). It will also provide Users with additional flexibility regarding how they want the System to handle their orders.

Pursuant to proposed Rule 5.32(b)(1)(A), a buy (sell) non-AON order at the time of entry would lock or cross (1) a Protected Quotation of another exchange or the Exchange, the System ranks and displays the order at one minimum price variation below (above) the current NBO (NBB); or (2) the offer (bid) of a sell (buy) AON order resting on the Book at or better than the Exchange's best offer (bid), the System ranks the resting AON order one minimum price variation above (below) the bid (offer) of the non-AON order. For example, if an AON order to buy 5 at 1.10 is resting on the Book (which is the NBB), and a non-AON order to sell 1 (which does not satisfy the size of the AON order) at 1.10 enters the Book, the System reprices the AON order to rest in the Book at 1.05 (assuming the minimum price variation for the class is \$0.05). Proposed Rule 5.32(b)(1)(B) states if a buy (sell) AON order, at the time of order entry, would (1) cross a Protected Offer (Bid) of another options exchange or a sell (buy) AON order resting on the Book at or better than the Exchange's best offer (bid), the System ranks the incoming AON order at a price equal to the Protected Offer (Bid) or the offer (bid) of the resting AON order, respectively; or (2) lock or cross a Protected Offer (Bid) of the Exchange, the System ranks the incoming AON order at a price one minimum price variation below (above) the Protected Offer (Bid).

For example, if an AON order to buy 5 at 1.10 is resting on the Book (which is the NBB), and a non-AON order to sell 1 (which does not satisfy the size of the AON order) at 1.10 enters the Book, the System reprices the AON order to rest in the Book at 1.05 (assuming the minimum price variation for the class is \$0.05). As another example, if a

non-AON order to buy 1 at 1.10 is resting at the top of the Book, and an AON order to sell 5 (which cannot be satisfied by the resting interest) at 1.10 enters the Book, the System reprices the AON order to rest in the Book at 1.15 (assuming the minimum price variation for the class is \$0.05). As a final example, if a buy AON order has a bid of 1.05 and enters the Book when the NBO is 1.00, the System ranks the AON order at a 1.00 bid. Or, if a sell AON order has an offer of 1.10 and enters the Book, where there is a resting AON order with a bid of 1.15, the System ranks the incoming AON order at a price of 1.15.

The proposed Price Adjust process handles AON orders differently than other orders, because AON orders are not displayed on the Book (and thus are not Protected Quotations). The Exchange believes the proposed process is reasonable, because non-AON orders will rest on the Book at prices that would not create a locked or crossed market, and AON orders will rest on the Book at executable prices. The proposed process will generally re-price the incoming (and thus later arriving) order. However, the proposed rule change will reprice a resting AON order rather than an incoming non-AON order, because AON orders have last priority (as discussed above) and are not displayed, and thus should not cause the price of an incoming non-AON order to reprice. Because AONs are not displayed and have last priority on the Book, the Exchange believes it is appropriate to adjust the price of an AON rather than an incoming order that would be displayed and protected. The proposed rule change is consistent with linkage rules, because AONs are not part of the BBO, and repricing an AON to lock an away exchange price or a resting (and nondisplayed) order on the Book will, therefore, not result in a displayed locked market.

The proposed rule change also ensures that a resting AON order will not lock the price of a Protected Quotation on the Book. This prevents the situation in which an

incoming order may execute ahead of the resting non-AON order. For example, if a non-AON order to buy 1 at 1.10 is resting on the Book, and an AON order to sell 5 (and thus is not satisfied by the resting interest) at 1.10 enters the Book, if the System permitted the AON order to rest at a price of 1.10 (rather than reprice the AON to rest at 1.15 as proposed), if subsequently an AON to buy 5 at 1.10 was submitted to the Exchange, that AON would execute against the resting AON at 1.10, and thus ahead of the non-AON order to buy.⁸³ The proposed rule change will also reprice an AON order to a more aggressive price up to the limit price at which it would be able to execute without causing a trade-through as the market changes.⁸⁴

Proposed Rule 5.32(b)(2) states the circumstances that caused the System to adjust the price of an order pursuant to proposed subparagraph (1) change so that it would not lock or cross, as applicable, a Protected Quotation or an AON resting on the Book at a price at or better than the BBO, the System gives the Price Adjust order a new timestamp. The System ranks or displays the order at a price that locks or is one minimum price variation away from the new Protected Quotation or AON resting on the Book at or better than the BBO, as applicable. All Price Adjust orders that are re-ranked and re-displayed (if applicable) retain their priority as compared to other Price Adjust orders based upon the time the System initially received the orders. Following the initial ranking and display (if applicable) of a

⁸³ Priority rules apply to orders resting in the Book, not incoming orders. Therefore, with respect to an incoming order, the System checks opposite side interest to see if the incoming order can execute. It does not check to see if there is same-side interest ahead of which it cannot trade, as there would only be marketable same-side interest (from a price perspective) that would not otherwise execute against opposite side interest if such opposite side interest was an AON order.

⁸⁴ See current Rule 6.81 and proposed Rule 5.66 (which prohibits trade-throughs, subject to certain exceptions); and current Rule 6.82 and proposed Rule 5.67 (requires the Exchange to reasonably avoid displaying quotes that lock a Protected Quotation).

Price Adjust order, an order will only be re-ranked and re-displayed (if applicable) to the extent it achieves a more aggressive price up to its limit price. The System adjusts the ranked and displayed price of an order subject to Price Adjust once or multiple times depending upon the User's instructions and changes to the prevailing NBBO. The System does not display a Price Adjust limit order at any price worse than its limit price. This proposed repricing mechanism is an additional way in which the Exchange will ensure compliance with intermarket linkage rules, while permitting resting orders to rest at the most aggressive, executable prices (subject to orders' limit prices). It also provides Users with additional flexibility regarding how they want the System to handle their orders.⁸⁵

The Exchange does not have functionality that corresponds to the Price Adjust process. However, the Exchange's current Rules do not provide any special handling that applies to AON orders that lock or cross orders on the Exchange or the quote of an away options market. Therefore, pursuant to the Rules, if an AON order is unable to execute upon entry into the System (or after routing, if eligible for routing pursuant to the Rules), the AON order will rest at its price, even if it locks or crosses the Exchange's BBO or the quote of an away options market.⁸⁶ The proposed rule change will similarly permit an AON order to rest at a price that locks the quote of an away options market, as well as an AON order resting on the Book at a price at or better than the BBO. An AON order resting at a price that locks or crosses an order may only execute in accordance with the priority principles set forth in current Rule 6.45 and may not execute at prices that would cause a trade-through

⁸⁵ See also EDGX Options Rule 21.1(i).

⁸⁶ If the AON order submitted to the Exchange was a market order and was unable to execute for any reason, it would cancel in accordance with the terms of a market order. This is consistent with the handling of any other market order that was not able to execute on the Exchange.

pursuant to current Rule 6.81. The Exchange believes the proposed rule change ultimately creates the same result for a resting AON order that would otherwise occur on the Exchange (the proposed rule change merely changes the price of an AON order upon entry rather than at the time of execution), and in some cases results in price improvement for an AON order.

For example, as proposed, if the BBO was 1.15 x 1.30 (size of 50), and the NBBO was 1.15 x 1.20 (size of 50), and a User submitted an AON order for 100 to buy at 1.25, the AON order would rest on the Book with a price of 1.20 (which locks the Protected Offer of 1.20). If an order to sell 100 at 1.20 was later submitted to the Exchange, it would execute against the resting AON order at its ranked price of 1.20. Currently on the Exchange, the AON would rest at 1.25. If an order to sell 100 at 1.20 was later submitted to the Exchange it would execute against the resting AON order at a price of 1.20 (and thus the same price at which it would execute on the Exchange), as executions may only occur at or within the NBBO.

Additionally, suppose the BBO was 1.15 x 1.25 (non-AON order with size of 50), and was also the NBBO, and a User submitted an AON order for 100 to buy at 1.25, the AON order would rest on the Book with a price of 1.20 (which is one minimum price variation below the resting non-AON order). If an order to sell 100 at 1.20 was later submitted to the Exchange, it would execute against the resting AON order at a price of 1.20 (which results in price improvement for the AON order). Currently on the Exchange, the AON would rest at 1.25. If an order to sell 100 at 1.20 was later submitted to the Exchange, the AON would receive execution at a price of 1.25.⁸⁷ The Exchange believes the proposed rule change is an enhancement that will prevent such incoming orders to trade against a

⁸⁷ See current Rule 6.45 (proposed Rule 5.32).

resting AON at the same price as a resting non-AON order on the opposite side of the market that had insufficient size to trade against the AON order.

As another example, if the BBO was 1.15 x 1.30 and was also the NBBO, and there was a sell AON order for 50 to sell at 1.25 resting on the Book, and a User submitted an AON order for 100 to buy at 1.25, the incoming AON order would rest on the Book at 1.25 (which locks the resting AON order). If an order to sell 100 at 1.25 was later submitted to the Exchange, it would execute against the resting AON order to buy at 1.25. This is the same result that would occur today on the Exchange.

Proposed Rule 5.32(c) describes how the System handles orders and quotes in additional circumstances. Proposed subparagraph (1) states, subject to the exceptions contained in proposed Rule 5.66 (current Rule 6.81), the System does not execute an order at a price that trades through a Protected Quotation of another options exchange. The System routes an order a User designates as routable in compliance with applicable Trade-Through restrictions. The System cancels or rejects any order not eligible for routing or the Price Adjust process that is entered with a price that locks or crosses a Protected Quotation of another options exchange. The Exchange currently does not execute orders at trade-through prices, consistent with intermarket linkage rules.⁸⁸

The proposed rule change adds proposed Rule 5.32(c)(2), which states the System cancels or rejects a buy (sell) stop or stop-limit order if the NBB (NBO) at the time the System receives the order is equal to or above (below) the stop price. The System accepts a buy (sell) stop or stop-limit order if the consolidated last sale price at the time the System receives the order is equal to or above (below) the stop price. This is consistent with the

⁸⁸ See also C2 Rule 6.12(c)(1); and EDGX options Rule 21.6(e) and (f).

definitions of stop and stop-limit orders in Rule 5.7(c) of the shell Rulebook. Because the purpose of a stop or stop-limit order is to rest in the Book until a specified price is reached, the Exchange believes rejecting a stop or stop-limit order entered above or below, as applicable, that price may be erroneous, as entry at that time would be inconsistent with the purpose of the order.⁸⁹

The proposed rule change adds proposed Rule 5.32(c)(3), which states the System cancels or rejects a GTC or GTD order in an adjusted series.⁹⁰ Pursuant to current Rule 5.7, options contracts are subject to adjustments in accordance with the Rules of the Options Clearing Corporation (“OCC”). Generally, due to a corporate action by the issuer of an underlying, OCC may adjust the price of an option. After a corporate action and a subsequent adjustment to the existing options, OPRA and OCC identify the series in question with a separate symbol consisting of the underlying symbol and a numerical appendage. As a standard procedure, exchanges listing options on an underlying security that undergoes a corporate action resulting in adjusted series will list new standard option series across all expiration months the day after the existing series are adjusted. The adjusted series are generally actively traded for a short period of time following adjustment, but prices of those series may have been impacted by the adjustment. As a result, any GTC or GTD orders submitted prior to the adjustment may no longer reflect the market price of the adjusted series, as the prices of the GTC or GTD orders do not factor in the adjustment. The Exchange believes any executions of these GTC or GTD orders would be at erroneous prices, and thus believes it is appropriate for the System to cancel these orders, which will

⁸⁹ See also C2 Rule 6.12(c)(3).

⁹⁰ This is true on any trading day on which the adjusted series continues to trade.

permit Users to resubmit orders in the adjust series at prices that reflect the adjustment and to submit orders in the new series.

The proposed rule change adds proposed Rule 5.32(c)(4), which states the System does not execute an order with an MTP Modifier entered into the System against an order entered with an MTP Modifier and the same unique identifier, and instead handles them in accordance with Rule 5.7(c) in the shell Rulebook. This provision reflects the definitions of the MTP Modifiers in Rule 5.7(c) in the shell Rulebook.

The proposed rule change moves the provisions regarding handling of market orders, market-on-close orders, and stop orders when the underlying security is in a limit up-limit down state from Rule 6.45(d) in the current Rulebook to Rule 5.32(c)(5) in the shell Rulebook. The proposed rule change only makes nonsubstantive changes to these provisions, including updating cross-references (and adding references to the Exchange's electronic crossing mechanisms), making grammatical changes, and updating paragraph numbering and lettering.

The proposed rule change moves the provision regarding the decrementation of an order or quote following partial execution from Rule 6.45(a)(iii) in the current Rulebook to Rule 5.32(d) in the shell Rulebook. The proposed rule change also moves the provision regarding the modification of orders and quotes from Rule 6.45(a)(iv) in the current Rulebook to Rule 5.32(e) in the shell Rulebook. The proposed rule change deletes the provision regarding two-sided quotes, as the functionality on Bats technology will not have an equivalent of two-sided quotes. Through bulk messages (the proposed equivalent to quoting technology), Users may submit bids and offers in the same series; however, they are individual quotes. The proposed rule change only makes nonsubstantive changes to these

provisions, including updating cross-references (and adding references to the Exchange's electronic crossing mechanisms), making grammatical changes, and updating paragraph numbering and lettering.

The proposed rule change deletes current Rule 6.45(v) regarding contingency orders. As discussed above, certain provisions regarding AONs and Reserve orders were moved to other parts of the rule. The Exchange does not believe the introductory language and remaining provisions are necessary, as the order instruction definitions in Rule 5.6 of the shell Rulebook and order handling provisions described above contain sufficient detail regarding how the System will handle contingency orders. Additionally, the Exchange believes FOK and IOC orders relate to the time of execution of orders rather than a contingency, and thus these terms are described in Rule 5.6(d) of the shell Rulebook.

The proposed rule change moves the provisions regarding order exposure requirements from Rule 6.45, Interpretations and Policies .01 through .03 in the current Rulebook to Rule 5.8 in the shell Rulebook. The proposed rule change only makes nonsubstantive changes to these provisions, including updating cross-references (and adding references to the Exchange's electronic crossing mechanisms), making grammatical changes, and updating paragraph numbering and lettering.

The proposed rule change deletes current Rule 6.45, Interpretation and Policy .04, as it is redundant of Rule 1.2 in the current Rulebook (Rule 1.5 in the shell Rulebook). The proposed rule change moves current Interpretation and Policy .05 to proposed Interpretation and Policy .01. The proposed rule change deletes current Interpretations and Policies .05 and .06, and intends to add those provisions to Chapter 5, Section G of the shell Rulebook to keep all Rules related to open outcry trading in the same rule.

The proposed rule change moves the Rules regarding intermarket linkage, including order protection and locked and crossed market rules, from current Rules 6.80 to 6.82 in the current Rulebook to proposed Rules 5.65 to 5.67 in the shell Rulebook. The proposed rule change only makes nonsubstantive changes to these provisions, including updating cross-references and paragraph numbering and lettering.⁹¹

(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.⁹² Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁹³ 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)⁹⁴ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

⁹¹ The proposed rule change also deletes current Rules 6.83 and 6.84, which were reserved or previously deleted.

⁹² 15 U.S.C. 78f(b).

⁹³ 15 U.S.C. 78f(b)(5).

⁹⁴ Id.

The proposed rule changes are generally intended to add or align certain system functionality offered by the Exchange and the Cboe Affiliated Exchanges in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology, in turn, will simplify the technology implementation, changes, and maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges. The proposed rule changes would also provide Users with access to functionality that is generally available on markets other than the Cboe Affiliated Exchanges and may result in the efficient execution of such orders and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users. The proposed rule change does not propose to implement new or unique functionality that has not been previously filed with the Securities and Exchange Commission (the "Commission") or is not available on Cboe Affiliated Exchanges. There are a number of rules to which the proposed rule change only makes nonsubstantive changes. The proposed rule text is generally based on the rules of Cboe Affiliated Exchanges and is different only to the extent necessary to conform to the Exchange's current Rules, retain intended differences based on the Exchange's market, or make other nonsubstantive changes to simplify, clarify, eliminate duplicative language, or make rule provisions plain English.

To the extent a proposed rule change is based on an existing Cboe Affiliated Exchange rule, the language of the Rules and Cboe Affiliated Exchange rules may differ to extent necessary to conform with existing Exchange rule text or to account for details or descriptions included in the Exchange's Rules but not in the applicable Exchange Rule. Where possible, the Exchange has substantively mirrored Cboe Affiliated

Exchange rules, because consistent rules will simplify the regulatory requirements and increase the understanding of the Exchange's operations for Trading Permit Holders that are also participants on the Exchange. The proposed rule change will provide greater harmonization between the rules of the Cboe Affiliated Exchanges, resulting in greater uniformity and less burdensome and more efficient regulatory compliance. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system. The Exchange also believes that the proposed amendments will contribute to the protection of investors and the public interest by making the Exchange's rules easier to understand.

The proposed rule change regarding connectivity to the Exchange, including the definition of ports, will reduce complexity and increase understanding of the Exchange's operations for all Users of the Exchange following migration. As the ports are the same as used on the Cboe Affiliated Exchanges, Users of the Exchange and these other exchanges will have access to similar functionality on all Cboe Affiliated Exchanges. As such, the proposed rule change will foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system. The proposed changes to the Exchange's disaster recovery rules, including the requirements regarding which TPHs must connect to the Exchange's back-up system and participate in testing, are consistent with Regulation SCI requirements applicable to the Exchange and other SCI entities, which require these SCI entities to comply with requirements with respect to the automated systems central to the performance of their regulated activities. The Exchange takes pride in

the reliability and availability of its systems. The Exchange and the Cboe Affiliated Exchanges have put extensive time and resources toward planning for system failures and already maintain robust business continuity and disaster recovery plans consistent with the proposed rule. The proposed rule change is also substantially similar to the rules of the Cboe Affiliated Exchanges, as well as another options exchange.⁹⁵

The proposed rule regarding message traffic mitigation replaces the current Rules that permit the Exchange to similar mitigate message traffic. The Exchange does not have unlimited capacity to support unlimited messages, and the Exchange believes the proposed rule change provides the Exchange with reasonable measures to take to manage message traffic and protect the integrity of the System. The proposed rule change is also substantially similar to the rules of the Cboe Affiliated Exchanges.⁹⁶

The proposed bulk message functionality is substantially similar to the Exchange's current quoting functionality. The Exchange believes this will provide Market-Makers with a more seamless transition to the Exchange's new technology, and will provide Market-Maker with a means to contribute liquidity to the Exchange's market continuously during the technology migration, which benefits investors. Additionally, the proposed rule change provides other liquidity providers with an additional method of

⁹⁵ See BZX Options Rule 2.4; C2 Rule 6.34; and EDGX Rule 2.4; see also MIAX Rule 321, Interpretation and Policy .01.

⁹⁶ The proposed rule change is substantially similar to BZX Options Rule 21.14, C2 Rule 6.35, and EDGX Options Rule 21.14. Note the BZX Options and EDGX Options rules also include a provision regarding their ability to periodically delist options with an average daily volume of less than 100 contracts. Current Exchange Rule 5.4, Interpretation and Policy .13 permits the Exchange to delist any class immediately if the class is open for trading on another national securities exchange, or to not open any additional series for trading in a class that is solely open for trading on the Exchange. This provision achieves the same purpose as the BZX Options and EDGX Options rules, and thus it is unnecessary to add that provision to the Exchange's Rules.

providing liquidity to the Exchange. This may result in the efficient execution of quotes and orders and will provide Users with additional flexibility and increased functionality on the Exchange's System, which may benefit all investors. The proposed bulk message functionality is also substantially similar to functionality currently available on Cboe Affiliated Exchanges.⁹⁷

The proposed rule change to update the definition of QCC orders merely codifies in the Rules certain functionality for Complex QCC orders, but makes no proposes changes to the actual functionality or how Complex QCC orders execute. The proposed definition is substantially the same as a rule of a Cboe Affiliated Exchange.⁹⁸

The proposed price adjust process is consistent with intermarket linkage rules, which require the Exchange to reasonably avoid displaying quotations that lock or cross any Protected Quotation. This proposed functionality will assist Users by displaying orders and quotes at permissible, executable prices, while also providing Users with flexibility to not have their orders and quotes subject to the Price Adjust process if they

⁹⁷ See C2 Rules 1.1, 6.8(c)(3), 6.10, and 6.12(b); and EDGX Options Rules 16.1, 21.1(c), (d), (f), (g), (i), and (j)(3). The proposed rule change is also similar to BZX Options Rules 16.1(a)(4), 21.1(c), (d), (f), (g), and (l)(3). However, the BZX Options rules differ, because the BZX Options price adjust process does not apply to bulk messages (pursuant to the proposed rule change and the C2 and EDGX Options rules, Users may determine whether their bulk messages will be subject to the Price Adjust process), and the BZX Options rule permits all Users to designate a bulk message as Post Only or Book Only (pursuant to the proposed rule change and the C2 and EDGX Options rules, appointed Market-Makers may designate bulk messages as Post Only or Book Only, while other Users may only designate bulk messages as Post Only). These differences are intended to account for the different market models of the Exchange and BZX Options.

⁹⁸ See EDGX Options Rule 21.1(d)(10).

prefer. This proposed functionality is substantially similar to functionality available on Cboe Affiliated Exchanges.⁹⁹

As discussed above, other than the deletion of the aggregated pro-rata base allocation algorithm (and the related aggregation provisions within the participation entitlement overlay) and how the System will round and allocate contracts when they cannot be divided evenly pursuant to the pro-rata base allocation algorithm, the System will allocate orders and quotes in the same manner as it does today. While the pro-rata algorithm may result in a different allocation of contracts than the aggregated pro-rata algorithm because of the aggregation of broker-dealer interest at the same price, the resulting allocations are generally similar. The Exchange believes the proposed pro-rata base allocation (which the Exchange will apply to any classes to which the Exchange currently applies the aggregated pro-rata base allocation algorithm) is a fair, objective, and simple systematic process. Additionally, it is equivalent to the pro-rata base allocation algorithm available on Cboe Affiliated Exchanges.¹⁰⁰

The majority of the changes are nonsubstantive changes or provide additional detail in the rule regarding current functionality. The Exchange believes these changes and transparency will protect investors, as they provide more clarity within the rule and more harmonized rule language across the rules of the Cboe Affiliated Exchanges.

⁹⁹ See BZX Options Rule 21.1(i); C2 Rule 6.12(b); and EDGX Options Rule 21.1(i). The Exchange notes EDGX Options is the only other Cboe Affiliated Exchange with AON order functionality, and therefore the Price Adjust rules of BZX Options and C2 do not account for the presence of AON orders, as the proposed rule change and the EDGX Options rule do.

¹⁰⁰ See C2 Options Rule 6.12(a); and EDGX Options Rule 21.8(c).

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change will impose any burden on intramarket competition. The Exchange believes the proposed rule changes to the disaster recovery rules will further contribute to the Exchange's continuous operation of a competitive market in the event of a systems failure or other disaster event. The Exchange notes that the proposed rule change is designed to provide the Exchange with authority to require certain market participants to participate in, and provide necessary liquidity to, the market to ensure that the Exchange functions in a fair and orderly manner in the event of a significant systems failure, disaster, or other unusual circumstances.

The proposed rule changes regarding connectivity to the Exchange (including the description of ports and EFIDs) will apply to all Users in the same manner, and are similar to the manner in which Users may connect to the Exchange today. Additionally, the proposed rule regarding message traffic mitigation replaces the current measures the Exchange may use to mitigate message traffic. The proposed rule will apply to messages of all Users in the same manner.

The proposed bulk message functionality will be available to all Users, and will be voluntary. While only Market-Makers may submit Book Only bulk messages (and orders submitted through bulk ports), the Exchange believes this is appropriate given the various obligations Market-Makers must satisfy under the Rules and the unique and critical role Market-Makers play in the options market, as discussed above. The Exchange believes providing Market-Makers with flexibility to use the Post Only or Book Only instruction with respect to bulk messages (and orders submitted through bulk

ports) will provide Market-Makers with tools to meet their obligations in a manner they deem appropriate, as they are currently able to do today using current quoting functionality on the Exchange. The Exchange notes all other Users may continue to use the Book Only instruction on orders submitted to the Exchange through other types of ports. The proposed rule change expands the availability of this functionality to all Users (currently, only appointed Market-Makers may use the Exchange's quoting functionality). The availability of bulk message functionality (including the use of the Post Only instruction on those bulk messages) will be available for all Users, which may encourage Users that may not have quoting systems to provide liquidity to the Exchange.

The proposed Price Adjust process will apply to the orders and quotes of all Users in the same manner. Because Users may opt out their orders and quotes out of the Price Adjust process by designating them as Cancel Back, the Price Adjust process is voluntary, and will provide all Users with flexibility with respect to, and additional control over, the executions of their orders and quotes on the Exchange. The proposed distinction between AON orders and non-AON orders is consistent with the fact that AON orders are not displayed on the Exchange's Book or disseminated to OPRA.

The proposed pro-rata base allocation algorithm will apply to the orders and quotes of all Users in the same manner in the classes to which the Exchange applies that algorithm (subject to the application of any priority overlays, which will operate in the same manner as they do today).

The proposed rule change to prevent Market-Maker bulk message executions against other resting Market-Maker interest is similar to the Exchange's current quote lock functionality, and is intended to protect Market-Makers from executions due to

technology disparities rather than the intention of Market-Makers to trade with one another at that price. The Exchange believes this functionality and protection for Market-Makers may continue to encourage Market-Makers to quote tighter and deeper markets, which will increase liquidity and enhance competition.

The Exchange does not believe 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, as discussed above, the basis for the majority of the proposed changes to the Rules are the rules of the Cboe Affiliated Exchanges, which have been previously filed with the Commission as consistent with the Act. The proposed substantive rule changes are based on the following rules of the Cboe Affiliated Exchanges:

- The proposed changes to the Exchange's disaster recovery rule are substantively the same as BZX Rule 2.4; C2 Rule 6.34; and EDGX Rule 2.4.¹⁰¹
- The proposed rules regarding connectivity are substantively the same as C2 Rule 6.8.¹⁰²
- The proposed message traffic mitigation rule is substantively the same as BZX Options Rule 21.14; C2 Rule 6.35; and EDGX Options Rule 21.14.
- The proposed bulk message functionality is substantively the same as C2 Rules 1.1, 6.8(c)(3), 6.10, and 6.12(b); and EDGX Options Rules 16.1, 21.1(c), (d), (f), (g), (i), and (j)(3).¹⁰³

¹⁰¹ See MIAX Rule 321, Interpretation and Policy .01.

¹⁰² See also BZX Options Rules 5.5(a), 11.3, 20.1(a), and 21.1(k) and (l); and EDGX Options Rules 5.5(a), 11.3, 20.1(a), and 21.1(j) and (k).

¹⁰³ See also BZX Options Rules 16.1(a)(4), 21.1(c), (d), (f), (g), and (l)(3).

- The proposed price adjust functionality is substantively the same as EDGX Options Rule 21.1(i).¹⁰⁴
- The proposed changes to the pro-rata allocation algorithm are substantively the same as C2 Rule 6.12(a); and EDGX Options Rule 21.8(c).
- The proposed changes to the QCC rule are substantively the same as EDGX Options Rule 21.1(d)(10).

The Exchange reiterates that the proposed rule change is being proposed in the context of the technology integration of the Cboe Affiliated Exchanges. Thus, the Exchange believes this proposed rule change is necessary to permit fair competition among national securities. In addition, the Exchange believes the proposed rule change will benefit Exchange participants in that it will provide a consistent technology offering, as well as consistent rules, for Users by the Cboe Affiliated Exchanges. Following the technology migration, the System will apply to all Users and orders and quotes submitted by Users in the same manner.

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.

¹⁰⁴ See also BZX Options Rule 21.1(i); and C2 Rule 6.12(b).

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 Act¹⁰⁵ and Rule 19b-4(f)(6)¹⁰⁶ 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.

As described above in Item 3, the Exchange believes the proposed rule change does not significantly affect the protection of investors or the public interest, or impose any significant burden on competition, respectively. As set forth in Items 3 and 4, many of the proposed rule changes are based on the rules of Cboe Affiliated Exchanges, which have been previously filed with the Commission as consistent with the Act.¹⁰⁷ The proposed rule change aligns the Exchange's System functionality and Rules with that of the functionality and rules of the Cboe Affiliated Exchanges, simplifying the technology

¹⁰⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁰⁶ 17 CFR 240.19b-4(f)(6).

¹⁰⁷ As also noted in that section, one proposed rule change is based on the rule of another options exchange (MIAX).

migration, changes, and maintenance by Users of the Exchange that are also participants on other Cboe Affiliated Exchanges, retaining only intended differences. The Exchange also states the proposed rule change is consistent with protection of investors and the public interest because it will allow the Exchange to continue to strive towards a complete technology integration of the Cboe Affiliated Exchanges in a timely manner to ensure stability of the System.

The Exchange notes it has issued, and intends to continue to issue, regular updates to market participants regarding the technology migration changes, as well as its anticipated timeline so that market participants may make any requisite system changes. Technical specifications regarding the new Exchange trading platform are available on the Exchange's website, and are updated as necessary. In addition, the Exchange has provided, and will continue to provide, testing opportunities for Trading Permit Holders to ensure Trading Permit Holders' systems and the Exchange System will operate in accordance with the proposed rule change when the technology migration occurs.

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.

(c) Not applicable.

(d) Not applicable.

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

As described above, many of the proposed rule changes are based on various rules of Cboe Affiliated Exchanges. The proposed substantive rule changes are based on the following rules of the Cboe Affiliated Exchanges:

- The proposed changes to the Exchange's disaster recovery rule are substantively the same as BZX Rule 2.4; C2 Rule 6.34; and EDGX Rule 2.4. The proposed measurement and notice provision in the disaster recovery rule is based on MIAX Rule 321, Interpretation and Policy .01.
- The proposed rules regarding connectivity are substantively the same as C2 Rule 6.8.¹⁰⁸
- The proposed message traffic mitigation rule is substantively the same as BZX Options Rule 21.14; C2 Rule 6.35; and EDGX Options Rule 21.14.
- The proposed bulk message functionality is substantively the same as C2 Rules 1.1, 6.8(c)(3), 6.10, and 6.12(b); and EDGX Options Rules 16.1, 21.1(c), (d), (f), (g), (i), and (j)(3).¹⁰⁹
- The proposed price adjust functionality is substantively the same as EDGX Options Rule 21.1(i).¹¹⁰
- The proposed changes to the pro-rata allocation algorithm are substantively the same as C2 Rule 6.12(a); and EDGX Options Rule 21.8(c).

¹⁰⁸ See also BZX Options Rules 5.5(a), 11.3, 20.1(a), and 21.1(k) and (l); and EDGX Options Rules 5.5(a), 11.3, 20.1(a), and 21.1(j) and (k).

¹⁰⁹ See also BZX Options Rules 16.1(a)(4), 21.1(c), (d), (f), (g), and (l)(3).

¹¹⁰ See also BZX Options Rule 21.1(i); and C2 Rule 6.12(b).

- The proposed changes to the QCC rule are substantively the same as EDGX Options Rule 21.1(d)(10).

As discussed above in Items 3 and 4, many of the nonsubstantive changes align the language in the Exchange's rule provisions with the language in the Cboe Affiliated Exchanges' rules, as applicable.

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-CBOE-2019-033]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend and Move Certain Current Rules Related to System Connectivity and Order Entry and Allocation from the Exchange's Currently Effective Rulebook ("current Rulebook") to the Shell Structure for the Exchange's Rulebook that will Become Effective Upon the Migration of the Exchange's Trading Platform to the Same System Used by the Cboe Affiliated Exchanges (as defined below) ("shell Rulebook")

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 Exchange, Inc. (the "Exchange" or "Cboe Options") 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 Act³ 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 Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend and move certain current Rules related to System⁵ connectivity and order entry and allocation

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).

⁵ The term "System" means the Exchange's hybrid trading platform that integrates electronic and open outcry trading of option contracts on the Exchange, and

from the Exchange's currently effective Rulebook ("current Rulebook") to the shell structure for the Exchange's Rulebook that will become effective upon the migration of the Exchange's trading platform to the same system used by the Cboe Affiliated Exchanges (as defined below) ("shell Rulebook"). The text of the proposed rule change is provided in Exhibit 5.

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

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

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

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

1. Purpose

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. (formerly named CBOE Holdings, Inc.) ("Cboe Global"), which is also the parent company of Cboe C2 Exchange, Inc. ("C2"), acquired Cboe EDGA Exchange, Inc. ("EDGA"), Cboe EDGX Exchange, Inc. ("EDGX" or "EDGX Options"), Cboe BZX Exchange, Inc. ("BZX" or

includes any connectivity to the foregoing trading platform that is administered by or on behalf of the Exchange, such as a communications hub. See Rule 1.1 in the current Rulebook and the shell Rulebook.

“BZX Options”), and Cboe BYX Exchange, Inc. (“BYX” and, together with Cboe Options, C2, EDGX, EDGA, and BZX, the “Cboe Affiliated Exchanges”). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of a technology migration. Cboe Options intends to migrate its trading platform to the same system used by the Cboe Affiliated Exchanges, which the Exchange expects to complete on October 7, 2019. Cboe Options believes offering similar functionality to the extent practicable will reduce potential confusion for market participants. In connection with this technology migration, the Exchange has a shell Rulebook that resides alongside its current Rulebook, which shell Rulebook will contain the Rules that will be in place upon completion of the Cboe Options technology migration.

System Connectivity

Current Rule 6.23A describes current provisions regarding System access and connectivity. The proposed rule change deletes current Rule 6.23A from the current Rulebook, and amends and moves relevant provisions to proposed Rule 5.5 in the shell Rulebook. Proposed Rule 5.5(a) states only authorized Users and associated persons of Users may establish connectivity to and access the Exchange to submit orders and quotes and enter auction responses in accordance with the Exchange’s System access procedures, technical specifications, and requirements.⁶ This is consistent with current Rule 6.23A(a), (d), and (e), which provides only authorized market participants (which may only be Trading Permit Holders, associated persons of Trading Permit Holders with authorized access, and Sponsored Users pursuant to current Rule 6.20A) may access the Exchange

⁶ These procedures, technical specifications, and requirements are available on the Exchange’s website.

electronically to facilitate quote and order entry, as well as auction processing, in accordance with Exchange-prescribed technical specifications (to the extent any agreement is required to be signed, as indicated in current Rule 6.23A(d), that would be indicated in such specifications).⁷

Proposed Rule 5.5(b) describes Executing Firm IDs (“EFIDs”). A Trading Permit Holder 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 Trading Permit Holder, which the System uses to identify the Trading Permit Holder and the clearing number for the execution of orders and quotes submitted to the System with that EFID. Each EFID corresponds to a single Trading Permit Holder and a single clearing number of a Clearing Trading Permit Holder with the Clearing Corporation.⁸ A Trading Permit Holder may obtain multiple EFIDs, which may be for the same or different clearing numbers. A Trading Permit Holder may only identify for any of its EFIDs the clearing number of a Clearing Trading Permit Holder that is a Designated Give Up or Guarantor of the Trading Permit Holder as set forth in current Rule 6.21.⁹ A Trading Permit Holder is able (in a form and manner determined by the Exchange) to designate which of its EFIDs may be used for each

⁷ See also C2 Rule 6.8(a). Users will continue to only be able to directly access the System from a jurisdiction expressly approved by the Exchange pursuant to current Rule 3.4A (which rule the Exchange intends to move to Rule 3.5 in the shell Rulebook). See current Rule 6.23A(d) (proposed Rule 5.9(a)). BZX Options and EDGX Options Rules 11.3 and 20.1(a) also provide that only an Options Member or a person associated with an Options Member, as well as Sponsored Participants, may access the systems and effect any options transactions on those exchanges.

⁸ The Clearing Corporation is the Options Clearing Corporation. See Rule 1.1 in the shell Rulebook.

⁹ The Exchange intends to move current Rule 6.21 to Rule 5.9 in the shell Rulebook.

of its ports. If a User 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 similar to the current use of acronyms on the Exchange and consistent with the use of EFIDs on the Cboe Affiliated Exchanges.¹⁰ The Exchange believes including a description of the use of EFIDs in the Rules adds transparency to the Rules.

The proposed rule change defines the term port in proposed Rule 5.5.¹¹ The Exchange will provide Users with access to the System through various ports, as is the case on the Cboe Affiliated Exchanges. A User may connect to the Exchange using a logical port available through an application programming interface (“API”), such as the industry-standard Financial Information eXchange (“FIX”) protocol or Binary Order Entry (“BOE”) protocol. Users may use multiple logical ports. Cboe Market Interface will no longer be available following the technology migration, as that is an API on the Exchange’s current System while BOE is an API available on the new technology platform. This functionality is similar to bandwidth packets currently available on the Exchange, as described in current Rule 6.23B (and therefore the Exchange proposes to delete that rule from the current Rulebook). Bandwidth packets restrict the maximum number of orders and quotes per second in the same way logical ports do, and Users may similarly have multiple logical ports as they may have bandwidth packets to accommodate their order and quote entry needs. The Exchange believes it is reasonable to not limit bulk ports, as the purpose of these ports is to submit bids and offers in bulk (as further described below). As discussed below, the Exchange will have the authority to otherwise mitigate message traffic as necessary.

¹⁰ The proposed rule change is substantially the same as BZX Options Rule 21.1(k); C2 Rule 6.8(b); and EDGX Options Rule 21.1(k).

¹¹ The proposed rule change also adds a reference to this definition in Rule 1.1 in the shell Rulebook.

There are three different types of ports: physical ports, logical ports, and bulk ports.

The Exchange notes that a bulk port is a type of logical port.

- A “physical port” provides a physical connection to the System. A physical port may provide access to multiple logical ports.
- A “logical port” or “logical session” provides Users with the ability within the System to accomplish a specific function through a connection, such as order entry, data receipt, or access to information.
- A “bulk port” is a dedicated logical port that provides Users with the ability to submit bulk messages, single orders, or auction responses, as further discussed below.

Port is the term the Exchange will use to describe the connection a User will use to connect to the System following the technology migration. Currently, the Exchange refers to System connections as logins, but the functionality is generally the same.¹²

The Exchange’s new technology platform is currently the trading platform for the other Cboe Affiliated Exchanges, and thus has an established disaster recovery plan. The proposed rule change moves the Exchange’s rule provisions regarding disaster recovery from Rule 6.18 in the current Rulebook to Rule 5.24 in the shell Rulebook.¹³ The proposed rule change amends the provisions regarding Trading Permit Holders that must connect to the Exchange’s backup systems and participate in functional and performance testing

¹² The proposed rule change is substantially the same as BZX Options Rule 21.1(l); C2 Rule 6.8(c); and EDGX Options Rule 21.1(j).

¹³ The proposed rule change also deletes current Rule 6.19, which is currently reserved.

announced by the Exchange, which occurs at least once every 12 months.¹⁴ These requirements are similar to those of Cboe Affiliated Exchanges.¹⁵ Currently, the Exchange identifies Trading Permit Holders that must connect to backup systems and participate in testing based on criteria such as whether the TPH is an appointed DPM, LMM, or Market-Maker in a class and the quality of markets provided by the DPM, LMM, or Market-Maker, the amount of volume transacted by the market participant in a class or on the Exchange in general, operational capacity, trading experience, and historical contribution to fair and orderly markets on the Exchange. At a minimum, all Market-Makers in option classes exclusively listed on the Exchange that stream quotes in those classes and all DPMs in multiply listed options classes must connect to the backup systems.¹⁶ Proposed Rule 5.24(b) requires the following TPHs to connect to backup systems and participate in testing:

- TPHs that the Exchange has determined contribute a meaningful percentage of the Exchange's overall volume.

¹⁴ The Exchange currently requires designated Trading Permit Holders to participate in backup system testing on an annual basis pursuant to current Rules 6.18 and 6.23A(f). The proposed rule change deletes current Rule 6.23A(f), as it relates to mandatory testing, which is covered by proposed Rule 5.24.

¹⁵ See, e.g., BZX Options Rule 2.4; C2 Rule 6.34; and EDGX Rule 2.4. The Exchange notes BZX Options and C2 do not currently have DPMs or LMMs (BZX has LMMs with respect to equities listed on that exchange), and thus the rules of those exchanges do not require connectivity by corresponding market participants. Additionally, EDGX Options only has DPMs. Additionally, SPX and VIX options only trade on Cboe Options, and thus the rules of other exchanges do not impose requirements with respect to trading in those classes. The Exchange notes the other Cboe Affiliated Exchanges intend to update their disaster recovery rules regarding notice to the market participants that must connect to the backup systems to conform to the proposed rule change.

¹⁶ See current Rule 6.18(b)(iv).

- TPHs that the Exchange has determined contribute a meaningful percentage of the Exchange's executed customer volume in SPX and VIX combined.¹⁷
- TPHs that participate as Market-Makers (including LMMs) in option classes exclusively listed on the Exchange that submit continuous electronic quotes in those classes.
- TPHs that participate as DPMs in multiply listed option classes.¹⁸

These requirements are consistent with the criteria listed in current Rule 6.24(b). This proposed rule includes more detail regarding which categories of TPHs must connect to the backup systems. Proposed Interpretation and Policy .01 states for purposes of determining which TPHs contribute a meaningful percentage of the Exchange's overall volume and customer volume in SPX and VIX pursuant to proposed subparagraphs (b)(1) and (2), respectively, the Exchange measures volume executed on the Exchange during a specified calendar quarter (the "measurement quarter"). The Exchange will provide TPHs with reasonable advance notice of the applicable meaningful percentage and measurement quarter.¹⁹ The Exchange will individually notify all TPHs that are subject to this connection requirement based on the applicable meaningful percentage following the completion of the

¹⁷ The Exchange believes this requirement is appropriate since SPX and VIX options are exclusively listed on the Exchange, and there is significant trading in these options, and this proposed requirement will ensure that TPHs will be available to receive and submit to the Exchange orders when the Exchange's primary system is inoperable.

¹⁸ Pursuant to proposed Rule 5.24(c), all TPHs may connect to the Exchange's backup systems and participate in testing of these systems.

¹⁹ A meaningful percentage may not apply retroactively to any measurement quarter completed or in progress.

applicable measurement quarter. The Exchange will provide these TPHs with reasonable advance notice that they must participate in the testing described above.²⁰

Proposed Rule 5.24(a) through (c) are consistent with Regulation SCI requirements, which apply to certain self-regulatory organizations (including the Exchange), alternative trading systems (“ATs”), plan processors, and exempt clearing agencies (collectively, “SCI entities”), and requires these SCI entities to comply with requirements with respect to the automated systems central to the performance of their regulated activities. The Exchange takes pride in the reliability and availability of its systems. The Exchange and the Cboe Affiliated Exchanges have put extensive time and resources toward planning for system failures and already maintain robust business continuity and disaster recovery plans consistent with the proposed rule.

The proposed rule change retains moves paragraphs (c) through (f) of current Rule 6.18 to proposed paragraphs (d) through (g) of proposed Rule 5.24, as they relate to the Exchange’s trading floor. To conform to the corresponding rules of Cboe Affiliated Exchanges, the proposed rule change deletes the other provisions. The proposed rule change also makes nonsubstantive changes to some of the disaster recovery provisions, including updating paragraph lettering and numbering, making grammatical changes, simplifying certain provisions, and incorporating defined terms.

Proposed Rule 5.25 describes steps the Exchange may take to mitigate message traffic, based on the Exchange’s traffic with respect to target traffic levels and in accordance with the Exchange’s overall objective of reducing both peak and overall traffic. First, the

²⁰ This is consistent the measurement and notice provision in Miami International Securities Exchange, Inc. (“MIAX”) Rule 321, Interpretation and Policy .01.

System will not send an outbound message²¹ in a series that has not been but is about to be sent if a more current quote message for the same series is available for sending, but does not delay the sending of any messages (referred to in proposed Rule 5.25 as “replace on queue”). Second, the System will prioritize price update messages over size update messages in all series and in conjunction with the replace on queue functionality described above. Current Rules contain various provisions the Exchange may use on its current technology platform to mitigate message traffic, such as current Rule 6.23A(b) (which permits the Exchange to limit the number of messages sent by TPHs accessing the Exchange electronically in order to protect the integrity of the trading system) and (c) (which provides the Exchange may utilize a mechanism so that newly received quotations and other changes to the Exchange’s best bid and offer are not disseminated for a period of up to, but not more than one second in order to control the number of quotations the Exchange disseminates), and Rule 6.23B (regarding bandwidth packets).²² The proposed rule change essentially replaces these provisions. The Exchange does not have unlimited capacity to support unlimited messages, and the technology platform onto which it will migrate contains the above functionality, which are reasonable measures the Exchange may take to manage message traffic and protect the integrity of the System.²³

²¹ This refers to outbound messages being sent to data feeds and OPRA.

²² As noted above, the proposed rule change deletes current Rule 6.23B. The proposed Rule change also deletes the remainder of Rule 6.23A(b), which states the Exchange may impose restrictions on the use of a computer connected through an API if necessary to ensure the proper performance of the system. The proposed rules do not contain a similar provision; however, to the extent the Exchange wanted to impose any type of these restrictions in the future, it would similar submit a rule change to the Commission.

²³ The proposed rule change is substantially similar to BZX Options Rule 21.14, C2 Rule 6.35, and EDGX Options Rule 21.14. Note the BZX Options and EDGX Options rules also include a provision regarding their ability to periodically delist

The proposed rule moves the rule regarding back-up trading arrangements from Rule 6.16 in the current Rulebook to Rule 5.26 in the shell Rulebook. The proposed rule change deletes a cross-reference to current Rule 8.87.01, which the proposed rule change deletes, and instead states the Exchange may establish a lower DPM²⁴ participation entitlement percentage applicable to trading on a Cboe Options' facility on the Back-Up Exchange than the percentage applicable under the rules of the Back-Up Exchange, if Cboe Options and the Back-Up Exchange agree. This is consistent with the Exchange's current authority under the Rules. The proposed rule change makes no changes to this rule, except nonsubstantive changes, including updating paragraph lettering and numbering, making grammatical changes, updating cross-references, and incorporating defined terms.

Order and Quote Entry and Allocation

The System currently begins accepting orders in quotes at 4:00 p.m. Central Time the previous trading day for the Global Trading Hours ("GTH") trading session and at 6:30 a.m. Central Time for the Regular Trading Hours ("RTH") trading session.²⁵ Pursuant to proposed Rule 5.7, Users can enter orders and quotes into the System, or cancel previously entered orders, from 2:00 a.m. Eastern Time until RTH market close. While Users will have

options with an average daily volume of less than 100 contracts. Current Exchange Rule 5.4, Interpretation and Policy .13 permits the Exchange to delist any class immediately if the class is open for trading on another national securities exchange, or to not open any additional series for trading in a class that is solely open for trading on the Exchange. This provision achieves the same purpose as the BZX Options and EDGX Options rules, and thus it is unnecessary to add that provision to the Exchange's Rules.

²⁴ The proposed rule change also adds the Exchange may do this for the LMM participation entitlement percentage, as LMMs and PMM serve substantially similar functions.

²⁵ See current Rule 6.2(a); see also Cboe Options Regulatory Circular RG15-103 (July 13, 2015). The Exchange currently begins accepting orders and quotes at 7:30 a.m. Eastern Time for the RTH trading session, which time is not changing.

less time to submit orders and quotes prior to the GTH opening, the Exchange believes having one hour to submit orders and quotes in All Sessions Classes prior to the GTH opening is sufficient given that the Exchange lists fewer classes for trading during GTH, and it is the same amount of time they have to submit orders and quotes in RTH Only classes prior to the RTH trading session.²⁶

Users may enter orders and quotes during that time, subject to the following requirements and conditions:

- Users may transmit to the System multiple orders and quotes at a single price level or multiple price levels.
- Each order and quote a User submits to the Exchange must contain the minimum information identified in the Exchange's technical specifications.
- The System timestamps an order or quote upon receipt, which determines the time ranking of the order or quote for purposes of processing the order or quote.
- For each System Security,²⁷ the System transmits to OPRA for display the aggregate size of all orders and quotes in the System eligible for display at the best price to buy and sell.

²⁶ Pursuant to C2 Options Rule 6.11(a) and EDGX Options Rule 21.7(a), the Queuing Period for the GTH trading session will similarly begin one hour prior to the beginning of that trading session on those exchanges. Current Rule 6.2(a) provides the Exchange with flexibility regarding when to begin the pre-opening period. The Exchange proposes to eliminate this flexibility from the Rules, as it does not believe it is necessary any more. If the Exchange determines to change the time at which the Queuing Period will begin, it will submit a rule filing.

²⁷ A System Security is a class that currently trades on the Exchange. See Rule 1.1 in the shell Rulebook.

- After the RTH market close, Users may cancel orders with Time-in-Force of good-til-cancelled (“GTC”) or good-til-date (“GTD”) that remain on the Book until 4:45 p.m. Eastern Time.²⁸

The proposed provisions described in the first four bullets above are consistent with current functionality, and the proposed rule change merely adds this detail to the Rules. The Exchange believes adding these provisions to the Rules provides additional transparency for market participants. The Exchange adds the provision in the fifth bullet above, which provides Users with additional flexibility to manage their orders that remain in the Book following the RTH market close. Cancelling a GTC or GTD order at 4:30 p.m. has the same effect as cancelling that order at 7:30 a.m. the following day – ultimately it accommodates the User’s goal of cancelling an order prior to it potentially executing during the Opening Process the following morning.²⁹

The proposed rule change also moves the provisions regarding the requirement to systematize an order from Rule 6.24 in the current Rulebook to Rule 5.7(f) and Interpretations .01 through .06, except the proposed rule change deletes current Interpretation and Policy .03. That provision describes the Exchange’s Telephone and Terminal Order Formats Manual, which the Exchange prescribes. This manual no longer exists, and any order formats regarding systemization are included in the Exchange’s technical specifications or otherwise disseminated to Trading Permit Holders by Regulatory

²⁸ See proposed Rule 5.7(a) – (e).

²⁹ This proposed change is also substantively the same as C2 Rule 6.9; and EDGX Options Rule 21.6(a) – (c) and (f). The proposed rule change is also similar to BZX Options Rule 21.6(a) – (c) (this rule does not contain the provision regarding when a User may cancel a GTC or GTD order; however, the Exchange understands this is consistent with BZX Options functionality).

Circular or Exchange Notice.³⁰ The proposed rule change makes no other substantive changes to current Rule 6.24, and makes certain nonsubstantive changes, such as to reflect defined terms, update paragraph lettering and numbering, update cross-references, and make other grammatical changes.

The Exchange currently offers quoting functionality to Market-Makers, which permits Market-Makers to update their electronic quotes in block quantities.³¹ Quotes on the Exchange do not route to other exchanges,³² and Market-Makers generally enter new quotes at the beginning of the trading day based on then-current market conditions.³³ The Exchange proposes to replace quoting functionality with bulk message functionality. As noted above, a bulk port is a dedicated logical port that provides Users with the ability to submit bulk messages, single orders, or auction responses. The proposed rule change defines bulk message as a single electronic message a User submits to the Exchange in which the User may enter, modify, or cancel up to an Exchange-specified number of bids and offers.³⁴ A User may submit a bulk message through a bulk port as described below.

³⁰ See Rule 1.2 in current Rulebook (Rule 1.5 in shell Rulebook).

³¹ See Rule 1.1 (definition of quote). In other words, a Market-Maker may submit a single message to the Exchange, which message contains bids and offers in multiple series.

³² See current Rule 6.14B (which describes how the Exchange routes orders (specifically intermarket sweep orders) but not quotes to other exchanges); see also NYSE Arca, LLC (“Arca”) Rule 6.37-O(a)(3)(D) (which states quotes do not route).

³³ The Exchange understands this to be common practice by Market-Makers throughout the industry, and is consistent with Cboe Options functionality, which cancels all unexecuted resting Market-Maker quotes at the close of each trading day. Additionally, it is consistent with Market-Makers’ obligation to update market quotations in response to changed market conditions. See current Rule 8.5(a)(4); see also Cboe Options Rule 8.7(b)(iii).

³⁴ Pursuant to Rule 1.5 in the shell Rulebook, the Exchange will announce this number via Exchange Notice or publicly available technical specifications. The

The System handles a bulk message bid or offer in the same manner as it handles an order or quote, unless the Rules specify otherwise.³⁵

Users may submit bulk messages through a bulk port, subject to the following:

- a bulk message has a time-in-force of Day³⁶;
- a Market-Maker with an appointment in a class may designate a bulk message for that class as Post Only or Book Only, and other Users must designate a bulk message for that class as Post Only; and
- a User may establish a default match trade prevention (“MTP”) modifier of MTP Cancel Newest (“MCN”), MTP Cancel Oldest (“MCO”), or MTP Cancel Both (“MCB”),³⁷ and a default value of attributable or non-attributable, for a bulk port, each of which applies to all bulk messages submitted to the Exchange through that bulk port.³⁸

limit on bids and offers per message is a reasonable measure for the Exchange to use to manage message traffic and activity to protect the integrity of the System.

³⁵ See Rule 1.1 in the shell Rulebook. In other words, a bulk message will be treated as an order (or quote if submitted by a Market-Maker) pursuant to the Rules, including with respect to priority and allocation. The proposed rule change identifies the rule provisions pursuant to which bulk messages will be handled in a different manner. The proposed rule change also amends the definition of quote in Rule 1.1 in the shell Rulebook to provide that a quote is a firm bid or offer a Market-Maker submits electronically in as an order or bulk message (as well as a firm bid or offer a Market-Maker represents in open outcry on the trading floor).

³⁶ The proposed rule change adds to Rule 5.6(a) in the shell Rulebook that an order instruction or time-in-force applied to a bulk message applies to each bid and offer within that bulk message. For example, a Market-Maker cannot designate one bulk message bid within a single message as Post Only and designate another bulk message bid within the same message as Book Only.

³⁷ See Rule 5.6(c) of the shell Rulebook for definitions of MTP modifiers.

³⁸ See proposed Rule 5.5(c)(3)(A).

Users may also submit single orders through a bulk port in the same manner as Users may submit orders to the Exchange through any other type of port, including designated with any order instruction and any time-in-force in proposed Rule 5.30, except a Market-Maker with an appointment in a class may designate an order for that class submitted through a bulk port only as Post Only or Book Only, and other Users must designate an order for that class submitted through a bulk port as Post Only.³⁹ Users may also submit auction responses (using auction response messages) in the same manner as Users may submit auction responses to the Exchange through any other type of port.⁴⁰

The proposed rule change restricts orders and bulk messages to Post Only and Book Only⁴¹ with a time-in-force of Day. As a general matter, bulk ports are intended to be limited for the use of liquidity provision on the Exchange, particularly by, but not limited to, Market-Makers. In turn, the Exchange believes it is unnecessary to allow orders entered via bulk ports to be able to last beyond the trading day on which they were entered.

Proposed Rule 5.5(c)(3)(A)(i) states that bulk messages have a time-in-force of Day. As discussed above, this is consistent with current Exchange quoting functionality, which cancels all resting quotes at the close of the trading day. This is also consistent with a Market-Maker's obligation to update its quotes in response to changed market conditions in its appointed classes.⁴² Users will have the ability to cancel bulk message bids and offers at any time during the trading day, and may apply any other time-in-force designation to an order submitted through a bulk port (as further discussed below) or other type of port.

³⁹ See proposed Rule 5.5(c)(3)(B).

⁴⁰ See proposed Rule 5.5(c)(3)(C).

⁴¹ Consistent with the definitions of Post Only and Book Only (see Rule 5.6(c) in the shell Rulebook), bulk message bids and offers will not route.

⁴² See Rule 8.7(b)(iii).

Unlike current Exchange quoting functionality, which is only available to Market-Makers in their appointed classes, the proposed bulk messages will be available to all Users. While all Users will be able to use bulk messages, the primary purpose of quoting functionality and the proposed bulk message functionality is to encourage market-maker quoting on exchanges. The proposed rule change provides that a Market-Maker with an appointment in a class may designate a bulk message for that class as “Post Only” or “Book Only.” This will provide Exchange Market-Makers with substantially similar functionality that is currently available to them on the Exchange, which permits Market-Makers’ incoming quotes to execute against resting orders and quotes, except against the resting quote of another Market-Maker (see discussion below).⁴³ The Exchange believes permitting Market-Makers to use bulk message to remove liquidity from the Book (if they so elect) will keep Exchange Market-Makers on an even playing field with market-makers on other exchanges that offer quoting functionality. Additionally, Market-Makers are subject to various obligations, including obligations to provide two-sided quotes, to provide continuous quotes, and to trade at least 75% of its contracts each quarter in its appointed classes.⁴⁴ The Exchange believes providing Market-Makers with flexibility to use the Post Only or Book Only instruction with respect to bulk messages will provide Market-Makers with additional tools, to meet their obligations in a manner they deem appropriate. The Exchange further believes this may encourage liquidity providers to register as Market-Makers.

⁴³ Incoming market-maker quotes on some options exchanges may execute against interest resting in the book (see, e.g., Arca Rule 6.37A-O(a)(3)), while on other options exchanges they may not (see, e.g., Box Options Exchange, LLC (“BOX”) Rule 8050, IM-8050-3).

⁴⁴ See current Rule 8.7.

The proposed rule change provides that other Users (*i.e.*, non-Market-Makers or Market-Makers without an appointment in the class) must designate a bulk message for that class as “Post Only.” Because these Users do not have access to quoting functionality today, the proposed rule change will provide these Users with functionality that is not available to them today. This will provide Users with flexibility avoid incurring certain fees for removing liquidity if their intent is to add liquidity to the Book. The Exchange notes that Users may apply the Book Only instruction to orders submitted to the Exchange through other ports.

The proposed rule change also permits Users to establish a default MTP modifier of MCN, MCO, or MCB that would apply to all bulk messages submitted through a bulk port. Cboe Options currently offers a Market-Maker Trade Prevention Order, which would be cancelled if it would trade against a resting quote or order for the same Market-Maker, and also cancel the resting order or quote.⁴⁵ This is equivalent to the MCBO modifier (except the MCB modifier may be used by all Users rather than just Market-Makers). The proposed rule change provides Users with the ability to apply the same trade prevention designation that is available for quotes on the Exchange to bulk messages (MCB), as well as two additional MTP options (MCN and MCO) (the Exchange notes there is currently no trade prevention functionality equivalent to MCN or MCO available on the Exchange for quotes). Allowing three MTP modifiers for bulk messages will provide Users with additional control over the circumstances in which their bulk message bids and offers (and resting orders (including bulk message bids and offers)) will interact with each other. The Exchange does not believe there is demand by Users for the MDC and MCS modifiers (which will be

⁴⁵ See Rule 6.53 in the current Rulebook.

available on the Exchange for orders) for bulk messages. There is currently no trade prevention functionality equivalent to MDC or MCS available on the Exchange today. The Exchange notes all Users may continue to apply all MTP modifiers to orders submitted through a bulk port or any other type of port.

Generally, the System will handle bulk message bids and offers in the same manner as it handles orders and quotes with the same order instructions and times-in-force that will be applied to bulk messages, including prioritizing, displaying, and executing them pursuant to proposed Rule 5.32.⁴⁶ Current Rule 6.45(c) provides in the event a Market-Maker's disseminated quote locks with another Market-Maker's disseminated quote, a counting period begins during which Market-Makers whose quotes are locked may eliminate the locked market. If, at the end of the counting period, the quotes remain locked, the locked quotes automatically execute against each other.⁴⁷ Proposed Rule 5.32(c)(6) states the System cancels or rejects a Book Only bulk message bid (offer) or order bid (offer) (or unexecuted portion) submitted by a Market-Maker with an appointment in the class through a bulk port if it would execute against a resting offer (bid) with a Capacity of M. This functionality is similar to the current quote-lock functionality. While current functionality permits locked quotes to execute against each other after a specified amount of time, it also provides Market-Makers with an opportunity to update their resting quotes, which would prevent execution of an incoming Market-Maker quote against a resting Market-Maker quote. As proposed, a Market-Maker bulk message or order bid or offer will be rejected if it would execute against resting Market-Maker interest. The Market-Maker may resubmit its bulk message or order bid or offer after being rejected, which would be able to rest in the

⁴⁶ See proposed Rule 5.32(a).

⁴⁷ Inverted quotes would be handled in a similar manner pursuant to Rule 6.45(c).

Book if the Market-Maker repriced its resting bid or offer in the interim. Additionally, a Market-Maker may interact with resting Market-Maker interest by submitting an order to the Exchange through a different type of port.

Proposed Rule 5.7(a) provides that a User may only enter one bid and one offer for a series per EFID per bulk port. The Exchange believes this will encourage Users to submit their best bids and offers in series, and thus provide displayed liquidity to the market and contribute to price discovery. Note firms may have multiple EFIDs and multiple bulk ports, and thus will have the ability through separate ports or EFIDs to submit additional bids and offers using bulk messages in the same series if they choose. This provision is consistent with the Exchange's current rule interpretation.⁴⁸

As noted above, the proposed rule change will permit Users to submit single orders to the Exchange through bulk ports. The Exchange believes this will encourage Users that may not have quoting systems to provide liquidity to the Exchange. Proposed Rule 5.5(c)(3)(B) subjects single orders submitted through bulk ports to the same Book Only and Post Only restrictions described above for Market-Makers with appointments in a class and other Users. This will provide Users with additional functionality that is not currently available today, as orders may not be submitted through quoting connections on the Exchange. Because there are no time-in-force restrictions on orders submitted through bulk ports, Users may allow their liquidity to rest on the Exchange for multiple trading days, if Users so choose. This will also provide Users with additional control over the orders they use to provide liquidity to the Exchange through bulk ports. Additionally, proposed Rule

⁴⁸ See Cboe Options Regulatory Circular RG18-008 (March 6, 2018), which provides that each Market-Maker acronym (which is comparable to an EFID), may only have one quote (which is considered to be a two-sided quote) in each series at a time.

5.32(6) imposes the same prohibition on Market-Maker orders submitted through bulk ports from removing resting Market-Maker interest that applies to bulk messages, as described above. The Exchange believes it is appropriate for orders submitted through bulk ports be subject to the same restrictions on adding and removing liquidity as bulk messages submitted through bulk ports, so that orders submitted through bulk ports do not have an advantage over bulk messages, and vice versa.

While liquidity providers are most commonly registered Market-Makers, other professional traders also provide liquidity to the options market, which contributes to price discovery. As a result, the Exchange believes it is appropriate to make bulk messages available to all Users to encourage them to provide liquidity, which is critical to the Exchange's market. Additionally, permitting orders to be submitted through bulk ports will provide all liquidity providers with additional flexibility with respect to functionality they may use to provide liquidity to the Exchange.

The proposed rule change amends Rule 5.6(b), (c), and (d) in the shell Rulebook to provide that eligible order types, order instructions, and times-in-force, respectively, are subject to the proposed restrictions in proposed Rule 5.5(c) with respect to orders and bulk messages submitted through a bulk port, as well as to clarify which order types, order instructions, and times-in-force are and are not available for bulk messages.⁴⁹

Rule 5.6(a) in the shell Rulebook permits the Exchange to make order types, order instructions, and times-in-force listed in that Rule available on a system, class, and trading

⁴⁹ The Exchange notes a User may not designate a bulk message as AON. AON orders are not displayed, and thus do not contribute to price discovery. Additionally, the size contingency restricts the ability of an AON order to execute, and thus its purpose is not to provide liquidity, which contradicts the purpose of bulk messages.

session basis for electronic processing.⁵⁰ Proposed Rule 5.30 provides that the Exchange may make the following order types, order instructions, and times-in-force⁵¹ available during RTH:

- Order types: limit order and market order.
- Order instructions: all-or-none (“AON”), attributable, book only, all sessions, cancel back, electronic only, MTP modifier, minimum quantity, non-attributable, post only, price adjust, qualified cross contingent (“QCC”),⁵² reserve order, RTH only, stop (stop-loss), and stop limit.
- Times-in-force: day, fill-or-kill (“FOK”), GTC, GTD, immediate-or-cancel (“IOC”), limit-on-close (“LOC”), market-on-close (“MOC”), and opening rotation (“OPG”).⁵³

⁵⁰ Rule 6.1A(f) in the current Rulebook also provides that all order types that are available for electronic processing during RTH and as otherwise determined by the Exchange will be available for trading during GTH, except market orders, market-on-close orders (which includes limit-on-close orders pursuant to the current definition of market-on-close orders in current Rule 6.53), stop orders, and GTC orders. The proposed rule change deletes current Rule 6.1A(f), as proposed Rule 5.30 covers this information.

⁵¹ See Rule 5.6 in the shell Rulebook for definitions of each order type, order instruction, and time-in-force.

⁵² Note it is not specified in the current Rulebooks that QCC orders are not available during GTH; however, this is consistent with the fact that only index options are eligible for trading during GTH.

⁵³ With the exception of order instructions and times-in-force that are not currently available on the Exchange but will be following the technology migration, these are the same order types, order instructions, and times-in-force the Exchange may currently make available during RTH.

Proposed Rule 5.30 provides that the Exchange may make the following order types, order instructions, and times-in-force available during GTH⁵⁴:

- Order types: limit order.
- Order instructions: AON, attributable, book only, all sessions, cancel back, electronic only, MTP modifier, minimum quantity, non-attributable, post only, price adjust, reserve order, and stop-limit.
- Times-in-force: day, FOK, GTC, GTD, IOC, and OPG.⁵⁵

The proposed rule change updates the definition of QCC orders in Rule 5.6(c) of the Shell Rulebook to codify in the Rules certain functionality for QCC orders with more than one option leg (“Complex QCC orders”). The current definition does not explicitly state that each leg of a complex QCC order must be at least 1,000 standard option contracts (or 10,000 mini-option contracts). However, that requirement is set forth in Cboe Options Regulatory Circular RG13-102 (July 19, 2013). Additionally, the current rule does not explicitly state that the legs of complex QCC orders must execute at prices at or better than the NBBO of the series, at prices better than a priority customer order resting in the Simple Book, or that a Complex QCC order may not execute at the same price as complex orders resting on the complex order book, but the Exchange understands this is consistent with

⁵⁴ The Exchange notes it intends to indicate which order types, order instructions, and times-in-force the Exchange may make available for complex orders during each trading session in a separate rule filing.

⁵⁵ With the exception of order instructions and times-in-force that are not currently available on the Exchange but will be following the technology migration, these are the same order types, order instructions, and times-in-force the Exchange may currently make available during GTH, except for GTC. Because the Exchange will use the same Book for GTH and RTH, the Exchange will make available the GTC time-in-force for GTH, as an order in an All Sessions class with that time-in-force can remain in the Book following the conclusion of the GTH trading session and be available for trading during the RTH trading session.

current Cboe Options functionality.⁵⁶ The proposed rule change does not change the current functionality of QCC orders, but rather adds details regarding the functionality to the Rules.

The proposed rule change moves the provisions regarding the electronic processing, display, priority, and execution of simple orders from the current Rulebook to proposed Rule 5.32 in the shell Rulebook.⁵⁷

Current Rule 6.45(a)(i) provides that orders and quotes are allocated pursuant to the aggregated pro-rata base allocation algorithm, except in classes the Exchange determines to apply the price-time or pro-rata base allocation algorithm. Following the technology migration, the Exchange will determine to only apply the price-time or pro-rata base allocation algorithm, which are currently available on the Cboe Affiliated Exchanges.⁵⁸ Therefore, the proposed rule change deletes aggregated pro-rata priority from the possible base allocation algorithms. Aggregated pro-rata is similar to standard pro-rata, except broker-dealer orders at the same price are aggregated prior to the pro-rata distribution and counted as a single order with the aggregated size. While these algorithms allocate orders and quotes in a different manner because of this aggregation, and may result in different allocations of orders and quotes, the resulting allocations are generally similar.

Proposed Rule 5.32(a) states the Exchange determines which base allocation algorithm in proposed subparagraph (1), and whether one or more of the priority overlays in

⁵⁶ The proposed definition of a QCC order is virtually identical to the definition of a QCC order in EDGX Options Rule 21.1(d)(10). QCC orders are not currently available on BZX Options or C2.

⁵⁷ The Exchange intends to move the provisions regarding the allocation and execution of orders in open outcry in current Rule 6.45(b) and Interpretation and Policy .06 to the shell Rulebook in a separate rule filing.

⁵⁸ See BZX Options Rule 21.8(a) (price-time); C2 Options Rule 6.12(a) (price-time and pro-rata); and EDGX Options Rule 21.8(c) (pro-rata).

subparagraph (2), will apply on a class-by-class basis. This is consistent with current Rule 6.45(a)(i).⁵⁹ Proposed Rule 5.32(a)(1)(A) states resting orders and quotes on the Book with the highest bid and lowest offer have priority. If there are two or more resting orders or quotes at the same price, the System prioritizes them at the same price in the order in which the System received them (*i.e.*, time priority).⁶⁰ Proposed Rule 5.32(a)(1)(B) states resting orders and quotes on the Book with the highest bid and lowest offer have priority. If there are two or more resting orders at the same price, the System allocates orders proportionally according to size (*i.e.*, on a pro-rata basis). The System allocates executable quantity to the nearest whole number, with fractions $\frac{1}{2}$ or greater rounded up (in size-time priority) and fractions less than $\frac{1}{2}$ rounded down. If the executable quantity cannot be evenly allocated, the System distributes remaining contracts one at a time in size-time priority to orders that were rounded down.⁶¹ This differs from the current the pro-rata allocation algorithm, pursuant to which the System allocates contracts to the first resting order or quote proportionally according to size (based on the number of remaining contracts to be allocated and the size of the remaining resting orders and quotes), and allocates contracts to the next resting order or quote. The System repeats this process until it allocates all contracts from the incoming order or quote. The system rounds fractions $\frac{1}{2}$ or greater up and fractions less than $\frac{1}{2}$ down. The Exchange believes the proposed pro-rata algorithm is a fair, objective, and simple systematic process to allocate “extra” contracts when more than one market

⁵⁹ Pursuant to any allocation algorithm and priority overlay, the System only allocates to an order or quote up to the number of contracts of that order at the execution price. See current Rule 6.45(a)(i) and proposed Rule 5.32(a).

⁶⁰ See current Rule 6.45(a)(i)(A). The proposed rule change makes no substantive changes to the price-time base allocation algorithm.

⁶¹ See also C2 Rule 6.12(a)(2)(B); and EDGX Options Rule 21.8(c).

participant may be entitled to those extra contracts after rounding. It is also consistent with the pro-rata process on Cboe Affiliated Exchanges.⁶²

Proposed Rule 5.32(a)(2) describes the priority overlays the Exchange may apply to a class, which are the same priority overlays the Exchange may apply today. The Exchange may apply one or more priority overlays to a class in any sequence,⁶³ except if the Exchange applies any participation entitlement pursuant to proposed subparagraph (B) or the small order priority pursuant to proposed subparagraph (C), the Exchange must apply the Priority Customer overlay in proposed subparagraph (A) ahead of the participation entitlement and small-size priority in the priority sequence.⁶⁴ After the System executes an incoming order subject to the applicable priority overlays, the System executes any remaining orders on the Book (which are non-Priority Customer orders if the Exchange applies any of the overlays in proposed subparagraphs (A) through (C)) pursuant to the applicable base allocation algorithm. This is consistent with current functionality, and the proposed rule change is adding this detail to the Rules.⁶⁵

Proposed Rule 5.32(a)(2)(A) describes the Priority Customer overlay, pursuant to which a Priority Customer order at the highest bid or lowest offer has priority over orders and quotes of all other market participants (*i.e.*, non-Priority Customers) at that price. If there are two or more Priority Customer orders at the same price, the System prioritizes them in the order in which the System received them (*i.e.*, time priority).⁶⁶

⁶² See C2 Rule 6.12(a)(2)(B); and EDGX Options Rule 21.8(c).

⁶³ See current Rule 6.45(a)(ii).

⁶⁴ See current Rule 6.45(a)(ii)(B)(2) and (a)(ii)(c).

⁶⁵ See also EDGX Options Rule 21.8(e).

⁶⁶ See current Rule 6.45(a)(ii)(A). The proposed rule change makes no substantive changes to the Priority Customer overlay. See also EDGX Options Rule

Proposed Rule 5.32(a)(2)(B) describes the Designated Primary Market-Maker (“DPM”), Lead Market-Maker (“LMM”), and Preferred Market-Maker (“PMM”) participations entitlements.⁶⁷ The Exchange may apply one or more of the DPM, LMM, and PMM participation entitlements (in any sequence) to a class. If the DPM, LMM, or PMM, as applicable, has a quote at the highest bid or lowest offer, it will receive the greater of (1) the number of contracts it would receive pursuant to the applicable base allocation algorithm and (2) 50% of the contracts if there is one other non-Priority Customer order or quote, 40% of the contracts if there are two non-Priority Customer orders or quotes, or 30% of the contracts if there are three or more non-Priority Customer orders or quotes at that price.⁶⁸

21.18(d)(1).

⁶⁷ The provisions describing the current participation entitlements are in current Rules 6.45(b)(ii)(B), 8.13(c), 8.15(d), and 8.87, which the proposed rule change deletes. The proposed rule change also deletes Rule 8.87, Interpretation and Policy .01, as the Exchange does not intend to establish a different participation rate for newly listed products. Additionally, the proposed rule change deletes current Rule 8.87, Interpretations and Policies .02 and .03 (which contain exceptions to a DPM’s continuous electronic quoting obligations). The Exchange intends to move these provisions to the shell Rulebook in a future filing regarding Market-Maker quoting obligations. The proposed rule change also deletes Rule 8.15(c), which is currently reserved.

⁶⁸ See current Rules 8.13(c), 8.15(d)(ii), and 8.87(b)(2). The proposed rule change deletes the provision that all broker-dealers at the same price will be treated as one broker-dealer order (with size consisting of the cumulative number of contracts in those non-Market-Maker broker-dealer orders). The System will treat each order as an individual order. The Exchange believes this will also be a fair, objective, and simple systematic process, and may provide other market participants with additional opportunities to participate in executions where a participation entitlement applies. The proposed rule change makes no other substantive changes to the participation entitlements. DPMs, LMMs, and PMMs are subject to the obligations set forth in current Rules 8.13, 8.15, and 8.17, respectively.

Only one participation entitlement may apply to a trade (*e.g.*, if the Exchange applies a PMM participation entitlement and DPM participation entitlement to a class, with the PMM participation entitlement ahead of the DPM participation entitlement in the priority sequence, and both a PMM and DPM have a quote at the highest bid or lowest offer, the PMM will receive an entitlement on a trade and the DPM will not).⁶⁹ The participation entitlement will be based on the number of non-Priority Customer contracts remaining after the Priority Customer overlay is applied.⁷⁰ If the Exchange appoints both an On-Floor LMM or DPM and an Off-Floor DPM or LMM to a class, the On-Floor LMM or DPM, as applicable, may receive a participation entitlement with respect to orders represented in open outcry but not for orders executed electronically, and an Off-Floor DPM or LMM, as applicable, may receive a participation entitlement with respect to orders executed electronically but not orders represented in open outcry.⁷¹ Additionally, the DPM/LMM/PMM participation entitlements do not apply during GTH.⁷²

Proposed Rule 5.32(a)(2)(C) describes the small-size order entitlement (also referred to as the 1 – 5 lot entitlement).⁷³ If an incoming order or quote has five or fewer contracts (a “small-size order”), and the DPM or LMM, as applicable, in the class has a quote at the highest bid or lowest offer, it has priority to execute against the entire size of the order or

⁶⁹ See current Rule 6.45(a)(ii)(B)(3) (proposed Rule 5.32(a)(2)(B)(i)).

⁷⁰ See current Rule 6.45(a)(ii)(B)(2) (proposed Rule 5.32(a)(2)(B)(ii)).

⁷¹ See current Rules 8.15(d)(i) and 8.87(b)(iv) (proposed Rule 5.32(a)(2)(B)(iii)).

⁷² See current Rule 6.1A(e)(iii)(B) and 8.87(b)(iv) (proposed Rule 5.32(a)(2)(B)(iv)). Note the current rule only references the LMM participation entitlement. However, to the extent the Exchange appoints a DPM or PMM to a class for the GTH trading session, the Exchange would similarly not have the applicable participation entitlement apply during that trading session at this time.

⁷³ See current Rule 6.45(a)(ii)(c). The proposed rule change makes no substantive changes to the small-size order entitlement.

quote that does not execute against any Priority Customer orders on the Book at that price.⁷⁴ If a small-size order is preferred to a PMM, the PMM has a quote at the BBO, and the Exchange has applied the PMM participation entitlement to the class, the PMM receives its participation entitlement, and the small-size order entitlement does not apply to any execution of that order. If the PMM does not have a quote at the BBO, but the DPM or LMM, as applicable does, the DPM/LMM participation entitlement will apply to any execution of that order.⁷⁵ If a small-size order is preferred to a DPM or LMM, and the Exchange has applied the PMM and DPM or LMM participation entitlement, the DPM or LMM receives the small-size order entitlement, and the participation entitlement does not apply to execution of that order.⁷⁶ The small-size order does not apply to executions following auctions.⁷⁷ The Exchange will continue to review the small-size order entitlement on a quarterly basis, and will reduce the size of the small-size orders if they comprise more than 40% of the volume executed on the Exchange (excluding volume resulting from the execution of orders in the Automated Improvement Mechanism (“AIM”)).⁷⁸

Proposed Rule 5.32(a)(2)(D) describes the Market Turner priority.⁷⁹ A “Market Turner” is a TPH that first entered an order or quote at a better price than the previous

⁷⁴ See also EDGX Options Rule 21.8(g)(2).

⁷⁵ See current Rule 6.45(a)(ii)(c)(3) and proposed Rule 5.32(a)(2)(C)(i); see also EDGX Options Rule 21.8(h)(1)(A).

⁷⁶ See current Rule 6.45(a)(ii)(c) and proposed Rule 5.32(a)(2)(C)(ii); see also EDGX Options Rule 21.8(h)(1)(C). While this is not specified in the current Rule, the proposed rule change is consistent with current functionality and adds this detail to the Rules.

⁷⁷ See current Rule 6.45(a)(ii)(c)(4) and proposed Rule 5.32(a)(2)(C)(iii).

⁷⁸ See current Rule 6.45(a)(ii)(c)(1) and proposed Rule 5.32(a)(2)(C)(iv).

⁷⁹ See current Rule 6.45(a)(ii)(D). The proposed rule change makes no substantive changes to the Market Turner priority.

highest bid or lowest offer, which order is continuously on the Book (and not modified in a manner that changes its priority) until it trades. A Market Turner has priority to execute against 50% of an incoming order or quote, or against the number of contracts remaining after any priority overlays ahead of the Market Turner priority are applied).⁸⁰ There may be a Market Turner for each price at which a particular order or quote trades.⁸¹ Market-Turner priority remains with an order or quote once established (*i.e.* if the market moves in the same direction as the Market Turner's order or quote moved the market, and then moves back to the Market Turner's original price, the Market Turner retains priority at that original price).⁸² Any unexecuted portion of a Market Turner order or quote retains its Market Turner priority at its original price.⁸³ Market Turner priority may not be established until after the market open. Once established, Market Turner priority remains in effect for an order or quote until the market close.⁸⁴

The proposed rule change moves the following additional priority rules to proposed Rule 5.32(a)(3):

- Displayed orders at a given price have priority over nondisplayed orders (current Rule 6.45(a)(v)(A)).

⁸⁰ This is consistent with current functionality, and the proposed rule change adds this detail to the Rules. Currently, the Exchange may receive priority against an entire incoming order or quote or a percentage of that order or quote. See current Rule 6.45(a)(ii)(D). The Exchange currently sets this percentage to 50%, and intends to maintain that percentage following the technology migration, so the proposed rule change specifies this in the Rules.

⁸¹ See current Rule 6.45(a)(ii)(D) and proposed Rule 5.32(a)(2)(D)(i).

⁸² See current Rule 6.45(a)(ii)(D) and proposed Rule 5.32(a)(2)(D)(ii).

⁸³ See current Rule 6.45(a)(ii)(D) and proposed Rule 5.32(a)(2)(D)(iii).

⁸⁴ See current Rule 6.45(a)(ii)(D) and proposed Rule 5.32(a)(2)(D)(iv).

- Priority Customer Reserve Quantities at the same price execute in time sequence, and non-Priority Customer Reserve Quantities execute in accordance with the applicable base allocation algorithm (current Rule 6.45(a)(v)(B)).
- An AON order is always last in priority order (including after nondisplayed Reserve Quantity). The System allocates AON orders at the same price based on the time the System receives them (i.e., in time priority), except if the Exchange applies the Priority Customer overlay to a class, Priority Customer AON orders have priority over non-Priority Customer AON orders (current Rule 6.45(a)(v)(D)).⁸⁵ A transaction may occur at the same price as an AON order resting on the EDGX Options Book without the AON order participating in the transaction. Notwithstanding proposed Rule 5.32(a)(1), a transaction may occur at a price lower (higher) than an AON order bid (offer) resting on the Book if the size of the resting AON order cannot be satisfied (current Rule 6.44, Interpretation and Policy .02).

Other than the deletion of the aggregated pro rata base allocation algorithm (and the related aggregation provisions within the participation entitlement overlay) and how the System will round and allocate contracts when they cannot be divided evenly pursuant to the pro-rata base allocation algorithm, the System will allocate orders and quotes in the same manner as it does today. As noted above, the Exchange believes the proposed pro-rata base allocation (which the Exchange will apply to any classes to which the Exchange currently

⁸⁵ The proposed rule change also states that a transaction may occur at the same price as an AON order resting on the Book without the AON participating in the transaction, and that notwithstanding proposed Rule 5.32(a)(1), a transaction may occur at a price lower (higher) than an AON order bid (offer) resting on the Book if the size of the resting AON order cannot be satisfied. See current Rule 6.44, Interpretation and Policy .02 (which was deleted from the current Rulebook pursuant to SR-CBOE-2019-027).

applies the aggregated pro-rata base allocation algorithm) is a fair, objective, and simple systematic process that is equivalent to the pro-rata base allocation algorithm available on Cboe Affiliated Exchanges. While the aggregated pro-rata and pro-rata algorithms each allocate orders and quotes in a different manner because of the aggregation of broker-dealer interest at the same price, and may result in different allocations of orders and quotes, the resulting allocations are generally similar.

Proposed Rule 5.32(b) describes a new Price Adjust process, which is a repricing mechanism offer to Users on BZX Options, C2, and EDGX Options.⁸⁶ Orders designated to be subject to the Price Adjust process or not designated as Cancel Back (and thus not subject to the Price adjust process), will be handled pursuant to proposed Rule 5.32(b). The Price Adjust process (in addition to the Cancel Back order instruction) is an additional way in which the Exchange will ensure compliance with the locked and crossed market rules in current Chapter VI, Section E (which the proposed rule change moves to Chapter 5, Section E in the shell Rulebook). It will also provide Users with additional flexibility regarding how they want the System to handle their orders.

Pursuant to proposed Rule 5.32(b)(1)(A), a buy (sell) non-AON order at the time of entry would lock or cross (1) a Protected Quotation of another exchange or the Exchange, the System ranks and displays the order at one minimum price variation below (above) the current NBO (NBB); or (2) the offer (bid) of a sell (buy) AON order resting on the Book at or better than the Exchange's best offer (bid), the System ranks the resting AON order one

⁸⁶ The proposed Price Adjust process is substantially the same as EDGX Options Rule 21.1(i). Note BZX Options and C2 do not have AON orders, and thus the Price Adjust process described in their rules do not account for AON orders (and are equivalent to proposed paragraph 5.32(b)(1)(A)(i)). See BZX Options Rule 21.1(i); and C2 Rule 6.12(b).

minimum price variation above (below) the bid (offer) of the non-AON order. For example, if an AON order to buy 5 at 1.10 is resting on the Book (which is the NBB), and a non-AON order to sell 1 (which does not satisfy the size of the AON order) at 1.10 enters the Book, the System reprices the AON order to rest in the Book at 1.05 (assuming the minimum price variation for the class is \$0.05). Proposed Rule 5.32(b)(1)(B) states if a buy (sell) AON order, at the time of order entry, would (1) cross a Protected Offer (Bid) of another options exchange or a sell (buy) AON order resting on the Book at or better than the Exchange's best offer (bid), the System ranks the incoming AON order at a price equal to the Protected Offer (Bid) or the offer (bid) of the resting AON order, respectively; or (2) lock or cross a Protected Offer (Bid) of the Exchange, the System ranks the incoming AON order at a price one minimum price variation below (above) the Protected Offer (Bid).

For example, if an AON order to buy 5 at 1.10 is resting on the Book (which is the NBB), and a non-AON order to sell 1 (which does not satisfy the size of the AON order) at 1.10 enters the Book, the System reprices the AON order to rest in the Book at 1.05 (assuming the minimum price variation for the class is \$0.05). As another example, if a non-AON order to buy 1 at 1.10 is resting at the top of the Book, and an AON order to sell 5 (which cannot be satisfied by the resting interest) at 1.10 enters the Book, the System reprices the AON order to rest in the Book at 1.15 (assuming the minimum price variation for the class is \$0.05). As a final example, if a buy AON order has a bid of 1.05 and enters the Book when the NBO is 1.00, the System ranks the AON order at a 1.00 bid. Or, if a sell AON order has an offer of 1.10 and enters the Book, where there is a resting AON order with a bid of 1.15, the System ranks the incoming AON order at a price of 1.15.

The proposed Price Adjust process handles AON orders different than other orders, because AON orders are not displayed on the Book (and thus are not Protected Quotations). The Exchange believes the proposed process is reasonable, because non-AON orders will rest on the Book at prices that would not create a locked or crossed market, and AON orders will rest on the Book at executable prices. The proposed process will generally re-price the incoming (and thus later arriving order). However, the proposed rule change will reprice a resting AON order rather than an incoming non-AON order, because AON orders have last priority (as discussed above) and are not displayed, and thus should not cause the price of an incoming non-AON order to reprice. Because AONs are not displayed and have last priority on the Book, the Exchange believes it is appropriate to adjust the price of an AON rather than an incoming order that would be displayed and protected. The proposed rule change is consistent with linkage rules, because AONs are not be part of the BBO, and repricing an AON to lock an away exchange price or a resting (and nondisplayed) order on the Book will, therefore, not result in a displayed locked market.

The proposed rule change also ensures that a resting AON order will not lock the price of a Protected Quotation on the Book. This prevents the situation in which an incoming order may execute ahead of the resting non-AON order. For example, if a non-AON order to buy 1 at 1.10 is resting on the Book, and an AON order to sell 5 (and thus is not satisfied by the resting interest) at 1.10 enters the Book, if the System permitted the AON order to rest at a price of 1.10 (rather than reprice the AON to rest at 1.15 as proposed), if subsequently an AON to buy 5 at 1.10 was submitted to the Exchange, that AON would execute against the resting AON at 1.10, and thus ahead of the non-AON order

to buy.⁸⁷ The proposed rule change will also reprice an AON order to a more aggressive price up to the limit price at which it would be able to execute without causing a trade-through as the market changes.⁸⁸

Proposed Rule 5.32(b)(2) states the circumstances that caused the System to adjust the price of an order pursuant to proposed subparagraph (1) change so that it would not lock or cross, as applicable, a Protected Quotation or an AON resting on the Book at a price at or better than the BBO, the System gives the Price Adjust order a new timestamp. The System ranks or displays the order at a price that locks or is one minimum price variation away from the new Protected Quotation or AON resting on the Book at or better than the BBO, as applicable. All Price Adjust orders that are re-ranked and re-displayed (if applicable) retain their priority as compared to other Price Adjust orders based upon the time the System initially received the orders. Following the initial ranking and display (if applicable) of a Price Adjust order, an order will only be re-ranked and re-displayed (if applicable) to the extent it achieves a more aggressive price up to its limit price. The System adjusts the ranked and displayed price of an order subject to Price Adjust once or multiple times depending upon the User's instructions and changes to the prevailing NBBO. The System does not display a Price Adjust limit order at any price worse than its limit price. This proposed repricing mechanism is an additional way in which the Exchange will ensure

⁸⁷ Priority rules apply to orders resting in the Book, not incoming orders. Therefore, with respect to an incoming order, the System checks opposite side interest to see if the incoming order can execute. It does not check to see if there is same-side interest ahead of which it cannot trade, as there would only be marketable same-side interest (from a price perspective) that would not otherwise execute against opposite side interest if such opposite side interest was an AON order.

⁸⁸ See current Rule 6.81 and proposed Rule 5.66 (which prohibits trade-throughs, subject to certain exceptions); and current Rule 6.82 and proposed Rule 5.67 (requires the Exchange to reasonably avoid displaying quotes that lock a Protected Quotation).

compliance with intermarket linkage rules, while permitting resting orders to rest at the most aggressive, executable prices (subject to orders' limit prices). It also provides Users with additional flexibility regarding how they want the System to handle their orders.⁸⁹

The Exchange does not have functionality that corresponds to the Price Adjust process. However, the Exchange's current Rules do not provide any special handling that applies to AON orders that lock or cross orders on the Exchange or the quote of an away options market. Therefore, pursuant to the Rules, if an AON order is unable to execute upon entry into the System (or after routing, if eligible for routing pursuant to the Rules), the AON order will rest at its price, even if it locks or crosses the Exchange's BBO or the quote of an away options market.⁹⁰ The proposed rule change will similarly permit an AON order to rest at a price that locks the quote of an away options market, as well as an AON order resting on the Book at a price at or better than the BBO. An AON order resting at a price that locks or crosses an order may only execute in accordance with the priority principles set forth in current Rule 6.45 and may not execute at prices that would cause a trade-through pursuant to current Rule 6.81. The Exchange believes the proposed rule change ultimately creates the same result for a resting AON order that would otherwise occur on the Exchange (the proposed rule change merely changes the price of an AON order upon entry rather than at the time of execution), and in some cases results in price improvement for an AON order.

For example, as proposed, if the BBO was 1.15 x 1.30 (size of 50), and the NBBO was 1.15 x 1.20 (size of 50), and a User submitted an AON order for 100 to buy at 1.25, the

⁸⁹ See also EDGX Options Rule 21.1(i).

⁹⁰ If the AON order submitted to the Exchange was a market order and was unable to execute for any reason, it would cancel in accordance with the terms of a market order. This is consistent with the handling of any other market order that was not able to execute on the Exchange.

AON order would rest on the Book with a price of 1.20 (which locks the Protected Offer of 1.20). If an order to sell 100 at 1.20 was later submitted to the Exchange, it would execute against the resting AON order at its ranked price of 1.20. Currently on the Exchange, the AON would rest at 1.25. If an order to sell 100 at 1.20 was later submitted to the Exchange it would execute against the resting AON order at a price of 1.20 (and thus the same price at which it would execute on the Exchange), as executions may only occur at or within the NBBO.

Additionally, suppose the BBO was 1.15 x 1.25 (non-AON order with size of 50), and was also the NBBO, and a User submitted an AON order for 100 to buy at 1.25, the AON order would rest on the Book with a price of 1.20 (which is one minimum price variation below the resting non-AON order). If an order to sell 100 at 1.20 was later submitted to the Exchange, it would execute against the resting AON order at a price of 1.20 (which results in price improvement for the AON order). Currently on the Exchange, the AON would rest at 1.25. If an order to sell 100 at 1.20 was later submitted to the Exchange, the AON would receive execution at a price of 1.25.⁹¹ The Exchange believes the proposed rule change is an enhancement that will prevent such incoming orders to trade against a resting AON at the same price as a resting non-AON order on the opposite side of the market that had insufficient size to trade against the AON order.

As another example, if the BBO was 1.15 x 1.30 and was also the NBBO, and there was a sell AON order for 50 to sell at 1.25 resting on the Book, and a User submitted an AON order for 100 to buy at 1.25, the incoming AON order would rest on the Book at 1.25 (which locks the resting AON order). If an order to sell 100 at 1.25 was later submitted to

⁹¹ See current Rule 6.45 (proposed Rule 5.32).

the Exchange, it would execute against the resting AON order to buy at 1.25. This is the same result that would occur today on the Exchange.

Proposed Rule 5.32(c) describes how the System handles orders and quotes in additional circumstances. Proposed subparagraph (1) states, subject to the exceptions contained in proposed Rule 5.66 (current Rule 6.81), the System does not execute an order at a price that trades through a Protected Quotation of another options exchange. The System routes an order a User designates as routable in compliance with applicable Trade-Through restrictions. The System cancels or rejects any order not eligible for routing or the Price Adjust process that is entered with a price that locks or crosses a Protected Quotation of another options exchange. The Exchange currently does not execute orders at trade-through prices, consistent with intermarket linkage rules.⁹²

The proposed rule change adds proposed Rule 5.32(c)(2), which states the System cancels or rejects a buy (sell) stop or stop-limit order if the NBB (NBO) at the time the System receives the order is equal to or above (below) the stop price. The System accepts a buy (sell) stop or stop-limit order if the consolidated last sale price at the time the System receives the order is equal to or above (below) the stop price. This is consistent with the definitions of stop and stop-limit orders in Rule 5.7(c) of the shell Rulebook. Because the purpose of a stop or stop-limit order is to rest in the Book until a specified price is reached, the Exchange believes rejecting a stop or stop-limit order entered above or below, as applicable, that price may be erroneous, as entry at that time would be inconsistent with the purpose of the order.⁹³

⁹² See also C2 Rule 6.12(c)(1); and EDGX options Rule 21.6(e) and (f).

⁹³ See also C2 Rule 6.12(c)(3).

The proposed rule change adds proposed Rule 5.32(c)(3), which states the System cancels or rejects a GTC or GTD order in an adjusted series.⁹⁴ Pursuant to current Rule 5.7, options contracts are subject to adjustments in accordance with the Rules of the Options Clearing Corporation (“OCC”). Generally, due to a corporate action by the issuer of an underlying, OCC may adjust the price of an option. After a corporate action and a subsequent adjustment to the existing options, OPRA and OCC identify the series in question with a separate symbol consisting of the underlying symbol and a numerical appendage. As a standard procedure, exchanges listing options on an underlying security that undergoes a corporate action resulting in adjusted series will list new standard option series across all expiration months the day after the existing series are adjusted. The adjusted series are generally actively traded for a short period of time following adjustment, but prices of those series may have been impacted by the adjustment. As a result, any GTC or GTD orders submitted prior to the adjustment may no longer reflect the market price of the adjusted series, as the prices of the GTC or GTD orders do not factor in the adjustment. The Exchange believes any executions of these GTC or GTD orders would be at erroneous prices, and thus believes it is appropriate for the System to cancel these orders, which will permit Users to resubmit orders in the adjust series at prices that reflect the adjustment and to submit orders in the new series.

The proposed rule change adds proposed Rule 5.32(c)(4), which states the System does not execute an order with an MTP Modifier entered into the System against an order entered with an MTP Modifier and the same unique identifier, and instead handles them in

⁹⁴ This is true on any trading day on which the adjusted series continues to trade.

accordance with Rule 5.7(c) in the shell Rulebook. This provision reflects the definitions of the MTP Modifiers in Rule 5.7(c) in the shell Rulebook.

The proposed rule change moves the provisions regarding handling of market orders, market-on-close orders, and stop orders when the underlying security is in a limit up-limit down state from Rule 6.45(d) in the current Rulebook to Rule 5.32(c)(5) in the shell Rulebook. The proposed rule change only makes nonsubstantive changes to these provisions, including updating cross-references (and adding references to the Exchange's electronic crossing mechanisms), making grammatical changes, and updating paragraph numbering and lettering.

The proposed rule change moves the provision regarding the decrementation of an order or quote following partial execution from Rule 6.45(a)(iii) in the current Rulebook to Rule 5.32(d) in the shell Rulebook. The proposed rule change also moves the provision regarding the modification of orders and quotes from Rule 6.45(a)(iv) in the current Rulebook to Rule 5.32(e) in the shell Rulebook. The proposed rule change deletes the provision regarding two-sided quotes, as the functionality on Bats technology will not have an equivalent of two-sided quotes. Through bulk messages (the proposed equivalent to quoting technology), Users may submit bids and offers in the same series; however, they are individual quotes. The proposed rule change only makes nonsubstantive changes to these provisions, including updating cross-references (and adding references to the Exchange's electronic crossing mechanisms), making grammatical changes, and updating paragraph numbering and lettering.

The proposed rule change deletes current Rule 6.45(v) regarding contingency orders. As discussed above, certain provisions regarding AONs and Reserve orders were moved to

other parts of the rule. The Exchange does not believe the introductory language and remaining provisions are necessary, as the order instruction definitions in Rule 5.6 of the shell Rulebook and order handling provisions described above contain sufficient detail regarding how the System will handle contingency orders. Additionally, the Exchange believes FOK and IOC orders relate to the time of execution of orders rather than a contingency, and thus these terms are described in Rule 5.6(d) of the shell Rulebook.

The proposed rule change moves the provisions regarding order exposure requirements from Rule 6.45, Interpretations and Policies .01 through .03 in the current Rulebook to Rule 5.8 in the shell Rulebook. The proposed rule change only makes nonsubstantive changes to these provisions, including updating cross-references (and adding references to the Exchange's electronic crossing mechanisms), making grammatical changes, and updating paragraph numbering and lettering.

The proposed rule change deletes current Rule 6.45, Interpretation and Policy .04, as it is redundant of Rule 1.2 in the current Rulebook (Rule 1.5 in the shell Rulebook). The proposed rule change moves current Interpretation and Policy .05 to proposed Interpretation and Policy .01. The proposed rule change deletes current Interpretations and Policies .05 and .06, and intends to add those provisions to Chapter 5, Section G of the shell Rulebook to keep all Rules related to open outcry trading in the same rule.

The proposed rule change moves the Rules regarding intermarket linkage, including order protection and locked and crossed market rules, from current Rules 6.80 to 6.82 in the current Rulebook to proposed Rules 5.65 to 5.67 in the shell Rulebook.

The proposed rule change only makes nonsubstantive changes to these provisions, including updating cross-references and paragraph numbering and lettering.⁹⁵

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.⁹⁶ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁹⁷ 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)⁹⁸ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed rule changes are generally intended to add or align certain system functionality offered by the Exchange and the Cboe Affiliated Exchanges in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology, in turn, will simplify the technology implementation, changes, and

⁹⁵ The proposed rule change also deletes current Rules 6.83 and 6.84, which were reserved or previously deleted.

⁹⁶ 15 U.S.C. 78f(b).

⁹⁷ 15 U.S.C. 78f(b)(5).

⁹⁸ Id.

maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges. The proposed rule changes would also provide Users with access to functionality that is generally available on markets other than the Cboe Affiliated Exchanges and may result in the efficient execution of such orders and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users. The proposed rule change does not propose to implement new or unique functionality that has not been previously filed with the Securities and Exchange Commission (the "Commission") or is not available on Cboe Affiliated Exchanges. There are a number of rules to which the proposed rule change only makes nonsubstantive changes. The proposed rule text is generally based on the rules of Cboe Affiliated Exchanges and is different only to the extent necessary to conform to the Exchange's current Rules, retain intended differences based on the Exchange's market, or make other nonsubstantive changes to simplify, clarify, eliminate duplicative language, or make rule provisions plain English.

To the extent a proposed rule change is based on an existing Cboe Affiliated Exchange rule, the language of the Rules and Cboe Affiliated Exchange rules may differ to extent necessary to conform with existing Exchange rule text or to account for details or descriptions included in the Exchange's Rules but not in the applicable Exchange Rule. Where possible, the Exchange has substantively mirrored Cboe Affiliated Exchange rules, because consistent rules will simplify the regulatory requirements and increase the understanding of the Exchange's operations for Trading Permit Holders that are also participants on the Exchange. The proposed rule change will provide greater harmonization between the rules of the Cboe Affiliated Exchanges, resulting in greater

uniformity and less burdensome and more efficient regulatory compliance. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system. The Exchange also believes that the proposed amendments will contribute to the protection of investors and the public interest by making the Exchange's rules easier to understand.

The proposed rule change regarding connectivity to the Exchange, including the definition of ports, will reduce complexity and increase understanding of the Exchange's operations for all Users of the Exchange following migration. As the ports are the same as used on the Cboe Affiliated Exchanges, Users of the Exchange and these other exchanges will have access to similar functionality on all Cboe Affiliated Exchanges. As such, the proposed rule change will foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system. The proposed changes to the Exchange's disaster recovery rules, including the requirements regarding which TPHs must connect to the Exchange's back-up system and participate in testing, are consistent with Regulation SCI requirements applicable to the Exchange and other SCI entities, which require these SCI entities to comply with requirements with respect to the automated systems central to the performance of their regulated activities. The Exchange takes pride in the reliability and availability of its systems. The Exchange and the Cboe Affiliated Exchanges have put extensive time and resources toward planning for system failures and already maintain robust business continuity and disaster recovery plans consistent with the

proposed rule. The proposed rule change is also substantially similar to the rules of the Cboe Affiliated Exchanges, as well as another options exchange.⁹⁹

The proposed rule regarding message traffic mitigation replaces the current Rules that permit the Exchange to similar mitigate message traffic. The Exchange does not have unlimited capacity to support unlimited messages, and the Exchange believes the proposed rule change provides the Exchange with reasonable measures to take to manage message traffic and protect the integrity of the System. The proposed rule change is also substantially similar to the rules of the Cboe Affiliated Exchanges.¹⁰⁰

The proposed bulk message functionality is substantially similar to the Exchange's current quoting functionality. The Exchange believes this will provide Market-Makers with a more seamless transition to the Exchange's new technology, and will provide Market-Maker with a means to contribute liquidity to the Exchange's market continuously during the technology migration, which benefits investors. Additionally, the proposed rule change provides other liquidity providers with an additional method of providing liquidity to the Exchange. This may result in the efficient execution of quotes and orders and will provide Users with additional flexibility and increased functionality on the Exchange's System, which may benefit all investors. The proposed bulk message

⁹⁹ See BZX Options Rule 2.4; C2 Rule 6.34; and EDGX Rule 2.4; see also MIAX Rule 321, Interpretation and Policy .01.

¹⁰⁰ The proposed rule change is substantially similar to BZX Options Rule 21.14, C2 Rule 6.35, and EDGX Options Rule 21.14. Note the BZX Options and EDGX Options rules also include a provision regarding their ability to periodically delist options with an average daily volume of less than 100 contracts. Current Exchange Rule 5.4, Interpretation and Policy .13 permits the Exchange to delist any class immediately if the class is open for trading on another national securities exchange, or to not open any additional series for trading in a class that is solely open for trading on the Exchange. This provision achieves the same purpose as the BZX Options and EDGX Options rules, and thus it is unnecessary to add that provision to the Exchange's Rules.

functionality is also substantially similar to functionality currently available on Cboe Affiliated Exchanges.¹⁰¹

The proposed rule change to update the definition of QCC orders merely codifies in the Rules certain functionality for Complex QCC orders, but makes no proposed changes to the actual functionality or how Complex QCC orders execute. The proposed definition is substantially the same as a rule of a Cboe Affiliated Exchange.¹⁰²

The proposed price adjust process is consistent with intermarket linkage rules, which require the Exchange to reasonably avoid displaying quotations that lock or cross any Protected Quotation. This proposed functionality will assist Users by displaying orders and quotes at permissible, executable prices, while also providing Users with flexibility to not have their orders and quotes subject to the Price Adjust process if they prefer. This proposed functionality is substantially similar to functionality available on Cboe Affiliated Exchanges.¹⁰³

¹⁰¹ See C2 Rules 1.1, 6.8(c)(3), 6.10, and 6.12(b); and EDGX Options Rules 16.1, 21.1(c), (d), (f), (g), (i), and (j)(3). The proposed rule change is also similar to BZX Options Rules 16.1(a)(4), 21.1(c), (d), (f), (g), and (l)(3). However, the BZX Options rules differ, because the BZX Options price adjust process does not apply to bulk messages (pursuant to the proposed rule change and the C2 and EDGX Options rules, Users may determine whether their bulk messages will be subject to the Price Adjust process), and the BZX Options rule permits all Users to designate a bulk message as Post Only or Book Only (pursuant to the proposed rule change and the C2 and EDGX Options rules, appointed Market-Makers may designate bulk messages as Post Only or Book Only, while other Users may only designate bulk messages as Post Only). These differences are intended to account for the different market models of the Exchange and BZX Options.

¹⁰² See EDGX Options Rule 21.1(d)(10).

¹⁰³ See BZX Options Rule 21.1(i); C2 Rule 6.12(b); and EDGX Options Rule 21.1(i). The Exchange notes EDGX Options is the only other Cboe Affiliated Exchange with AON order functionality, and therefore the Price Adjust rules of BZX Options and C2 do not account for the presence of AON orders, as the proposed rule change and the EDGX Options rule do.

As discussed above, other than the deletion of the aggregated pro-rata base allocation algorithm (and the related aggregation provisions within the participation entitlement overlay) and how the System will round and allocate contracts when they cannot be divided evenly pursuant to the pro-rata base allocation algorithm, the System will allocate orders and quotes in the same manner as it does today. While the pro-rata algorithm may result in a different allocation of contracts than the aggregated pro-rata algorithm because of the aggregation of broker-dealer interest at the same price, the resulting allocations are generally similar. The Exchange believes the proposed pro-rata base allocation (which the Exchange will apply to any classes to which the Exchange currently applies the aggregated pro-rata base allocation algorithm) is a fair, objective, and simple systematic process. Additionally, it is equivalent to the pro-rata base allocation algorithm available on Cboe Affiliated Exchanges.¹⁰⁴

The majority of the changes are nonsubstantive changes or provide additional detail in the rule regarding current functionality. The Exchange believes these changes and transparency will protect investors, as they provide more clarity within the rule and more harmonized rule language across the rules of the Cboe Affiliated Exchanges.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change will impose any burden on intramarket competition. The Exchange believes the proposed rule changes to the disaster recovery rules will further contribute to the Exchange's continuous operation

¹⁰⁴ See C2 Options Rule 6.12(a); and EDGX Options Rule 21.8(c).

of a competitive market in the event of a systems failure or other disaster event. The Exchange notes that the proposed rule change is designed to provide the Exchange with authority to require certain market participants to participate in, and provide necessary liquidity to, the market to ensure that the Exchange functions in a fair and orderly manner in the event of a significant systems failure, disaster, or other unusual circumstances.

The proposed rule changes regarding connectivity to the Exchange (including the description of ports and EFIDs) will apply to all Users in the same manner, and are similar to the manner in which Users may connect to the Exchange today. Additionally, the proposed rule regarding message traffic mitigation replaces the current measures the Exchange may use to mitigate message traffic. The proposed rule will apply to messages of all Users in the same manner.

The proposed bulk message functionality will be available to all Users, and will be voluntary. While only Market-Makers may submit Book Only bulk messages (and orders submitted through bulk ports), the Exchange believes this is appropriate given the various obligations Market-Makers must satisfy under the Rules and the unique and critical role Market-Makers play in the options market, as discussed above. The Exchange believes providing Market-Makers with flexibility to use the Post Only or Book Only instruction with respect to bulk messages (and orders submitted through bulk ports) will provide Market-Makers with tools to meet their obligations in a manner they deem appropriate, as they are currently able to do today using current quoting functionality on the Exchange. The Exchange notes all other Users may continue to use the Book Only instruction on orders submitted to the Exchange through other types of ports. The proposed rule change expands the availability of this functionality to all Users

(currently, only appointed Market-Makers may use the Exchange's quoting functionality). The availability of bulk message functionality (including the use of the Post Only instruction on those bulk messages) will be available for all Users, which may encourage Users that may not have quoting systems to provide liquidity to the Exchange.

The proposed Price Adjust process will apply to the orders and quotes of all Users in the same manner. Because Users may opt out their orders and quotes out of the Price Adjust process by designating them as Cancel Back, the Price Adjust process is voluntary, and will provide all Users with flexibility with respect to, and additional control over, the executions of their orders and quotes on the Exchange. The proposed distinction between AON orders and non-AON orders is consistent with the fact that AON orders are not displayed on the Exchange's Book or disseminated to OPRA.

The proposed pro-rata base allocation algorithm will apply to the orders and quotes of all Users in the same manner in the classes to which the Exchange applies that algorithm (subject to the application of any priority overlays, which will operate in the same manner as they do today).

The proposed rule change to prevent Market-Maker bulk message executions against other resting Market-Maker interest is similar to the Exchange's current quote lock functionality, and is intended to protect Market-Makers from executions due to technology disparities rather than the intention of Market-Makers to trade with one another at that price. The Exchange believes this functionality and protection for Market-Makers may continue to encourage Market-Makers to quote tighter and deeper markets, which will increase liquidity and enhance competition.

The Exchange does not believe 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, as discussed above, the basis for the majority of the proposed changes to the Rules are the rules of the Cboe Affiliated Exchanges, which have been previously filed with the Commission as consistent with the Act. The proposed substantive rule changes are based on the following rules of the Cboe Affiliated Exchanges:

- The proposed changes to the Exchange's disaster recovery rule are substantively the same as BZX Rule 2.4; C2 Rule 6.34; and EDGX Rule 2.4.¹⁰⁵
- The proposed rules regarding connectivity are substantively the same as C2 Rule 6.8.¹⁰⁶
- The proposed message traffic mitigation rule is substantively the same as BZX Options Rule 21.14; C2 Rule 6.35; and EDGX Options Rule 21.14.
- The proposed bulk message functionality is substantively the same as C2 Rules 1.1, 6.8(c)(3), 6.10, and 6.12(b); and EDGX Options Rules 16.1, 21.1(c), (d), (f), (g), (i), and (j)(3).¹⁰⁷
- The proposed price adjust functionality is substantively the same as EDGX Options Rule 21.1(i).¹⁰⁸

¹⁰⁵ See MIAX Rule 321, Interpretation and Policy .01.

¹⁰⁶ See also BZX Options Rules 5.5(a), 11.3, 20.1(a), and 21.1(k) and (l); and EDGX Options Rules 5.5(a), 11.3, 20.1(a), and 21.1(j) and (k).

¹⁰⁷ See also BZX Options Rules 16.1(a)(4), 21.1(c), (d), (f), (g), and (l)(3).

¹⁰⁸ See also BZX Options Rule 21.1(i); and C2 Rule 6.12(b).

- The proposed changes to the pro-rata allocation algorithm are substantively the same as C2 Rule 6.12(a); and EDGX Options Rule 21.8(c).
- The proposed changes to the QCC rule are substantively the same as EDGX Options Rule 21.1(d)(10).

The Exchange reiterates that the proposed rule change is being proposed in the context of the technology integration of the Cboe Affiliated Exchanges. Thus, the Exchange believes this proposed rule change is necessary to permit fair competition among national securities. In addition, the Exchange believes the proposed rule change will benefit Exchange participants in that it will provide a consistent technology offering, as well as consistent rules, for Users by the Cboe Affiliated Exchanges. Following the technology migration, the System will apply to all Users and orders and quotes submitted by Users in the same manner.

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

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

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

Because the foregoing proposed rule change does not:

- A. significantly affect the protection of investors or the public interest;
- B. impose any significant burden on competition; and
- C. become operative for 30 days from the date on which it was filed, or such

shorter time as the Commission may designate, it has become effective pursuant to

Section 19(b)(3)(A) of the Act¹⁰⁹ and Rule 19b-4(f)(6)¹¹⁰ 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
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2019-033 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-CBOE-2019-033. 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

¹⁰⁹ 15 U.S.C. 78s(b)(3)(A).

¹¹⁰ 17 CFR 240.19b-4(f)(6).

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-CBOE-2019-033 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.¹¹¹

Secretary

¹¹¹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5A

(additions are underlined; deletions are [bracketed])

* * * * *

Rules of Cboe Exchange, Inc.

(currently effective)

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Rule 6.1A. Global Trading Hours

* * * * *

[(f) Orders. All order types that are available for electronic processing during Regular Trading Hours and as otherwise determined by the Exchange will be available for trading during Global Trading Hours except market orders, market-on-close orders, stop orders and good-til-cancelled orders.]

* * * * *

[Rule 6.16. Back-up Trading Arrangements

(a) Cboe Options is Disabled Exchange.

(1) Cboe Options Exclusively Listed Options.

A. For purposes of this Rule 6.16, the term “exclusively listed option” means an option that is listed exclusively by an exchange (because the exchange has an exclusive license to use, or has proprietary rights in, the interest underlying the option).

B. Cboe Options may enter into arrangements with one or more other exchanges (each a “Back-up Exchange”) to permit Cboe Options and its Trading Permit Holders to use a portion of the Back-up Exchange’s facilities to conduct the trading of some or all of Cboe Options’ exclusively listed options in the event that the functions of Cboe Options are severely and adversely affected by an emergency or extraordinary circumstances (a “Disabling Event”). Such option classes shall trade as listings of Cboe Options. The facility of the Back-up Exchange used by Cboe Options for this purpose will be deemed to be a facility of Cboe Options.

C. Trading of Cboe Options exclusively listed options on Cboe Options’s facility at the Back-up Exchange shall be conducted in accordance with the rules of the Back-up Exchange, except that (i) such trading shall be subject to Cboe Options rules with respect to doing business with the public, margin requirements, net capital requirements, listing requirements and position limits, (ii) Cboe Options Trading

Permit Holders that are trading on Cboe Options's facility at the Back-up Exchange (not including members of the Back-up Exchange who become temporary Trading Permit Holders of Cboe Options pursuant to paragraph (a)(1)(F)) will be subject to Cboe Options rules governing or applying to the maintenance of a person's or a firm's status as a Trading Permit Holder of Cboe Options, and (iii) Cboe Options Rule 8.87.01 may be utilized to establish a lower DPM participation rate applicable to trading on Cboe Options's facility on the Back-up Exchange than the rate that is applicable under the rules of the Back-up Exchange if agreed to by Cboe Options and the Back-up Exchange. In addition, Cboe Options and the Back-up Exchange may agree that other Cboe Options rules will apply to such trading. Cboe Options and the Back-up Exchange have agreed to communicate to their Trading Permit Holders and members, respectively, which rules apply in advance of trading. The Back-up Exchange rules that govern trading on Cboe Options's facility at the Back-up Exchange shall be deemed to be Cboe Options rules for purposes of such trading

D. The Back-up Exchange has agreed to perform the related regulatory functions with respect to trading of Cboe Options exclusively listed options on Cboe Options's facility at the Back-up Exchange, in each case except as Cboe Options and the Back-up Exchange may specifically agree otherwise. The Back-up Exchange and Cboe Options have agreed to coordinate with each other regarding surveillance and enforcement respecting trading of Cboe Options exclusively listed options on Cboe Options's facility at the Back-up Exchange. Cboe Options shall retain the ultimate legal responsibility for the performance of its self-regulatory obligations with respect to Cboe Options's facility at the Back-up Exchange.

E. Cboe Options shall have the right to designate its Trading Permit Holders that will be authorized to trade Cboe Options exclusively listed options on Cboe Options's facility at the Back-up Exchange and, if applicable, its Trading Permit Holder(s) that will be an LMM or DPM in those options. If the Back-up Exchange is unable to accommodate all Cboe Options Trading Permit Holders that desire to trade on Cboe Options's facility at the Back-up Exchange, Cboe Options may determine which Trading Permit Holders shall be eligible to trade at that facility. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the Trading Permit Holder is a DPM or LMM in the applicable product(s), the number of contracts traded by the Trading Permit Holder in the applicable product(s), market performance, and other factors relating to a Trading Permit Holder's contribution to the market in the applicable product(s).

F. Members of the Back-up Exchange shall not be authorized to trade in any Cboe Options exclusively listed options, except that (i) Cboe Options may deputize willing floor brokers of the Back-up Exchange as temporary Cboe Options Trading Permit Holders to permit them to execute orders as brokers in Cboe Options exclusively listed options traded on Cboe Options's facility at the Back-up Exchange, and (ii) the Back-up Exchange has agreed that it will, at the instruction of Cboe Options, select members of the Back-up Exchange that are willing to be deputized by Cboe Options as temporary Cboe Options Trading Permit Holders

authorized to trade Cboe Options exclusively listed options on Cboe Options's facility at the Back-up Exchange for such period of time following a Disabling Event as Cboe Options determines to be appropriate, and Cboe Options may deputize such members of the Back-up Exchange as temporary Cboe Options Trading Permit Holders for that purpose.

(2) Cboe Options Singly Listed Options.

A. For purposes of this Rule 6.16, the term "singly listed option" means an option that is not an "exclusively listed option" but that is listed by an exchange and not by any other national securities exchange.

B. Cboe Options may enter into arrangements with a Back-up Exchange under which the Back-up Exchange will agree, in the event of a Disabling Event, to list for trading singly listed option classes that are then singly listed only by Cboe Options and not by the Back-up Exchange. Any such option classes listed by the Back-up Exchange shall trade on the Back-up Exchange and in accordance with the rules of the Back-up Exchange. Such option classes shall be traded by members of the Back-up Exchange and by Cboe Options Trading Permit Holders selected by Cboe Options to the extent the Back-up Exchange can accommodate Cboe Options Trading Permit Holders in the capacity of temporary members of the Back-up Exchange. If the Back-up Exchange is unable to accommodate all Cboe Options Trading Permit Holders that desire to trade singly listed options at the Back-up Exchange, Cboe Options may determine which Trading Permit Holders shall be eligible to trade such options at the Back-up Exchange. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the Trading Permit Holder is a DPM or LMM in the applicable product(s), the number of contracts traded by the Trading Permit Holder in the applicable product(s), market performance, and other factors relating to a Trading Permit Holder's contribution to the market in the applicable product(s).

C. Any options class listed by the Back-up Exchange pursuant to paragraph (a)(2)(B) that does not satisfy the standard listing and maintenance criteria of the Back-up Exchange will be subject, upon listing by the Back-up Exchange, to delisting (and, thus, restrictions on opening new series, and engaging in opening transactions in those series with open interest, as may be provided in the rules of the Back-up Exchange).

(3) Multiply Listed Options.

Cboe Options may enter into arrangements with a Back-up Exchange to permit Cboe Options Trading Permit Holders to conduct trading on a Back-up Exchange of some or all of Cboe Options's multiply listed options in the event of a Disabling Event. Such options shall trade as a listing of the Back-up Exchange and in accordance with the rules of the Back-up Exchange. Such options shall be traded by members of the Back-up Exchange and by Cboe Options Trading Permit Holders selected by Cboe Options to the extent the Back-up Exchange can accommodate

Cboe Options Trading Permit Holders in the capacity of temporary members of the Back-up Exchange. If the Back-up Exchange is unable to accommodate all Cboe Options Trading Permit Holders that desire to trade multiply listed options at the Back-up Exchange, Cboe Options may determine which Trading Permit Holders shall be eligible to trade such options at the Back-up Exchange. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the Trading Permit Holder is a DPM or LMM in the applicable product(s), the number of contracts traded by the Trading Permit Holder in the applicable product(s), market performance, and other factors relating to a Trading Permit Holder's contribution to the market in the applicable product(s).

(b) Cboe Options is Back-up Exchange.

(1) Disabled Exchange Exclusively Listed Options.

A. Cboe Options may enter into arrangements with one or more other exchanges (each a "Disabled Exchange") to permit the Disabled Exchange and its members to use a portion of Cboe Options's facilities to conduct the trading of some or all of the Disabled Exchange's exclusively listed options in the event of a Disabling Event. Such option classes shall trade as listings of the Disabled Exchange. The facility of Cboe Options used by the Disabled Exchange for this purpose will be deemed to be a facility of the Disabled Exchange.

B. Trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at Cboe Options shall be conducted in accordance with Cboe Options rules, except that (i) such trading shall be subject to the Disabled Exchange's rules with respect to doing business with the public, margin requirements, net capital requirements, listing requirements and position limits, and (ii) members of the Disabled Exchange that are trading on the Disabled Exchange's facility at Cboe Options (not including Cboe Options Trading Permit Holders who become temporary members of the Disabled Exchange pursuant to paragraph (b)(1)(D)) will be subject to the rules of the Disabled Exchange governing or applying to the maintenance of a person's or a firm's status as a member of the Disabled Exchange. In addition, the Disabled Exchange and Cboe Options may agree that other Disabled Exchange rules will apply to such trading. The Disabled Exchange and Cboe Options have agreed to communicate to their members Trading Permit Holders, respectively, which rules apply in advance of trading.

C. Cboe Options will perform the related regulatory functions with respect to trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at Cboe Options, in each case except as the Disabled Exchange and Cboe Options may specifically agree otherwise. Cboe Options and the Disabled Exchange have agreed to coordinate with each other regarding surveillance and enforcement respecting trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at Cboe Options. The Disabled Exchange has agreed that it shall retain the ultimate legal responsibility for the performance of its self-

regulatory obligations with respect to the Disabled Exchange's facility at Cboe Options.

D. Cboe Options Trading Permit Holders shall not be authorized to trade in any exclusively listed options of the Disabled Exchange, except (i) that the Disabled Exchange may deputize willing Cboe Options floor brokers as temporary members of the Disabled Exchange to permit them to execute orders as brokers in exclusively listed options of the Disabled Exchange traded on the facility of the Disabled Exchange at Cboe Options, and (ii) at the instruction of the Disabled Exchange, Cboe Options shall select Cboe Options Trading Permit Holders that are willing to be deputized by the Disabled Exchange as temporary members of the Disabled Exchange authorized to trade the Disabled Exchange's exclusively listed options on the facility of the Disabled Exchange at Cboe Options for such period of time following a Disabling Event as the Disabled Exchange determines to be appropriate, and the Disabled Exchange may deputize such Cboe Options Trading Permit Holders as temporary members of the Disabled Exchange for that purpose.

(2) Disabled Exchange Singly Listed Options.

A. Cboe Options may enter into arrangements with a Disabled Exchange under which Cboe Options will agree, in the event of a Disabling Event, to list for trading singly listed option classes that are then singly listed only by the Disabled Exchange and not by Cboe Options. Any such option classes listed by Cboe Options shall trade on Cboe Options and in accordance with Cboe Options rules. Such option classes shall be traded by Cboe Options Trading Permit Holders and by members of the Disabled Exchange selected by the Disabled Exchange to the extent Cboe Options can accommodate members of the Disabled Exchange in the capacity of temporary Trading Permit Holders of Cboe Options. Cboe Options may allocate such option classes to a Cboe Options DPM in advance of a Disabling Event, without utilizing the allocation process under Cboe Options Rule 8.95, to enable Cboe Options to quickly list such option classes upon the occurrence of a Disabling Event.

B. Any options class listed by Cboe Options pursuant to paragraph (b)(2)(A) that does not satisfy the listing and maintenance criteria under Cboe Options rules will be subject, upon listing by Cboe Options, to delisting (and, thus, restrictions on opening new series, and engaging in opening transactions in those series with open interest, as may be provided in Cboe Options rules).

(3) Multiply Listed Options.

Cboe Options may enter into arrangements with a Disabled Exchange to permit the Disabled Exchange's members to conduct trading on Cboe Options of some or all of the Disabled Exchange's multiply listed options in the event of a Disabling Event. Such options shall trade as a listing of Cboe Options and in accordance with Cboe Options rules. Such options shall be traded by Cboe Options Trading Permit Holders and by members of the Disabled Exchange to the extent Cboe Options can

accommodate members of the Disabled Exchange in the capacity of temporary Trading Permit Holders of Cboe Options.

(c) Member Obligations.

(1) Temporary Members of the Disabled Exchange

A. A Cboe Options Trading Permit Holder acting in the capacity of a temporary member of the Disabled Exchange pursuant to paragraph (b)(1)(D) shall be subject to, and obligated to comply with, the rules that govern the operation of the facility of the Disabled Exchange at Cboe Options, including the rules of the Disabled Exchange to the extent applicable during the period of such trading. Additionally, (i) such Cboe Options Trading Permit Holder shall be deemed to have satisfied, and the Disabled Exchange has agreed to waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a member of the Disabled Exchange, including all dues, fees and charges imposed generally upon members of the Disabled Exchange based on their status as such, (ii) such Cboe Options Trading Permit Holder shall have none of the rights of a member of the Disabled Exchange except the right to conduct business on the facility of the Disabled Exchange at Cboe Options to the extent described in this Rule, (iii) the TPH organization associated with such Cboe Options Trading Permit Holder, if any, shall be responsible for all obligations arising out of that Cboe Options Trading Permit Holder's activities on or relating to the Disabled Exchange, and (iv) the Clearing Trading Permit Holder of such Cboe Options Trading Permit Holder shall guarantee and clear the transactions of such Cboe Options Trading Permit Holder on the Disabled Exchange.

B. A member of a Back-up Exchange acting in the capacity of a temporary Trading Permit Holder of Cboe Options pursuant to paragraph (a)(1)(F) shall be subject to, and obligated to comply with, the rules that govern the operation of the facility of Cboe Options at the Back-up Exchange, including Cboe Options rules to the extent applicable during the period of such trading. Additionally, (i) such temporary Trading Permit Holder shall be deemed to have satisfied, and Cboe Options will waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a Trading Permit Holder of Cboe Options, including all dues, fees and charges imposed generally upon Cboe Options Trading Permit Holders based on their status as such, (ii) such temporary Trading Permit Holder shall have none of the rights of a Cboe Options Trading Permit Holder except the right to conduct business on the facility of Cboe Options at the Back-up Exchange to the extent described in this Rule, (iii) the member organization associated with such temporary Trading Permit Holder, if any, shall be responsible for all obligations arising out of that temporary Trading Permit Holder's activities on or relating to Cboe Options, and (iv) the Clearing Trading Permit Holder of such temporary Trading Permit Holder shall guarantee and clear the transactions on Cboe Options of such temporary Trading Permit Holder.

(2) Temporary Members of the Back-up Exchange

A. A Cboe Options Trading Permit Holder acting in the capacity of a temporary member of the Back-up Exchange pursuant to paragraphs (a)(2)(B) or (a)(3) shall be subject to, and obligated to comply with, the rules of the Back-up Exchange that are applicable to the Back-up Exchange's own members. Additionally, (i) such Cboe Options Trading Permit Holder shall be deemed to have satisfied, and the Back-up Exchange has agreed to waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a member of the Back-up Exchange, including all dues, fees and charges imposed generally upon members of the Back-up Exchange based on their status as such, (ii) such Cboe Options Trading Permit Holder shall have none of the rights of a member of the Back-up Exchange except the right to conduct business on the Back-up Exchange to the extent described in this Rule, (iii) the TPH organization associated with such Cboe Options Trading Permit Holder, if any, shall be responsible for all obligations arising out of that Cboe Options Trading Permit Holder's activities on or relating to the Back-up Exchange, (iv) the Clearing Trading Permit Holder of such Cboe Options Trading Permit Holder shall guarantee and clear the transactions of such Cboe Options Trading Permit Holder on the Back-up Exchange, and (v) such Cboe Options Trading Permit Holder shall only be permitted (x) to act in those capacities on the Back-up Exchange that are authorized by the Back-up Exchange and that are comparable to capacities in which the Cboe Options Trading Permit Holder has been authorized to act on Cboe Options, and (y) to trade in those option classes in which the Cboe Options Trading Permit Holder is authorized to trade on Cboe Options.

B. A member of a Disabled Exchange acting in the capacity of a temporary Trading Permit Holder of Cboe Options pursuant to paragraphs (b)(2)(A) or (b)(3) shall be subject to, and obligated to comply with, Cboe Options rules that are applicable to Cboe Options's own Trading Permit Holders. Additionally, (i) such temporary Trading Permit Holder shall be deemed to have satisfied, and Cboe Options will waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a Trading Permit Holder of Cboe Options, including all dues, fees and charges imposed generally upon Cboe Options Trading Permit Holders based on their status as such, (ii) such temporary Trading Permit Holder shall have none of the rights of a Cboe Options Trading Permit Holder except the right to conduct business on Cboe Options to the extent described in this Rule, (iii) the member organization associated with such temporary Trading Permit Holder, if any, shall be responsible for all obligations arising out of that temporary Trading Permit Holder's activities on or relating to Cboe Options, (iv) the Clearing Trading Permit Holder of such temporary Trading Permit Holder shall guarantee and clear the transactions of such temporary Trading Permit Holder on the Cboe Options, and (v) such temporary Trading Permit Holder shall only be permitted (x) to act in those Cboe Options capacities that are authorized by Cboe Options and that are comparable to capacities in which the temporary Trading Permit Holder has been authorized to act on the Disabled Exchange, and (y) to trade in those option classes in which the temporary Trading Permit Holder is authorized to trade on the Disabled Exchange.

(d) Member Proceedings.

(1) If Cboe Options initiates an enforcement proceeding with respect to the trading during a back-up period of the singly or multiply listed options of the Disabled Exchange by a temporary Trading Permit Holder of Cboe Options or the exclusively listed options of the Disabled Exchange by a member of the Disabled Exchange (other than a Cboe Options Trading Permit Holder who is a temporary member of the Disabled Exchange), and such proceeding is in process upon the conclusion of the back-up period, Cboe Options may transfer responsibility for such proceeding to the Disabled Exchange following the conclusion of the back-up period. Arbitration of any disputes with respect to any trading during a back-up period of singly or multiply listed options of the Disabled Exchange or of exclusively listed options of the Disabled Exchange on the Disabled Exchange's facility at Cboe Options will be conducted in accordance with Cboe Options rules, unless the parties to an arbitration agree that it shall be conducted in accordance with the rules of the Disabled Exchange.

(2) If the Back-up Exchange initiates an enforcement proceeding with respect to the trading during a back-up period of Cboe Options singly or multiply listed options by a temporary member of the Back-up Exchange or Cboe Options exclusively listed options by a Cboe Options Trading Permit Holder (other than a member of the Back-up Exchange who is a temporary Trading Permit Holder of Cboe Options), and such proceeding is in process upon the conclusion of the back-up period, the Back-up Exchange may transfer responsibility for such proceeding to Cboe Options following the conclusion of the back-up period. Arbitration of any disputes with respect to any trading during a back-up period of Cboe Options singly or multiply listed options on the Back-up Exchange or of Cboe Options exclusively listed options on the facility of Cboe Options at the Back-up Exchange will be conducted in accordance with the rules of the Back-up Exchange, unless the parties to an arbitration agree that it shall be conducted in accordance with Cboe Options rules.

(e) Trading Permit Holder Preparations.

Cboe Options Trading Permit Holders are required to take appropriate actions as instructed by Cboe Options to accommodate Cboe Options's back-up trading arrangements with other exchanges and Cboe Options's own back-up trading arrangements.

. . . Interpretations and Policies:

.01 This Rule 6.16 reflects back-up trading arrangements that Cboe Options has entered into or may enter into with one or more other exchanges. To the extent that this Rule provides that another exchange will take certain action, the Rule is reflecting what that exchange has agreed to do by contractual agreement with Cboe Options, but the Rule itself is not binding upon the other exchange.]

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[Rule 6.18. Disaster Recovery

(a) General. The Exchange maintains business continuity and disaster recovery plans that may be effected in the interests of the continued operation of fair and orderly markets in the event of a systems failure, disaster, or other unusual circumstances that might threaten the ability to conduct business on the Exchange.

(b) Back-up Data Center. The Exchange maintains a back-up data center in order to preserve the Exchange's ability to conduct business in the event the Exchange's primary data center becomes inoperable or otherwise unavailable for use due to a significant systems failure, disaster or other unusual circumstances. The purpose of this back-up data center is to allow the Exchange to operate if the primary data center becomes inoperable.

(i) Back-up Data Center Functionality. The Exchange's back-up data center shall be reasonably designed, as determined by the Exchange, to achieve prompt resumption of systems consistent with Regulation Systems Compliance and Integrity. Nothing in paragraph (b) of this Rule shall be interpreted to require the Exchange to develop or maintain a back-up data center designed to fully replicate the capacity, latency, and other features of the primary data center.

(ii) Notice. Prior to commencing trading on the back-up data center, the Exchange shall announce publicly the classes that will be available for trading.

(iii) Applicable Rules. In the event the primary data center becomes inoperable, trading will continue using the back-up data center and all trading rules will remain in effect. Only conduct permissible pursuant to trading rules that are in force shall be allowed via the back-up data center. All non-trading rules of the Exchange shall continue to apply.

(iv) Trading Permit Holder Participation. Trading Permit Holders are required to take appropriate actions as instructed by the Exchange to accommodate the Exchange's ability to conduct business via the back-up data center.

(A) Designated BCP/DR Participants. The Exchange shall designate those Trading Permit Holders that the Exchange determines are, as a whole, necessary for the maintenance of fair and orderly markets in the event of the activation of the Exchange's business continuity and disaster recovery plans ("Designated BCP/DR Participants").

(1) Designated BCP/DR Participants will be identified based on criteria determined by the Exchange and announced via Regulatory Circular, which may include whether the TPH is an appointed DPM, LMM, or Market-Maker in a class and the quality of markets provided by the DPM, LMM, or Market-Maker, the amount of volume transacted by the market participant in a class or on the Exchange in general, operational capacity, trading experience, and historical contribution to fair and orderly markets on the Exchange.

(2) Designated BCP/DR Participants shall include, at a minimum, all Market-Makers in option classes exclusively listed on the Exchange that stream quotes in such classes and all DPMs in multiply listed option classes.

(B) Alternative BCP/DR Participant Obligations. During the use of the back-up data center, the Exchange may, if necessary for the maintenance of fair and orderly markets, establish heightened quoting obligations for Designated BCP/DR Participants in a class in which the Designated BCP/DR Participant is already an appointed LMM or Market-Maker up to the standards specified for DPMs in Rule 8.85(a) and/or disallow the ability to deselect an appointment intraday in a class in which the Designated BCP/DR Participant is already an appointed Market-Maker. The Exchange will notify market participants of any of these additional temporary requirements prior to implementation in a reasonable manner as determined by the Exchange.

(C) Fair and Orderly Market Conditions. Nothing in paragraph (b)(iv) of this Rule shall be interpreted to require the Exchange to assume that average levels of liquidity, depth, or other characteristics of a usual trading session must be present in order to achieve a fair and orderly market.

(D) Business Continuity and Disaster Recovery Plans Testing. The Exchange shall require Designated BCP/DR Participants and may require other market participants to participate in scheduled business continuity and disaster recovery plans tests in the manner and frequency prescribed by the Exchange.

(1) Documentation and Reports. The Exchange may require Designated BCP/DR Participants and/or other market participants to provide documentation and reports regarding tests conducted pursuant to this Rule, including related data and information, as may be requested by the Exchange and in the manner and frequency prescribed by the Exchange.

(2) Notice. The Exchange will provide reasonable prior notice of scheduled business continuity and disaster recovery plans tests to Trading Permit Holders, which notice shall describe the general nature of the test(s) and identify the Trading Permit Holders required to participate and shall be announced via Regulatory Circular.

(c) Operation via Open Outcry. If the Exchange's primary and back-up data centers become inoperable or otherwise unavailable for use due to a significant systems failure, disaster, or other unusual circumstances, in the interests of maintaining fair and orderly markets or for the protection of investors, the Exchange may determine, on a class-by-class basis, to temporarily allow trading in its exclusively-licensed and/or proprietary products in an exclusively floor-based environment via open outcry in order to preserve the Exchange's ability to conduct business in those option classes.

(d) **Loss of Trading Floor.** If the Exchange trading floor becomes inoperable, the Exchange will continue to operate in a screen-based only environment using a floorless configuration of the Hybrid Trading System located in the primary data center that is operational while the trading floor facility is inoperable. The Exchange will operate using this configuration only until the Exchange's trading floor facility is operational. Open outcry trading will not be available in the event the trading floor becomes inoperable, except in accordance with paragraph (ii) below and pursuant to Rule 6.16 (Back-up Trading Arrangements), as applicable.

(i) **Applicable Rules.** In the event that the trading floor becomes inoperable, trading will be conducted pursuant to all applicable Hybrid System rules, except that open-outcry rules shall not be in force. In these circumstances, a non-exclusive list of trading rules that will not apply include either all or some portion of Rules 6.2, 6.9, 6.12A, 6.12B, 6.20, 6.22, 6.23, 6.45, 6.47, 6.54, 6.74, 8.15, and 8.17. All non-trading rules of the Exchange shall continue to apply.

(ii) **Other Back-up Trading Arrangements.** This Rule does not preclude the Exchange from conducting business, in the event the trading floor is rendered inoperable, pursuant to Rule 6.16 (Back-up Trading Arrangements).

(e) **Deactivation of Certain Systems.** In the event of a systems disruption or malfunction, security intrusion, systems compliance issue, or other unusual circumstances, the Exchange may, in accordance with the Rules or, if necessary, to maintain fair and orderly markets or to protect investors, temporarily deactivate certain systems or systems functionalities that are not essential to conducting business on the Exchange. The Exchange will notify market participants of any such deactivation, and any subsequent reactivation, promptly and in a reasonable manner determined by the Exchange.

(f) **Connectivity Restriction.** The Exchange may temporarily restrict a Trading Permit Holder's or associated person's access to the Hybrid Trading System or other electronic trading systems if it is determined by the President (or senior-level designee) of the Exchange, that because of a systems issue, such access threatens the Exchange's ability to operate systems essential to the maintenance of fair and orderly markets. Such access would remain restricted until the end of the trading session or an earlier time if the President (or senior-level designee) of the Exchange, in consultation with the affected Trading Permit Holder(s), determines that lifting the restriction no longer poses a threat to the Exchange's ability to operate systems essential to conducting business or continuing to maintain a fair and orderly market on the Exchange or to investors.

Rule 6.19. Reserved]

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[Rule 6.23A. Trading Permit Holder Connectivity

(a) Market participants with authorized access may access the Exchange electronically to facilitate quote and order entry as well as auction processing via an API such as a Cboe

Market Interface (“CMi”) API and/or the industry-standard Financial Information eXchange (“FIX”) Protocol. Multiple versions of an API may exist and be made available to all authorized market participants. Market participants may select which of these available APIs they would like to use to connect to the System.

(b) The Exchange may limit the number of messages sent by Trading Permit Holders accessing the Exchange electronically in order to protect the integrity of the Hybrid trading system. In addition, the Exchange may impose restrictions on the use of a computer connected through an API if it believes such restrictions are necessary to ensure the proper performance of the system. Any such restrictions shall be objectively determined and submitted to the Commission for approval pursuant to a rule change filing under Section 19(b) of the Exchange Act.

(c) In order to control the number of quotations the Exchange disseminates, the Exchange may utilize a mechanism so that newly-received quotations and other changes to the Exchange’s best bid and offer are not disseminated for a period of up to, but not more than one second.

(d) The Hybrid Trading System shall be available for entry and execution of orders only to Trading Permit Holders, persons associated with Trading Permit Holders, and Sponsored Users (pursuant to Rule 6.20A) with authorized access. Such persons may only directly access the System from a jurisdiction expressly approved by the Exchange pursuant to Rule 3.4A(a). The Exchange will require a Trading Permit Holder to enter into a software user or license agreement with the Exchange in such form or forms as the Exchange may prescribe in order to obtain authorized access to the Hybrid Trading System, if the Trading Permit Holder elects to use an API for which the Exchange has determined such an agreement is necessary.

(e) The Exchange may prescribe technical specifications pursuant to which all Trading Permit Holders, or categories of similarly situated Trading Permit Holders (e.g., Floor Brokers, DPMs, Market-Makers), may establish an electronic connection to the Hybrid Trading System and its facilities. The Exchange will announce to Trading Permit Holders via Regulatory Circular any such prescription.

(f) Mandatory Systems Testing

(i) Each Trading Permit Holder that the Exchange designates as required to participate in a system test must conduct or participate in the testing of its computer systems to ascertain the compatibility of such systems with the Hybrid Trading System in the manner and frequency prescribed by the Exchange. The Exchange will designate Trading Permit Holders as required to participate in a system test based on: (A) the category of the Trading Permit Holder (e.g. Floor Broker, DPM, Market-Maker); (B) the computer system(s) the Trading Permit Holder uses; and (C) the manner in which the Trading Permit Holder connects to the Hybrid Trading System. The Exchange will give Trading Permit Holders reasonable notice of any mandatory systems test, which notice will specify the nature of the test and Trading Permit Holders’ obligations in participation in the test.

(ii) Every Trading Permit Holder required by the Exchange to conduct or participate in testing of computer systems shall provide to the Exchange such reports relating to the testing as the Exchange may prescribe. Trading Permit Holders shall maintain adequate documentation of tests required by this Rule and results of such testing for examination by the Exchange.

(iii) A Trading Permit Holder that is subject to this Rule, and that fails to conduct or participate in the tests, fails to file the required reports, or fails to maintain the required documentation, may be subject to summary suspension or other action taken pursuant to Chapter XVI (Summary Suspension) and/or disciplinary action pursuant to Chapter XVII (Discipline).

Rule 6.23B. Bandwidth Packets

Each Trading Permit shall entitle the holder to a maximum number of orders and quotes per second(s) as determined by the Exchange. Quote cancel messages, for a series or group of series, will be subject to bandwidth limitations and are counted towards the maximum number of quotes allowed per second. Paired order messages will not be subject to any bandwidth limitations and are not counted towards the maximum number of orders allowed per second(s). Only Market-Makers may submit quotes. Trading Permit Holders seeking to exceed that number of messages per second(s) may purchase additional bandwidth packets for a trading session at prices set forth in the Exchange's Fees Schedule. The Exchange shall, upon request and where good cause is shown, temporarily increase a Trading Permit Holder's order entry bandwidth allowance at no additional cost. All determinations to temporarily expand bandwidth allowance shall be made in a non-discriminatory manner and on a fair and equal basis. No bandwidth limits shall be in effect during pre-opening prior to five minutes before the beginning of a trading session, which shall apply to all Trading Permit Holders. The Exchange may also determine time periods for which there shall temporarily be no bandwidth limits in effect for all Trading Permit Holders. Any such determination shall be made in the interest of maintaining a fair and orderly market. The Exchange shall notify all Trading Permit Holders of any such determination.]

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Rule 6.45. Order and Quote Priority and Allocation

[(a) Electronic Priority and Allocation.

(i) Base Electronic Allocation Algorithms. The base electronic allocation algorithm in subparagraph (C) applies to all classes, except classes to which the Exchange determines to apply the base electronic allocation algorithm in subparagraph (A) or (B). Pursuant to any electronic allocation algorithm, an order or quote may only be allocated up to the number of contracts of that order or quote at the execution price.

(A) Price-Time Priority. Under this method, resting orders and quotes in the book are prioritized according to price. If there are two or more resting orders or quotes at

the same price, then priority is afforded among these orders and quotes in the order in which the Hybrid System received them (i.e., according to time).

(B) Pro-Rata Priority. Under this method, resting orders and quotes in the book are prioritized according to price. If there are two or more resting orders or quotes at the same price, then the System allocates contracts from an incoming order or quote to resting orders and quotes sequentially in the order in which the System received them (i.e., according to time) proportionally according to size (i.e., on a pro-rata basis). The System allocates contracts to the first resting order or quote proportionally according to size (based on the number of contracts to be allocated and the size of the resting orders and quotes). Then, the System recalculates the number of contracts to which each remaining resting order and quote is afforded proportionally according to size (based on the number of remaining contracts to be allocated and the size of the remaining resting orders and quotes) and allocates contracts to the next resting order or quote. The System repeats this process until it allocates all contracts from the incoming order or quote. The System rounds fractions $\frac{1}{2}$ or greater up and fractions less than $\frac{1}{2}$ down.

(C) Aggregated Pro-Rata Priority. Under this method, resting quotes and orders in the book are prioritized according to price. If there are two or more resting quotes or orders at the same price, then priority is afforded among these quotes and orders based on the percentage the size of each quote and order at that price represents relative to the total number of contracts at that price. If the number of contracts cannot be allocated proportionally in whole numbers, the System randomly allocates extra contracts to resting orders and quotes. The System rounds fractions $\frac{1}{2}$ or greater up and fractions less than $\frac{1}{2}$ down. For purposes of this subparagraph, all broker-dealer orders at the same price will be treated as one broker-dealer order (with size consisting of the cumulative number of contracts in those broker-dealer orders at that price). After the “one” broker-dealer order is allocated a certain number of contracts pursuant to this subparagraph, those contracts are allocated proportionally according to size to each broker-dealer order comprising the “one” broker-dealer order.

(ii) Electronic Priority Overlays. In addition to the base electronic allocation algorithms set forth in paragraph (a), the Exchange may determine to apply, on a class-by-class basis, one or more of the following priority overlays and the sequence in which the overlays apply.

(A) Priority Customer. The Exchange may apply a priority customer overlay, pursuant to which priority customer orders have priority over broker-dealer orders and quotes at the same price. If there are two or more priority customer orders at the same price, priority is afforded to such priority customer orders in the sequence in which the Hybrid System received them (i.e., according to time).

(B) Participation Entitlement. The Exchange may grant Preferred Market-Makers, LMMs and DPMs participation entitlements pursuant to the provisions of Rules 8.13, 8.15 and 8.87, respectively.

(1) A Preferred Market-Maker, LMM or DPM is eligible for a participation entitlement if it satisfies the conditions in Rule 8.13, 8.15 or 8.87, respectively. If a Preferred Market-Maker, LMM or DPM is eligible for a participation entitlement, it receives the greater of the amount it would be entitled to pursuant to the participation entitlement or the amount it would otherwise receive pursuant to the operation of the applicable allocation algorithm.

(2) The Exchange may apply a participation entitlement only if it has applied the priority customer overlay (pursuant to paragraph (a)(ii)(A)) in a priority sequence ahead of the participation entitlement. The participation entitlement is based on the number of contracts remaining after all priority customer orders in the book at the same price have been filled.

(3) The Exchange may apply more than one participation entitlement for a class (including at different priority sequences); however, in no case may more than one participation entitlement apply on the same trade. For example, the Exchange may activate the Preferred Market-Maker participation entitlement and the DPM participation entitlement, along with additional priority overlays, for a class at different priority levels (e.g. priority customer has first priority, Preferred Market-Maker entitlement has second priority, Market Turner has third priority, and DPM entitlement has fourth priority), but only a Preferred Market-Maker or DPM may receive an entitlement on a single trade depending on the priority level (e.g. if the Preferred Market-Maker with second priority receives an entitlement on a trade, then the DPM with fourth priority will not receive an entitlement on that trade; if the Preferred Market-Maker with second priority does not receive an entitlement on a trade, then the DPM with fourth priority may receive an entitlement on the trade).

(c) Small Order Preference. The Exchange may apply a small order preference overlay, pursuant to which a DPM or LMM, as applicable, has first priority to execute against orders for five (5) contracts or fewer after all priority customer orders resting at the same price on the book at the time the Exchange received an incoming order have been filled.

(1) On a quarterly basis, the Exchange will evaluate what percentage of the volume executed on the Exchange (excluding volume resulting from the execution of orders in AIM (see Rule 6.74A)) is comprised of orders for five (5) contracts or fewer executed by DPMs and LMMs, and will reduce the size of the orders included in this provision if such percentage is over forty percent (40%).

(2) To be eligible to receive the small order preference, the DPM or LMM, as applicable, must be quoting at the best disseminated bid or offer on the Exchange ("BBO") and may not be allocated a total quantity greater than the quantity the DPM or LMM, as applicable, is quoting at that price.

(3) If a Preferred Market-Maker is not quoting at the BBO at the time the Hybrid System receives a preferred order, the small order preference applies to the execution of the preferred order. If a Preferred Market-Maker is quoting at the BBO at the time the Hybrid System receives a preferred order, the Preferred Market-Maker receives its participation entitlement, and no small order preference or Market Turner priority applies to the execution of that order.

(4) The small order preference applies only to automatic executions and not executions following auctions.

(D) Market Turner Priority. The Exchange may apply a Market Turner priority overlay. A "Market Turner" is a Trading Permit Holder that first entered an order or quote at a better price than the previous BBO and the order or quote is continuously in the market until it trades. There may be a Market Turner for each price at which a particular order or quote trades. The Market Turner has priority at the highest bid or lowest offer that it established. The Market Turner priority at a given price remains with the order or quote once it is established. For example, if the market moves in the same direction as the direction in which the order or quote from the Market Turner moved the market, and then the market moves back to the Market Turner's original price, then the Market Turner retains priority at the original price. Market Turner priority cannot be established until after the opening trade and/or the conclusion of the opening rotation and, once established, remains in effect until the conclusion of the trading session.

The Exchange may determine, on a class-by-class basis, to reduce the Market Turner priority to a percentage of each inbound order executable against the Market Turner's order or quote. In such cases, the Market Turner's order or quote may trade against the balance of an order, pursuant to the applicable allocation algorithm, after the Market Turner priority is applied. To the extent the Market Turner order or quote is not fully executed, it retains Market Turner priority for subsequent inbound orders and quotes until the conclusion of the trading session.

(iii) Decrementation of Order or Quote Size. Upon execution of an order or quote, the System decrements the order or quote by an amount equal to the size of that execution. The remaining size of the order or quote retains its position with respect to priority for subsequent executions.

(iv) Modification of Orders or Quotes. If a Trading Permit Holder modifies an order or quote, the priority of the order or quote may change as follows:

(A) If the price of an order or quote is changed, the order or changed side of the quote loses its priority position and is placed in a priority position as if the System received the order or quote at the time the order or quote was changed.

(B) If the quantity of an order or quote is decreased, it retains its priority position.

(C) If the quantity of an order or quote is increased, the order or changed side of the quote loses its priority position and is placed in a priority position as if the System received the order or quote at the time the quantity of the order or quote is increased.

(D) If the price or quantity of one side of a quote is changed, the unchanged side of the quote retains its priority position.

(v) Contingency Orders. Once a certain event or trading condition satisfies an order's contingency, an order is no longer a contingency order and is treated as a market or limit order (as applicable), prioritized in the same manner as any other market or limit order based on the time it enters the Book following satisfaction of the contingency (i.e., last in time priority with respect to other orders and quotes resting in the Book at that time). If contingencies of multiple orders are satisfied at the same time, the System sends them to the Book in the order in which the System initially received them. Notwithstanding the foregoing, under any algorithm in paragraph (a) above:

(A) All displayed orders and quotes at a given price have priority over all-or-none orders and the non-displayed portions of reserve orders at the same price.

(B) Upon receipt of a reserve order, the System displays in the Book any initially display-eligible portion of the reserve order, which is prioritized in the same manner as any other order (i.e., based on the time the System receives it). Once any non-displayed portion of a reserve order becomes eligible for display, the System displays in the Book that portion of the order and prioritizes it based on the time it becomes displayed in the Book (i.e., last in time priority with respect to other orders and quotes resting in the Book at that time).

(C) Immediate-or-cancel and fill-or-kill orders are not placed in the Book and thus are not prioritized with respect to other resting orders and quotes in the Book. These orders execute against resting orders and quotes in the Book based on the time the System receives them (i.e., the System processes these orders in the time sequence in which it receives them).

(D) All-or-none orders are always last in priority order (including after the undisplayed portions of reserve orders). If the Exchange applies the priority customer overlay to a class, orders trade in the following order: (i) priority customer orders other than all-or-none, (ii) non-priority customer orders other than all-or-none and quotes, (iii) priority customer all-or-none orders (in time sequence), and (iv) non-priority customer all-or-none orders (in time sequence). If the Exchange applies pro-rata with no priority customer overlay or price-time to a class, orders trade in the following order: (I) orders other than all-or-none and quotes, and (II) all-or-none orders (in time sequence).]

(b) No change.

[(c) Locked and Inverted Electronic Quotes.

(i) Locked Quotes. In the event a Market-Maker's disseminated quote locks (e.g., \$1.00 bid - \$1.00 offer) with another Market-Maker's disseminated quote:

(A) The System disseminates the locked market, and both quotes are deemed "firm" disseminated market quotes.

(B) When the market locks in a Hybrid class, a "counting period" begins during which Market-Makers whose quotes are locked may eliminate the locked market. Provided, however, that in accordance with subparagraph (A) above, a Market-Maker will be obligated to execute customer and broker-dealer orders eligible for automatic execution pursuant to Rule 6.13 at its disseminated quote in accordance with Rule 8.51. If, at the end of the counting period, the quotes remain locked, the locked quotes automatically execute against each other in accordance with the applicable allocation algorithm described above in Rule 6.45(a). The Exchange will determine on a class-by-class basis whether to apply a counting period and, if so, the length of the counting period, which may not exceed one second.

(ii) Inverted Quotes. The Hybrid System will not disseminate an internally crossed market (i.e., the Cboe Options best bid is higher than the Cboe Options best offer). If a Market-Maker submits a quote ("incoming quote") that would invert an existing quote ("existing quote"), the Hybrid System will change the incoming quote such that it locks the existing quote. Locked markets are handled in accordance with subparagraph (c)(i) above. During the lock period, if the existing quote is cancelled subsequent to the time the incoming quote is changed, the System will restore the incoming quote to its original terms.

(d) Order Handling During Limit Up-Limit Down State.

(1) Market Order. A market order shall be returned by the System if the underlying security is in a limit up-limit down state. As an exception, market orders submitted to initiate an Automated Improvement Mechanism Auction will be accepted. In addition, market orders will not be returned if a Trading Permit Holder elects to route that order for manual handling.

(2) Market-on-close order. A market-on-close order shall not be elected if the underlying security is in a limit up-limit down state, as defined in Rule 6.3A. If, near the conclusion of trading, the underlying security exits the limit up-limit down state, the system will attempt to re-evaluate, elect, and execute the order.

(3) Stop (stop-loss) order. A stop order will not be triggered if the underlying security is in a limit up-limit down state. Such order will be held until the end of the limit up-limit down state, at which point the order will become eligible to be triggered if the market for the particular option contract reaches the specified contract price.]

. . . *Interpretations and Policies:*

[.01 Principal Transactions: Order entry firms may not execute as principal against orders they represent as agent unless: (i) agency orders are first exposed on the Hybrid System for

at least one (1) second, (ii) the order entry firm has been bidding or offering for at least one (1) second prior to receiving an agency order that is executable against such bid or offer, or (iii) the order entry firm proceeds in accordance with the crossing rules contained in Rule 6.74. In such cases, agency orders priced in penny increments are deemed “exposed” pursuant to (i) above, and order entry firm orders priced in penny increments are deemed bids or offers pursuant to (ii) above.

.02 Solicitation Orders. Order entry firms must expose orders they represent as agent for at least one (1) second before such orders may be executed electronically via the electronic execution mechanism of the Hybrid System, in whole or in part, against orders solicited from Trading Permit Holders and non-Trading Permit Holder broker-dealers to transact with such orders. In such cases, agency orders priced in penny increments are deemed “exposed” pursuant to this paragraph.

.03 Reserve Orders. For the non-displayed reserve portion of a reserve order, the exposure requirement in Interpretation and Policy .01 or .02 above, as applicable, is satisfied if the displayable portion of the reserve order is displayed at its displayable price for one second.

.04 Exchange Determinations. The Exchange will announce to Trading Permit Holders all determinations it makes pursuant to Rule 6.45 and its Interpretations and policies via Regulatory Circular with appropriate advanced notice or as otherwise provided. To the extent the Exchange authorizes groups of series of a class to trade on different trading platforms pursuant to Rule 8.14, Interpretation and Policy .01, the Exchange may make determinations pursuant to Rule 6.11 and its Interpretations and Policies on a group-by-group basis that would otherwise be made on a class-by-class basis.

.05 Applicability. Rule 6.45 applies to orders and quotes submitted by Trading Permit Holders and orders submitted by PAR Officials.]

.06 Stock-Option Orders on PAR: For purposes of Rule 6.45B(b)(ii), the stock component of a stock-option order represented in open outcry may, in accordance with the order’s terms, be routed from PAR to an Exchange-designated broker-dealer not affiliated with the Exchange for electronic execution at a stock trading venue selected by the Exchange-designated broker-dealer. See Rule 6.48.

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[Section E: Order Protection; Locked and Crossed Markets

Rule 6.80. Definitions

The following terms shall have the meaning specified in this Rule solely for the purpose of this Section E:

(1) “Best Bid” and “Best Offer” mean the highest priced Bid and the lowest priced Offer.

(2) “Bid” or “Offer” means the bid price or the offer price communicated by a member of an Eligible Exchange to any Broker/Dealer, or to any customer, at which it is willing to buy or sell, as either principal or agent, but shall not include indications of interest.

(3) “Broker/Dealer” means an individual or organization registered with the Commission in accordance with Section 15(b)(1) of the Exchange Act or a foreign broker or dealer exempt from such registration pursuant to Rule 15a-6 under the Exchange Act.

(4) “Complex Trade” means: (i) the execution of an order in an option series in conjunction with the execution of one or more related order(s) in different option series in the same underlying security occurring at or near the same time in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.0) and for the purpose of executing a particular investment strategy (for the purpose of applying the aforementioned ratios to complex trades comprised of both mini-option contracts and standard option contracts, ten (10) mini-option contracts will represent one (1) standard option contract); or (ii) the execution of a stock-option order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of option contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock or convertible security necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option leg to the total number of units of the underlying stock or convertible security in the stock leg.

(5) “Crossed Market” means a quoted market in which a Protected Bid is higher than a Protected Offer in a series of an Eligible Class.

(6) “Customer” means an individual or organization that is not a Broker/Dealer.

(7) “Eligible Exchange” means a national securities exchange registered with the SEC in accordance with Section 6(a) of the Exchange Act that: (a) is a Participant Exchange in OCC (as that term is defined in Section VII of the OCC by-laws); (b) is a party to the OPRA Plan (as that term is described in Section I of the OPRA Plan); and (c) if the national securities exchange is not a party to the Plan, is a participant in another plan approved by the Commission providing for comparable Trade-Through and Locked and Crossed Market protection.

(8) “Intermarket Sweep Order (“ISO”)” means a Limit Order for an options series that, simultaneously with the routing of the ISO, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or any Protected Offer, in the case of a limit order to buy, for the options series with a price that is superior to the limit price of the ISO. A Trading Permit Holder may submit an ISO to the Exchange only if it has simultaneously routed one or more additional ISOs to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or Protected Offer, in the case of a limit order to buy, for an options series with a price that is superior to the limit price of the ISO.

- (9) “Locked Market” means a quoted market in which a Protected Bid is equal to a Protected Offer in a series of an Eligible Options Class.
- (10) “NBBO” means the national best bid and offer in an options series as calculated by an Eligible Exchange.
- (11) “Non-Firm” means, with respect to Quotations, that members of an Eligible Exchange are relieved of their obligation to be firm for their Quotations pursuant to Rule 602 under the Exchange Act.
- (12) “OPRA Plan” means the plan filed with the Commission pursuant to Section 11Aa(1)(C)(iii) of the Exchange Act, approved by the Commission and declared effective as of January 22, 1976, as from time to time amended.
- (13) “Participant” means an Eligible Exchange that is a party to the Plan.
- (14) “Plan” means the Options Order Protection and Locked/Crossed Market Plan, as such plan may be amended from time to time.
- (15) “Protected Bid” or “Protected Offer” means a Bid or Offer in an options series, respectively, that:
- (a) Is disseminated pursuant to the OPRA Plan; and
 - (b) Is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange.
- (16) “Quotation” means a Bid or Offer.
- (17) “Trade-Through” means a transaction in an option series at a price that is lower than a Protected Bid or higher than a Protected Offer.

Rule 6.81. Order Protection

- (a) Avoidance of Trade-Throughs. Except as provided in paragraph (b) below, Trading Permit Holders shall not effect Trade-Throughs.
- (b) Exceptions. The provisions of paragraph (a) pertaining to Trade-Throughs shall not apply under the following circumstances:
- (1) If an Eligible Exchange repeatedly fails to respond within one second to incoming orders attempting to access its Protected Quotations, the Exchange may bypass those Protected Quotations by:
 - (i) Notifying the non-responding Eligible Exchange immediately after (or at the same time as) electing self-help; and
 - (ii) Assessing whether the cause of the problem lies with its own systems and, if so, taking immediate steps to resolve the problem;

Any time a determination to bypass the Protected Quotations of an Eligible Exchange is made pursuant to this subparagraph, the Exchange must promptly document the reasons supporting such determination.

(2) The transaction traded through a Protected Quotation being disseminated by an Eligible Exchange during a trading rotation;

(3) The transaction that constituted the Trade-Through occurred when there was a Crossed Market;

(4) The transaction that constitutes the Trade-Through is the execution of an order identified as an ISO, or the transaction that constitutes the Trade-Through is effected by the Exchange while simultaneously routing an ISO to execute against the full displayed size of any better-priced Protected Quotation;

(5) The Eligible Exchange displaying the Protected Quotation that was traded through had displayed, within one second prior to execution of the Trade-Through, a Best bid or Best offer, as applicable, for the options series with a price that was equal or inferior to the price of the Trade-Through transaction;

(6) The Protected Quotation traded through was being disseminated from an Eligible Exchange whose Quotations were Non-Firm with respect to such options series;

(7) The transaction that constituted the Trade-Through was effected as a portion of a Complex Trade;

(8) The transaction that constituted the Trade-Through was the execution of an order for which, at the time of receipt of the order, a Trading Permit Holder had guaranteed an execution at no worse than a specified price (a “stopped order”), where:

(i) the stopped order was for the account of a Customer;

(ii) the Customer agreed to the specified price on an order-by-order basis; and

(iii) the price of the Trade-Through was, for a stopped buy order, lower than the national Best Bid in the options series at the time of execution, or, for a stopped sell order, higher than the national Best Offer in the options series at the time of execution;

(9) The transaction that constituted the Trade-Through was the execution of an order that was stopped at a price that did not Trade-Through an Eligible Exchange at the time of the stop; or

(10) The transaction that constituted the Trade-Through was the execution of an order at a price that was not based, directly or indirectly, on the quoted price of the options series at the time of execution and for which the material terms were not reasonably determinable at the time the commitment to execute the order was made.

Rule 6.82. Locked and Crossed Markets

(a) Prohibition. Except for quotations that fall within the provisions of paragraph (b) of this Rule, Trading Permit Holders shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a Protected Quotation.

(b) Exceptions.

(1) The locking or crossing quotation was displayed at a time when the Exchange was experiencing a failure, material delay, or malfunction of its systems or equipment;

(2) The locking or crossing quotation was displayed at a time when there is a Crossed Market;

(3) The Trading Permit Holder simultaneously routed an ISO to execute against the full displayed size of any locked or crossed Protected Bid or Protected Offer; or

(4) The locking quotation is permissible pursuant to Rule 6.45(c).

Rule 6.83. Reserved

Reserved

Rule 6.84. Deleted

Deleted]

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Rule 8.13. Preferred Market-Maker Program

(a) – (b) No change.

[(c) Entitlement Rate. Provided the provisions of paragraph (b) above have been met, the Preferred Market-Maker participation entitlement is the greater of one contract or 40% when there are two or more other Market-Maker quotes or broker-dealer orders at the BBO, and 50% when there is one other Market-Maker quote or broker-dealer order at the BBO. For purposes of this paragraph (with respect to an electronic execution), all broker-dealer orders at the same price will be treated as one broker-dealer order (with size consisting of the cumulative number of contracts in those non- broker-dealer orders). In addition, the following shall apply:

(i) A Preferred Market-Maker may not be allocated a total quantity greater than the quantity that the Preferred Market-Maker is quoting at the best bid/offer on the Exchange.

(ii) The participation entitlement rate is based on the number of contracts remaining after all priority customer orders in the book at the BBO have been satisfied.

(iii) If a Preferred Market-Maker receives a participation entitlement under this Rule, then no other participation entitlements set forth in Exchange Rules (e.g. Rules 8.87 and 8.15) shall apply to such order.]

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Rule 8.15. Lead Market-Makers

(a) – (b) No change.

[(c) Reserved

(d) Participation Entitlement: The Exchange may establish, on a class-by-class basis, a participation entitlement formula that is applicable to LMMs for purposes of electronic and/or open outcry trading.

(i) To be entitled to a participation entitlement, the LMM must be quoting at the BBO and the LMM may not be allocated a total quantity greater than the quantity for which the LMM is quoting at the BBO. The participation entitlement is based on the number of contracts remaining after all priority customer orders in the book at the BBO have been satisfied. In option classes in which both an On-Floor LMM and an Off-Floor DPM have been appointed, the On-Floor LMM may receive a participation entitlement with respect to orders represented in open outcry, but will not be eligible to receive a participation entitlement for trades executed electronically. The participation entitlement set forth in this Rule will not apply in instances where a Preferred Market-Maker receives a participation entitlement pursuant to Rule 8.13 and is subject to the limitations for Off-Floor LMMs set forth in Rule 8.15, Interpretation and Policy .01 (a).

(ii) The LMM participation entitlement is: 50% when there is one other Market-Maker quote or broker-dealer order at the BBO; 40% when there are two other Market-Maker quotes or broker-dealer orders at the BBO; and 30% when there are three or more other Market-Maker quotes or broker-dealer orders at the BBO. For purposes of this paragraph (with respect to an electronic execution), all broker-dealers orders at the same price will be treated as one broker-dealer order (with size consisting of the cumulative number of contracts in those broker-dealer orders). If more than one LMM is entitled to a participation entitlement, such entitlement is distributed equally among all eligible LMMs.

The Exchange may determine, on a class-by-class basis, to decrease the LMM participation entitlement percentages from the percentages specified in paragraph (d)(ii) above. Such changes will be announced to the Trading Permit Holders in advance of implementation via Regulatory Circular.]

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[Rule 8.87. Participation Entitlement of DPMs

(a) Subject to the review of the Board of Directors, the Exchange may establish from time to time a participation entitlement formula that is applicable to all DPMs.

(b) The participation entitlement for DPMs shall operate as follows:

(1) Generally.

(i) To be entitled to a participation entitlement, the DPM must be quoting at the best bid/offer on the Exchange.

(ii) A DPM may not be allocated a total quantity greater than the quantity that the DPM is quoting at the best bid/offer on the Exchange.

(iii) The participation entitlement is based on the number of contracts remaining after all priority customer orders in the book at the BBO have been satisfied.

(iv) An Off-Floor DPM shall not receive a participation entitlement with respect to orders represented in open outcry on Cboe Options's trading floor.

(2) Participation Rates Applicable to DPM Complex. Applicable to DPM Complex. The collective DPM participation entitlement shall be: 50% when there is one other Market-Maker quote or broker-dealer order at the BBO; 40% when there are two other Market-Maker quotes or broker-dealer orders at the BBO; and 30% when there are three or more other Market-Maker quotes or broker-dealer orders at the BBO. For purposes of this paragraph (with respect to an electronic execution), all broker-dealer orders at the same price will be treated as one broker-dealer order (with size consisting of the cumulative number of contracts in those non-Market-Maker broker-dealer orders).

(3) Reserved.

(4) Participation Entitlement In Instances Where a Preferred Market-Maker Receives a Participation Entitlement Pursuant to Rule 8.13. The participation entitlement set forth in this Rule shall not apply in instances where a Preferred Market-Maker receives a participation entitlement pursuant to Rule 8.13.

... Interpretations and Policies:

.01 Notwithstanding subparagraph (b)(2) above, the Exchange may establish a lower DPM Complex Participation Rate on a product-by-product basis for newly-listed products or products that are being allocated to a DPM trading crowd for the first time. Notification of such lower participation rate shall be provided to Trading Permit Holders through a Regulatory Circular.

.02 Rule 8.85(a)(i) and Rule 8.93(i) do not require a DPM to provide continuous electronic quotes in intra-day add-on series on the day during which such series are added for trading. However, a DPM may still receive a participation entitlement in such series if it elects to quote in such series and otherwise satisfies the requirements set forth in Rule 8.87(b).

.03 Where the underlying security for a class is in a limit up-limit down state, as defined in Rule 6.3A, DPMs shall have no quoting obligations in the class. However, a DPM may receive a participation entitlement in series of such a class when the underlying security has entered a limit up limit down state if it elects to quote in such series and otherwise satisfies the requirements set forth in Rule 8.87(b).]

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EXHIBIT 5B

(additions are underlined; deletions are [bracketed])

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Rules of Cboe Exchange, Inc.

(effective as of October 7, 2019)

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Rule 1.1. Definitions

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Bulk Message

The term “bulk message” means a single electronic message a User submits to the Exchange in which the User may enter, modify, or cancel up to an Exchange-specified number of bids and offers. A User may submit a bulk message through a bulk port as set forth in Rule 5.6(c)(3). The System handles a bulk message bid or offer in the same manner as it handles an order or quote, unless the Rules specify otherwise.

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Port

The term “port” is defined in Rule 5.5.

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Quote and Quotation

The terms “quote” and “quotation” mean a firm bid or offer a Market-Maker (a) submits electronically in an order or bulk message (including to update any bid or offer [of its] submitted in a previous order or bulk message [quotes])[, which may be updated in block quantities,] or (b) represents in open outcry on the trading floor.

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Rule 5.5. System Access and Connectivity

[Reserved]

(a) Access and Connections. Only authorized Users and associated persons of Users may establish connectivity to and access the Exchange to submit orders and quotes and enter auction responses in accordance with the Exchange’s System access procedures, technical

specifications, and requirements. Users may only directly access the System from a jurisdiction expressly approved by the Exchange pursuant to Rule 3.5.

(b) EFIDs. A Trading Permit Holder 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 Trading Permit Holder, which the System uses to identify the Trading Permit Holder and the clearing number for the execution of orders and quotes submitted to the System with that EFID.

(1) Each EFID corresponds to a single Trading Permit Holder and a single clearing number of a Clearing Trading Permit Holder with the Clearing Corporation.

(2) A Trading Permit Holder may obtain multiple EFIDs, which may be for the same or different clearing numbers. A Trading Permit Holder may only identify for any of its EFIDs the clearing number of a Clearing Trading Permit Holder that is a Designated Give Up or Guarantor of the Trading Permit Holder as set forth in Rule 5.9.

(3) A Trading Permit Holder 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 User 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.

(c) Ports. A User may connect to the Exchange using a logical port available through an API, such as the industry-standard Financial Information eXchange (“FIX”) protocol or Binary Order Entry (“BOE”) protocol. Users may use multiple logical ports. The term “port” includes the following types of ports:

(1) A “physical port” provides a physical connection to the System. A physical port may provide access to multiple logical ports.

(2) A “logical port” or “logical session” provides Users with the ability within the System to accomplish a specific function through a connection, such as order entry, data receipt, or access to information.

(3) A “bulk port” is a dedicated logical port that provides Users with the ability to submit:

(A) bulk messages, subject to the following:

(i) a bulk message has a Time-in-Force of Day;

(ii) a Market-Maker with an appointment in a class may designate a bulk message for that class as Post Only or Book Only, and other Users must designate a bulk message for that class as Post Only; and

(iii) a User may establish a default MTP Modifier of MCN, MCO, or MCB, and a default value of Attributable or Non-Attributable, for a

bulk port, each of which applies to all bulk messages submitted to the Exchange through that bulk port;

(B) single orders in the same manner as Users may submit orders to the Exchange through any other type of port, including designated with any Order Instruction and any Time-in-Force in Rule 5.30, except a Market-Maker with an appointment in a class may designate an order for that class submitted through a bulk port only as Post Only or Book Only, and other Users must designate an order for that class submitted through a bulk port as Post Only; and

(C) auction responses (using auction response messages) in the same manner as Users may submit auction responses to the Exchange through any other type of port.

Rule 5.6. Order Types, Order Instructions, and Times-in-Force

(a) *Availability.* Unless otherwise specified in the Rules or the context indicates otherwise, the Exchange determines which of the following order types, Order Instructions, and Times-in-Force are available on a class, system, or trading session basis. Rule 5.30 sets forth order types, Order Instructions, and Times-in-Force the Exchange may make available for electronic trading during each trading session. An Order Instruction or Time-in-Force applied to a bulk message applies to each bid and offer within that bulk message. All order types, Order Instructions, and Times-in-Force the Exchange makes available in an All Sessions class for RTH electronic trading are available in that class for GTH electronic trading, except as otherwise specified in the Rules. Rule 5.82 sets forth order types, Order Instructions, and Times-in-Force the Exchange may make available for PAR routing (and open outcry trading). Rule 5.33 sets forth the order types, Order Instructions, and Times-in-Force the Exchange may make available for complex orders.

(b) *Order Types.* An order may be either a limit or market order:

Limit Order

A “limit order” is an order (including a bulk message bid or offer) to buy or sell a stated number of option contracts at a specified price or better. A limit order to buy (sell) is marketable when, at the time it enters the System, the order is equal to or higher (lower) than the then-current offer (bid).

Market Order

A “market order” is an order to buy or sell a stated number of option contracts at the best price available at the time of execution. Bulk messages may not be market orders. Users may not designate a market order as All Sessions.

(c) *Order Instructions.* An “Order Instruction” is a processing instruction a User may apply to an order (multiple instructions may apply to a single order), subject to the restrictions set

forth in Rule 6.8(c) with respect to orders and bulk messages submitted through bulk ports and any other restrictions set forth in the Rules, when entering it into the System for electronic or open outcry processing[, subject to any restrictions set forth in the Rules,] and includes:

All-or-None or AON

An “All-or-None” or “AON” order is an order to be executed in its entirety or not at all. An AON order may be a market or limit order. Users may not designate an AON order as All Sessions.

(1) – (5) No change.

(6) A User may not designate a bulk message as AON.

All Sessions

An “All Sessions” order (including a bulk message) is an order a User designates as eligible to trade during both GTH and RTH. An unexecuted All Sessions order on the GTH Book at the end of a GTH trading session enters the RTH Queuing Book and becomes eligible for execution during the RTH opening rotation and trading session on that same trading day, subject to a User’s instructions.

Attributable

An “Attributable” order is an order (including a bulk message) a User designates for display (price and size) that includes the User’s EFID or other unique identifier.

Book Only

A “Book Only” order is an order the System ranks and executes pursuant to Rule 5.32, subjects to the Price Adjust process pursuant to Rule 5.32, or cancels, as applicable (in accordance with User instructions), without routing away to another exchange. Users may designate bulk messages as Book Only as set forth in Rule 5.5(c).

Cancel Back

A “Cancel Back” order is an order (including a bulk message) a User designates to not be subject to the Price Adjust Process pursuant to Rule 5.32 that the System cancels or rejects (immediately at the time the System receives the order or upon return to the System after being routed away) if displaying the order on the Book would create a violation of Rule 5.67, or if the order cannot otherwise be executed or displayed in the Book at its limit price. The System executes a Book Only – Cancel Back order against resting orders, and cancels or rejects a Post Only – Cancel Back order, that locks or crosses the opposite side of the BBO.

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Intermarket Sweep Order or ISO

An “Intermarket Sweep Order” or “ISO” is an order that has the meaning provided in Rule 5.65, which may be executed at one or multiple price levels in the System without regard to Protected Quotations at other options exchanges (i.e., may trade through Protected Quotations). The Exchange relies on the marking of an order by a User as an ISO order when handling such order, and thus, it is the entering User’s responsibility, not the Exchange’s responsibility, to comply with the requirements relating to ISOs. Users may not designate bulk messages as ISOs.

Match Trade Prevention (MTP) Modifier

An order marked with any “Match Trade Prevention (“MTP”) Modifier” does not execute against a resting opposite side order also marked with an MTP Modifier and originating from the same EFID, Trading Permit Holder identifier, trading group identifier, or Sponsored User identifier (any such identifier, a “Unique Identifier”). Except as described in paragraph (3) below, the MTP Modifier on the incoming order controls the interaction between two orders marked with MTP Modifiers. Subject to the restrictions set forth in Rule 5.6(c) with respect to bulk messages submitted through bulk ports, orders may contain the following MTP modifiers:

(1) MTP Cancel Newest (“MCN”). An incoming order marked with the “MCN” Modifier does not execute against a resting order marked with any MTP Modifier originating from the same Unique Identifier. The System cancels or rejects the incoming order, and the resting order remains in the Book. Users may designate bulk messages as MCN as set forth in Rule 5.6(c).

(2) MTP Cancel Oldest (“MCO”). An incoming order marked with the “MCO” Modifier does not execute against a resting order marked with any MTP modifier originating from the same Unique Identifier. The System cancels or rejects the resting order and processes the incoming order in accordance with Rule 5.32. Users may designate bulk messages as MCO as set forth in Rule 5.6(c).

(3) MTP Decrement and Cancel (“MDC”). An incoming order marked with the “MDC” Modifier does not execute against a resting order marked with any MTP Modifier originating from the same Unique Identifier. If both orders are equivalent in size, the System cancels or rejects both orders. If the orders are not equivalent in size, the System cancels or rejects the smaller of the two orders and decrements the size of the larger order by the size of the smaller order, which remaining balance remains on the Book or processes in accordance with Rule 5.32, as applicable. Notwithstanding the foregoing, unless a User instructs the Exchange not to do so, the System cancels or rejects both orders if the resting order is marked with any MTP Modifier other than MDC and the incoming order is smaller in size than the resting order. Users may not designate bulk messages as MDC.

(4) MTP Cancel Both (“MCB”). An incoming order marked with the “MCB” Modifier does not execute against a resting order marked with any MTP Modifier originating from the

same Unique Identifier. The System cancels or rejects both orders. Users may designate bulk messages as MCB as set forth in Rule 5.6(c).

(5) MTP Cancel Smallest (“MCS”). An incoming order marked with the “MCS” Modifier does not execute against a resting order marked with any MTP Modifier originating from the same Unique Identifier. If both orders are equivalent in size, the System cancels or rejects both orders. If the orders are not equivalent in size, the System cancels or rejects the smaller of the two orders, and the larger order remains on the Book or processes in accordance with Rule 5.32, as applicable. Users may not designate bulk messages as MCS.

Minimum Quantity

A “Minimum Quantity” order is an order that requires a specified minimum quantity of contracts to be executed or is cancelled. Minimum Quantity orders will only execute against multiple, aggregated orders if the executions would occur simultaneously. Only a Book Only order with a Time-in-Force designation of IOC may have a Minimum Quantity instruction (the System disregards a Minimum Quantity instruction on any other order). The System considers a Minimum Quantity order to be an AON order. Users may not designate bulk messages as Minimum Quantity Orders.

Non-Attributable

A “Non-Attributable” order is an order (including a bulk message) a User designates for display (price and size) on an anonymous basis or not designated as an Attributable order.

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Post Only

A “Post Only” order is an order the System ranks and executes pursuant to Rule 5.32, subjects to the Price Adjust process pursuant to Rule 5.32, or cancels or rejects (including if it is not subject to the Price Adjust process and locks or crosses a Protected Quotation of another exchange), as applicable (in accordance with User instructions), except the order or quote may not remove liquidity from the Book or route away to another Exchange. Users may designate bulk messages as Post Only as set forth in Rule 5.5(c).

Price Adjust

A “Price Adjust” order is an order (including a bulk message) a User designates to be subject to the Price Adjust process pursuant to Rule 5.32 or not designated as Cancel Back.

Qualified Contingent Cross or QCC[(QCC)]

A “qualified contingent cross” [(or “QCC”)] order is an initiating order to buy (sell) at least 1,000 standard option contracts or 10,000 mini-option contracts that is identified as being part of a qualified contingent trade coupled with a contra-side order or orders totaling an equal number of contracts. If a QCC Order has more than one option leg (a “Complex QCC Order”), each option leg must have at least 1,000 standard option contracts (or 10,000

mini-option contracts). [QCC orders with one option leg may only be entered in the standard increments applicable to simple orders in the options class under Rule 5.4. QCC orders with more than one option leg may be entered in the increments specified for complex orders under Rule 5.4.] See Rule 5.33 for a definition of a QCC with Stock Order. For purposes of this order type:

(1) No change.

(2) [Qualified contingent cross]QCC orders with one option leg may execute automatically upon entry without exposure [provided]if the execution: (A) is not at the same price as a [public customer]Priority Customer order resting in the [electronic b]Book; and (B) is at or between the NBBO. [A qualified contingent cross order will be cancelled if it cannot be executed.] Rule 5.8 (related to exposure of orders on the Exchange) does not apply to QCC orders (including Complex QCC Orders).

(3) [QCC with Stock Orders. A “QCC with Stock Order” is a qualified contingent cross order, as defined above, entered with a stock component to be electronically communicated by the Exchange to a designated broker-dealer for execution on behalf of the submitting Trading Permit Holder pursuant to Rule 5.33.] A Complex QCC Order may execute automatically on entry without exposure if: (A) each option leg executes at a price that complies with Rule 5.33, provided that no option leg executes at the same price as a Priority Customer Order in the Simple Book; (B) each option leg executes at a price at or between the NBBO for the applicable series; and (C) the execution price is better than the price of any complex order resting in the COB, unless the Complex QCC Order is a Priority Customer Order and the resting complex order is a non-Priority Customer Order, in which case the execution price may be the same as or better than the price of the resting complex order.

(4) A QCC order (including a Complex QCC Order) is cancelled if it cannot execute.

(5) A QCC order with one option leg may only be entered in the standard increment applicable to the option class under Rule 5.4. A Complex QCC order may be entered in the increments applicable to complex orders under Rule 5.4.

(6) A User may not designate a bulk message as a QCC order.

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Reserve Order

A “Reserve Order” is a limit order with both a portion of the quantity displayed (“Display Quantity”) and a reserve portion of the quantity (“Reserve Quantity”) not displayed. Both the Display Quantity and Reserve Quantity of the Reserve Order are available for potential execution against incoming orders. When entering a Reserve Order, a User must instruct the Exchange as to the quantity of the order to be initially displayed by the System (“Max Floor”). If the Display Quantity of a Reserve Order is fully executed, the System will, in accordance with the User’s instruction, replenish the Display Quantity from the Reserve

Quantity using one of the below replenishment instructions. If the remainder of an order is less than the replenishment amount, the System will display the entire remainder of the order. The System creates a new timestamp for both the Display Quantity and Reserve Quantity of the order each time it is replenished from reserve. Users may not designate bulk messages as Reserve Orders.

(1) – (2) No change.

RTH Only

An “RTH Only” order is an order (including a bulk message) a User designates as eligible to trade only during RTH or not designated as All Sessions. An unexecuted RTH Only order with a Time-in-Force of GTC or GTD on the RTH Book at the end of an RTH trading session enters the RTH Queuing Book and becomes eligible for execution during the RTH opening rotation and trading session on the following trading day (but not during the GTH trading session on the following trading day), subject to a User’s instructions.

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Stop (Stop-Loss)

A “Stop (Stop-Loss)” order is an order to buy (sell) that becomes a market order when the consolidated last sale price (excluding prices from complex order trades if outside of the NBBO) or NBB (NBO) for a particular option contract is equal to or above (below) the stop price specified by the User. Users may not designate a Stop Order as All Sessions. Users may not designate bulk messages as Stop Orders.

Stop[]-Limit

A “Stop-Limit” order is an order to buy (sell) that becomes a limit order when the consolidated last sale price (excluding prices from complex order trades if outside the NBBO) or NBB (NBO) for a particular option contract is equal to or above (below) the stop price specified by the User. Users may not designate a Stop Order as All Sessions. Users may not designate bulk messages as Stop-Limit Orders.

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(d) *Time-in-Force*. A “Time-in-Force” means the period of time the System holds an order or quote, subject to the restrictions set forth in paragraph (j) below with respect to bulk messages submitted through bulk ports, for potential execution. Unless otherwise specified in the Rules or the context indicates otherwise, the Exchange determines which of the following Times-in-Force are available on a class, system, or trading session basis. Rule 5.33 sets forth the Times-in-Force the Exchange may make available for complex orders.

Day

The term “Day” means, for an order so designated, an order or quote that, if not executed, expires at the RTH market close. All bulk messages have a Time in Force of DAY, as set forth in Rule 5.5(c).

Fill-or-Kill and FOK

The terms “Fill-or-Kill” and “FOK” mean, for an order so designated, an order that must execute in its entirety as soon as the System receives it and, if not so executed, is cancelled. The System considers an FOK order to be an AON order. Users may not designate bulk messages as FOK.

Good-til-Cancelled and GTC

The terms “Good-til-Cancelled” and “GTC” mean, for an order so designated, if after entry into the System, the order is not fully executed, the order (or unexecuted portion) remains available for potential display or execution (with the same timestamp) unless cancelled by the entering User, or until the option expires, whichever comes first. Users may not designate bulk messages as GTC.

Good-til-Date and GTD

The terms “Good-til-Date” and “GTD” mean, for an order so designated, if after entry into the System, the order is not fully executed, the order (or unexecuted portion) remains available for potential display or execution (with the same timestamp) until a date and time specified by the entering User unless cancelled by the entering User. Users may not designate bulk messages as GTD.

Immediate-or-Cancel and IOC

The terms “Immediate-or-Cancel” and “IOC” mean, for an order so designated, a limit order that must execute in whole or in part as soon as the System receives it; the System cancels and does not post to the Book an IOC order (or unexecuted portion) not executed immediately on the Exchange or another options exchange. Users may not designate bulk messages as IOC.

Limit-on-Close and LOC

The terms “Limit-on-Close” and “LOC” mean, for an order so designated, a limit order that may only execute on the Exchange no earlier than a specified amount of time (which may be no more than five minutes) prior to the RTH market close. The System cancels an LOC order (or unexecuted portion) that does not execute by the RTH market close. Users may not designate bulk messages as LOC.

Market-on-Close or MOC

The terms “Market-on-Close” and “MOC” mean, for an order so designated, a market order that may only execute on the Exchange no earlier than a specified amount of time (which may be no more than five minutes) prior to the RTH market close. The System cancels an

MOC order (or unexecuted portion) that does not execute by the RTH market close. Users may not designate bulk messages as MOC.

OPG or At the Open

The terms “OPG” and “At the Open” mean, for an order so designated, an order that may only participate in the Opening Process on the Exchange. The System cancels an OPG order (or unexecuted portion) that does not execute during the Opening Process. Users may not designate bulk messages as OPG.

Rule 5.7. Entry of Orders and Quotes

Users can enter orders and quotes into the System, or cancel previously entered orders and quotes, from 2:00 a.m. Eastern Time until Regular Trading Hours market close, subject to the following requirements and conditions:

(a) Users may transmit to the System multiple orders and quotes at a single price level or multiple price levels. However, a User may only enter one bid and one offer for a series per EFID per bulk port.

(b) Each order and quote a User submits to the Exchange must contain the minimum information identified in the Exchange’s technical specifications.

(c) The System timestamps an order or quote upon receipt, which determines the time ranking of the order or quote for purposes of processing the order or quote.

(d) For each System Security, the System transmits to OPRA for display the aggregate size of all orders and quotes in the System eligible for display at the best price to buy and sell.

(e) After Regular Trading Hours market close, Users may cancel orders and quotes with Time-in-Force of GTC or GTD that remain on the Book until 4:45 p.m. Eastern Time.

(f) Except as provided below, each order, cancellation of, or change to an order transmitted to the Exchange must be “systematized” in a format approved by the Exchange, either before it is sent to the Exchange or upon receipt on the Exchange’s trading floor. An order is systematized if (1) the order is sent electronically to the Exchange or (2) the order that is sent to the Exchange non-electronically (e.g., telephone orders) is input electronically into the Exchange’s systems contemporaneously upon receipt on the Exchange, and prior to representation of the order.

(1) With respect to non-electronic, market and marketable orders sent to the Exchange, the Trading Permit Holder responsible for systematizing the order must input into the Exchange’s systems at least the following specific information with respect to the order prior to the representation of the order:

(A) the option symbol;

(B) the expiration month;

(C) the expiration year;

(D) the strike price;

(E) buy or sell;

(F) call or put;

(G) the number of contracts; and

(H) the Clearing Trading Permit Holder.

Any additional information with respect to the order must be input into the Exchange's systems contemporaneously upon receipt, which may occur after the representation and execution of the order.

(2) In the event of a malfunction or disruption of the Exchange's systems such that a Trading Permit Holder is unable to systematize an order, the Trading Permit Holder or TPH organization must follow the procedures described below during the time period that the malfunction or disruption occurs.

(A) Upon the cessation of the malfunction or disruption, the Trading Permit Holder must immediately resume systematizing orders. In addition, the Trading Permit Holder must exert best efforts to input electronically into the Exchange's systems all relevant order information received during the time period when there was a malfunction or disruption of the Exchange's systems as soon as possible, and in any event shall input such data electronically into the Exchange's systems not later than the close of business on the day that the malfunction or disruption ceases.

(B) If, following a malfunction or disruption, the Exchange's systems were to become available for the systemization of orders after the close of business, the Trading Permit Holder would be expected to input electronically into the Exchange's systems all relevant order information received during the malfunction or disruption on the next business day.

(C) With respect to orders received during a malfunction or disruption of the Exchange's systems:

(i) Each order transmitted to the Exchange must be recorded legibly in a written form that has been approved by the Exchange, and the Trading Permit Holder receiving such order must record the time of its receipt on the floor and legibly record the terms of the order, in written form.

(ii) Each cancellation of, or change to, an order that has been transmitted to the floor must be recorded legibly in a written form that has been approved by the Exchange, and the Trading Permit

Holder receiving such cancellation or change must record the time of its receipt on the floor.

(3) A Trading Permit Holder transmitting from the floor a report of the execution of an order must record the time at which a report of such execution is received by such Trading Permit Holder.

(4) Complex orders of 12 legs or less (one leg of which may be for an underlying security or security future, as applicable) must be entered on a single order ticket at time of systemization. If permitted by the Exchange (which the Exchange will announce by Regulatory Circular), complex orders of more than 12 legs (one leg of which may be for an underlying security or security future, as applicable) may be split across multiple order tickets, if the Trading Permit Holder representing the complex order uses the fewest order tickets necessary to systematize the order and identifies for the Exchange the order tickets that are part of the same complex order (in a form and manner prescribed by the Exchange).

Interpretations and Policies

.01 Any Trading Permit Holder desiring to use an order form other than those provided by the Exchange must submit such form to the Exchange and obtain its approval prior to using such form on the Floor. When approving an order form other than those provided by the Exchange, the Exchange must ensure that the form complies with COATS.

.02 The use of hand signal communications on the Exchange's trading floor may be used to initiate an order, to increase or decrease the size of an order, to change an order's limit price, to cancel an order, or to activate a market order. Any initiation, cancellation, or change of an order relayed to a Floor Broker through the use of hand signals also must be systematized in accordance with paragraph (f) of this Rule. All other Rules applicable to order preparation and retention, and reporting duties are applicable to orders under this Interpretation and Policy .02, except that the record-keeping obligation lies with the Trading Permit Holder signaling the order where a hand signal is used.

.03 Accommodation liquidations as described in Rule 5.11 are exempt from the requirements of this Rule. However, the Exchange maintains quotation, order and transaction information for accommodation liquidations in the same format as the COATS data is maintained, and will make such information available to the SEC upon request.

.04 FLEX Options, as described in Chapter 4, Section D of the Rules, are exempt from the requirements of this Rule. However, the Exchange will maintain as part of its audit trail quotation, order, and transaction information for FLEX Options in a form and manner that is substantially similar to the form and manner as the COATS data is maintained, and will make such information available to the SEC upon request.

.05 Any proprietary system approved by the Exchange on the Exchange's trading floor that receives orders will be considered an Exchange system for purposes of paragraph (f)(1) of

this Rule. Any proprietary system approved by the Exchange shall have the functionality to comply with the requirements of COATS.

.06 Each order transmitted by a Market-Maker while on the Exchange's trading floor, including any cancellation of or change to such order, must be systematized in accordance with the procedures described in paragraph (f) of this Rule, as applicable.

Rule 5.8. Order Exposure

(a) *Principal Orders.* Trading Permit Holders may not execute as principal orders they represent as agent unless:

(1) the TPH first exposes the agency order on the System for at least one second;

(2) the TPH has been bidding and offering for at least one second prior to receiving an agency order that is executable against such bid or offer; or

(3) the TPH crosses the principal order and agency order pursuant to Rule 5.37, 5.38, or 5.87.

Agency orders priced in penny increments are deemed "exposed" pursuant to subparagraph (1), and principal orders priced in penny increments are deemed bids and offers pursuant to subparagraph (2).

(b) *Solicited Orders.* Trading Permit Holders must expose orders they represent as agent for at least one second before such orders may, in whole or in part, execute electronically against TPHs and non-TPH broker-dealers on the System. Agency orders priced in penny increments are deemed "exposed" pursuant to this paragraph (b).

(c) *Reserve Orders.* The Reserve Quantity of a Reserve Order satisfies the exposure requirement in paragraph (a) or (b) if the Displayed Quantity of the Reserve Order is displayed at its displayable price for at least one second.

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Section B. Exchange Authority

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Rule 5.24. Disaster Recovery

(a) *Business Continuity and Disaster Recovery Plans.* The Exchange maintains business continuity and disaster recovery plans, including backup systems, it may activate to maintain fair and orderly markets in the event of a systems failure, disaster, or other unusual circumstance that may threaten the ability to conduct business on the Exchange.

(b) *TPHs Required to Connect to Backup Systems.* The Exchange maintains a backup systems to allow the Exchange to operate and conduct business in the event the Exchange's

primary systems become inoperable or otherwise unavailable for use due to a significant systems failure, disaster or other unusual circumstances. The Exchange requires the following Trading Permit Holders to connect to the Exchange's backup systems and participate in functional and performance testing announced by the Exchange, which occurs at least once every 12 months:

(1) Trading Permit Holders that the Exchange has determined contribute a meaningful percentage of the Exchange's overall volume.

(2) Trading Permit Holders that the Exchange has determined contribute a meaningful percentage of the Exchange's executed customer volume in SPX and VIX combined.

(3) Trading Permit Holders that participate as Market-Makers (including LMMs) in option classes exclusively listed on the Exchange that submit continuous electronic quotes in those classes.

(4) Trading Permit Holders that participate as DPMs in multiply listed option classes.

During the use of backup systems, the Exchange may, if necessary for the maintenance of fair and orderly markets, establish heightened quoting obligations for these designated Trading Permit Holders in a class in which the Trading Permit Holder is already an appointed Market-Maker (including an LMM) up to the standards specified for DPMs in Rule 5.32 or disallow the ability to deselect an appointment intraday in a class in which the Trading Permit Holder is already an appointed Market-Maker. The Exchange provides reasonable advance notice to Trading Permit Holders of any additional temporary requirements prior to implementation.

(c) All Other TPHs. All Trading Permit Holders may connect to the Exchange's backup systems and participate in testing of these systems.

(d) Operation of Open Outcry. If the Exchange's primary and backup systems become inoperable or otherwise unavailable for use due to a significant systems failure, disaster, or other unusual circumstances, in the interests of maintaining fair and orderly markets or for the protection of investors, the Exchange may determine, on a class-by-class basis, to temporarily allow trading in its exclusively listed products in an exclusive floor-based environment via open outcry in order to preserve the Exchange's ability to conduct business in those option classes.

(e) Loss of Trading Floor. If the Exchange trading floor becomes inoperable, the Exchange will continue to operate in a screen-based only environment using a floorless configuration of the System that is operational while the trading floor facility is inoperable. The Exchange will operate using this configuration only until the Exchange's trading floor facility is operational. Open outcry trading will not be available in the event the trading floor becomes inoperable, except in accordance with paragraph (2) below and pursuant to Rule 5.26, as applicable.

(1) *Applicable Rules.* In the event that the trading floor becomes inoperable, trading will be conducted pursuant to all applicable System Rules, except that open outcry Rules will not be in force, including but not limited to the Rules (or applicable portions of the Rules) in Chapter 5, Section G. All non-trading rules of the Exchange will continue to apply.

(2) *Other Back-Up Trading Arrangements.* This Rule does not preclude the Exchange from conducting business, in the event the trading floor is rendered inoperable, pursuant to Rule 5.26.

(f) *Deactivation of Certain Systems.* In the event of a systems disruption or malfunction, security intrusion, systems compliance issue, or other unusual circumstances, the Exchange may, in accordance with the Rules or, if necessary, to maintain fair and orderly markets or to protect investors, temporarily deactivate certain systems or systems functionalities that are not essential to conducting business on the Exchange. The Exchange will notify market participants of any such deactivation, and any subsequent reactivation, promptly and in a reasonable manner determined by the Exchange.

(g) *Connectivity Restriction.* The Exchange may temporarily restrict a Trading Permit Holder's or associated person's access to the System or other electronic trading systems if it is determined by the President (or senior-level designee) of the Exchange, that because of a systems issue, such access threatens the Exchange's ability to operate systems essential to the maintenance of fair and orderly markets. Such access would remain restricted until the end of the trading session or an earlier time if the President (or senior-level designee) of the Exchange, in consultation with the affected Trading Permit Holder(s), determines that lifting the restriction no longer poses a threat to the Exchange's ability to operate systems essential to conducting business or continuing to maintain a fair and orderly market on the Exchange or to investors.

Interpretations and Policies

.01 For purposes of determining which Trading Permit Holders contribute a meaningful percentage of the Exchange's overall volume and customer volume in SPX and VIX pursuant to subparagraphs (b)(1) and (2), respectively, the Exchange measures volume executed on the Exchange during a specified calendar quarter (the "measurement quarter").

(a) The Exchange provides Trading Permit Holders with reasonable advance notice of the applicable meaningful percentage and measurement quarter, which meaningful percentage may not apply retroactively to any measurement quarter completed or in progress.

(b) The Exchange individually notifies all Trading Permit Holders that are subject to paragraph (b) of this Rule 5.24 based on the applicable meaningful percentage following the completion of the applicable measurement quarter. The Exchange provides these Trading Permit Holders with reasonable advance notice that they must participate in the testing described in paragraph (b) of this Rule 5.24.

Rule 5.25. Message Traffic Mitigation

To mitigate message traffic, based on the Exchange's traffic with respect to target traffic levels and in accordance with the Exchange's overall objective of reducing both peak and overall traffic:

(a) *Replace on Queue.* The System does not send an outbound message in a series that has not been but is about to be sent if a more current quote message for the same series is available for sending, but does not delay the sending of any messages.

(b) *Price/Size Updates.* The Exchange prioritizes price update messages over size update messages in all series and in conjunction with the replace on queue functionality described in paragraph (a).

Rule 5.26. Back-Up Trading Arrangements

(a) *Cboe Options is Disabled Exchange.*

(1) *Cboe Options Exclusively Listed Options.*

(A) For purposes of this Rule 5.26, the term "exclusively listed option" means an option that is listed exclusively by an exchange (because the exchange has an exclusive license to use, or has proprietary rights in, the interest underlying the option).

(B) Cboe Options may enter into arrangements with one or more other exchanges (each a "Back-Up Exchange") to permit Cboe Options and its Trading Permit Holders to use a portion of the Back-Up Exchange's facilities to conduct the trading of some or all of Cboe Options' exclusively listed options in the event that the functions of Cboe Options are severely and adversely affected by an emergency or extraordinary circumstances (a "Disabling Event"). These options class will trade as listings of Cboe Options. The facility of the Back-Up Exchange used by Cboe Options for this purpose will be deemed to be a facility of Cboe Options.

(C) Trading of Cboe Options exclusively listed options on Cboe Options' facility at the Back-Up Exchange will be conducted in accordance with the rules of the Back-Up Exchange, except that (i) such trading shall be subject to Cboe Options Rules with respect to doing business with the public, margin requirements, net capital requirements, listing requirements and position limits, and (ii) Cboe Options Trading Permit Holders that are trading on Cboe Options' facility at the Back-Up Exchange (not including members of the Back-up Exchange who become temporary Trading Permit Holders of Cboe Options pursuant to subparagraph (a)(1)(F)) will be subject to Cboe Options Rules governing or applying to the maintenance of a person's or a firm's status as a Trading Permit Holder of Cboe Options, and (iii) Cboe Options may establish a lower DPM or LMM participation

entitlement percentage applicable to trading on Cboe Options' facility on the Back-Up Exchange than the percentage applicable under the rules of the Back-up Exchange if agreed to by Cboe Options and the Back-Up Exchange. In addition, Cboe Options and the Back-Up Exchange may agree that other Cboe Options Rules will apply to such trading. Cboe Options and the Back-Up Exchange have agreed to communicate to their Trading Permit Holders and members, respectively, which rules apply in advance of trading. The Back-Up Exchange rules that govern trading on Cboe Options' facility at the Back-Up Exchange will be deemed to be Cboe Options Rules for purposes of such trading.

(D) The Back-Up Exchange has agreed to perform the related regulatory functions with respect to trading of Cboe Options exclusively listed options on Cboe Options' facility at the Back-Up Exchange, in each case except as Cboe Options and the Back-Up Exchange may specifically agree otherwise. The Back-Up Exchange and Cboe Options have agreed to coordinate with each other regarding surveillance and enforcement respecting trading of Cboe Options exclusively listed options on Cboe Options' facility at the Back-Up Exchange. Cboe Options shall retain the ultimate legal responsibility for the performance of its self-regulatory obligations with respect to Cboe Options' facility at the Back-Up Exchange.

(E) Cboe Options will have the right to designate its Trading Permit Holders that will be authorized to trade Cboe Options exclusively listed options on Cboe Options' facility at the Back-Up Exchange and, if applicable, its Trading Permit Holder(s) that will be an LMM or DPM in those options. If the Back-Up Exchange is unable to accommodate all Cboe Options Trading Permit Holders that desire to trade on Cboe Options' facility at the Back-Up Exchange, Cboe Options may determine which Trading Permit Holders will be eligible to trade at that facility. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the Trading Permit Holder is a DPM or LMM in the applicable product(s), the number of contracts traded by the Trading Permit Holder in the applicable product(s), market performance, and other factors relating to a Trading Permit Holder's contribution to the market in the applicable product(s).

(F) Members of the Back-Up Exchange will not be authorized to trade in any Cboe Options exclusively listed options, except that (i) Cboe Options may deputize willing floor brokers of the Back-Up Exchange as temporary Cboe Options Trading Permit Holders to permit them to execute orders as brokers in Cboe Options exclusively listed options traded on Cboe Options' facility at the Back-Up Exchange, and (ii) the Back-Up Exchange has agreed that it will, at the instruction of Cboe Options, select members of the Back-Up Exchange that are willing to be deputized by Cboe Options as temporary Cboe Options Trading Permit Holders authorized to trade Cboe Options

exclusively listed options on Cboe Options' facility at the Back-Up Exchange for such period of time following a Disabling Event as Cboe Options determines to be appropriate, and Cboe Options may deputize such members of the Back-Up Exchange as temporary Cboe Options Trading Permit Holders for that purpose.

(2) Cboe Options Singly Listed Options.

(A) For purposes of this Rule 5.26, the term "singly listed option" means an option that is not an "exclusively listed option" but that is listed by an exchange and not by any other national securities exchange.

(B) Cboe Options may enter into arrangements with a Back-Up Exchange under which the Back-Up Exchange will agree, in the event of a Disabling Event, to list for trading singly listed option classes that are then singly listed only by Cboe Options and not by the Back-Up Exchange. Any such option classes listed by the Back-Up Exchange will trade on the Back-Up Exchange and in accordance with the rules of the Back-Up Exchange. Such option classes will be traded by members of the Back-Up Exchange and by Cboe Options Trading Permit Holders selected by Cboe Options to the extent the Back-Up Exchange can accommodate Cboe Options Trading Permit Holders in the capacity of temporary members of the Back-Up Exchange. If the Back-Up Exchange is unable to accommodate all Cboe Options Trading Permit Holders that desire to trade singly listed options at the Back-Up Exchange, Cboe Options may determine which Trading Permit Holders will be eligible to trade such options at the Back-Up Exchange. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the Trading Permit Holder is a DPM or LMM in the applicable product(s), the number of contracts traded by the Trading Permit Holder in the applicable product(s), market performance, and other factors relating to a Trading Permit Holder's contribution to the market in the applicable product(s).

(C) Any options class listed by the Back-Up Exchange pursuant to subparagraph (a)(2)(B) that does not satisfy the standard listing and maintenance criteria of the Back-Up Exchange will be subject, upon listing by the Back-Up Exchange, to delisting (and, thus, restrictions on opening new series, and engaging in opening transactions in those series with open interest, as may be provided in the rules of the Back-Up Exchange).

(3) Multiply Listed Options. Cboe Options may enter into arrangements with a Back-Up Exchange to permit Cboe Options Trading Permit Holders to conduct trading on a Back-Up Exchange of some or all of Cboe Options' multiply listed options in the event of a Disabling Event. These options will trade as a listing of the Back-Up Exchange and in accordance with the rules of the Back-Up Exchange. These options will be traded by members of the Back-Up Exchange and by Cboe Options Trading Permit Holders selected by Cboe Options to the extent the Back-Up Exchange can

accommodate Cboe Options Trading Permit Holders in the capacity of temporary members of the Back-Up Exchange. If the Back-Up Exchange is unable to accommodate all Cboe Options Trading Permit Holders that desire to trade multiply listed options at the Back-Up Exchange, Cboe Options may determine which Trading Permit Holders will be eligible to trade such options at the Back-Up Exchange. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the Trading Permit Holder is a DPM or LMM in the applicable product(s), the number of contracts traded by the Trading Permit Holder in the applicable product(s), market performance, and other factors relating to a Trading Permit Holder's contribution to the market in the applicable product(s).

(b) Cboe Options is Back-Up Exchange.

(1) Disabled Exchange Exclusively Listed Options.

(A) Cboe Options may enter into arrangements with one or more other exchanges (each a "Disabled Exchange") to permit the Disabled Exchange and its members to use a portion of Cboe Options's facilities to conduct the trading of some or all of the Disabled Exchange's exclusively listed options in the event of a Disabling Event. Such option classes shall trade as listings of the Disabled Exchange. The facility of Cboe Options used by the Disabled Exchange for this purpose will be deemed to be a facility of the Disabled Exchange.

(B) Trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at Cboe Options shall be conducted in accordance with Cboe Options rules, except that (i) such trading shall be subject to the Disabled Exchange's rules with respect to doing business with the public, margin requirements, net capital requirements, listing requirements and position limits, and (ii) members of the Disabled Exchange that are trading on the Disabled Exchange's facility at Cboe Options (not including Cboe Options Trading Permit Holders who become temporary members of the Disabled Exchange pursuant to paragraph (b)(1)(D)) will be subject to the rules of the Disabled Exchange governing or applying to the maintenance of a person's or a firm's status as a member of the Disabled Exchange. In addition, the Disabled Exchange and Cboe Options may agree that other Disabled Exchange rules will apply to such trading. The Disabled Exchange and Cboe Options have agreed to communicate to their members Trading Permit Holders, respectively, which rules apply in advance of trading.

(C) Cboe Options will perform the related regulatory functions with respect to trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at Cboe Options, in each case except as the Disabled Exchange and Cboe Options may specifically agree otherwise. Cboe Options and the Disabled Exchange have agreed to coordinate with

each other regarding surveillance and enforcement respecting trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at Cboe Options. The Disabled Exchange has agreed that it shall retain the ultimate legal responsibility for the performance of its self-regulatory obligations with respect to the Disabled Exchange's facility at Cboe Options.

(D) Cboe Options Trading Permit Holders shall not be authorized to trade in any exclusively listed options of the Disabled Exchange, except (i) that the Disabled Exchange may deputize willing Cboe Options floor brokers as temporary members of the Disabled Exchange to permit them to execute orders as brokers in exclusively listed options of the Disabled Exchange traded on the facility of the Disabled Exchange at Cboe Options, and (ii) at the instruction of the Disabled Exchange, Cboe Options shall select Cboe Options Trading Permit Holders that are willing to be deputized by the Disabled Exchange as temporary members of the Disabled Exchange authorized to trade the Disabled Exchange's exclusively listed options on the facility of the Disabled Exchange at Cboe Options for such period of time following a Disabling Event as the Disabled Exchange determines to be appropriate, and the Disabled Exchange may deputize such Cboe Options Trading Permit Holders as temporary members of the Disabled Exchange for that purpose.

(2) Disabled Exchange Singly Listed Options.

(A) Cboe Options may enter into arrangements with a Disabled Exchange under which Cboe Options will agree, in the event of a Disabling Event, to list for trading singly listed option classes that are then singly listed only by the Disabled Exchange and not by Cboe Options. Any such option classes listed by Cboe Options shall trade on Cboe Options and in accordance with Cboe Options rules. Such option classes shall be traded by Cboe Options Trading Permit Holders and by members of the Disabled Exchange selected by the Disabled Exchange to the extent Cboe Options can accommodate members of the Disabled Exchange in the capacity of temporary Trading Permit Holders of Cboe Options. Cboe Options may allocate such option classes to a Cboe Options DPM in advance of a Disabling Event, without utilizing the allocation process under Cboe Options Rule 8.95, to enable Cboe Options to quickly list such option classes upon the occurrence of a Disabling Event.

(B) Any options class listed by Cboe Options pursuant to paragraph (b)(2)(A) that does not satisfy the listing and maintenance criteria under Cboe Options rules will be subject, upon listing by Cboe Options, to delisting (and, thus, restrictions on opening new series, and engaging in opening transactions in those series with open interest, as may be provided in Cboe Options rules).

(3) Multiply Listed Options. Cboe Options may enter into arrangements with a Disabled Exchange to permit the Disabled Exchange's members to conduct trading on Cboe Options of some or all of the Disabled Exchange's multiply listed options in the event of a Disabling Event. Such options shall trade as a listing of Cboe Options and in accordance with Cboe Options rules. Such options shall be traded by Cboe Options Trading Permit Holders and by members of the Disabled Exchange to the extent Cboe Options can accommodate members of the Disabled Exchange in the capacity of temporary Trading Permit Holders of Cboe Options.

(c) Member Obligations.

(1) Temporary Members of the Disabled Exchange.

(A) A Cboe Options Trading Permit Holder acting in the capacity of a temporary member of the Disabled Exchange pursuant to subparagraph (b)(1)(D) will be subject to, and obligated to comply with, the rules that govern the operation of the facility of the Disabled Exchange at Cboe Options, including the rules of the Disabled Exchange to the extent applicable during the period of such trading. Additionally:

(i) the Cboe Options Trading Permit Holder will be deemed to have satisfied, and the Disabled Exchange has agreed to waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a member of the Disabled Exchange, including all dues, fees and charges imposed generally upon members of the Disabled Exchange based on their status as such;

(ii) the Cboe Options Trading Permit Holder will have none of the rights of a member of the Disabled Exchange except the right to conduct business on the facility of the Disabled Exchange at Cboe Options to the extent described in this Rule;

(iii) the TPH organization associated with that Cboe Options Trading Permit Holder, if any, will be responsible for all obligations arising out of that Cboe Options Trading Permit Holder's activities on or relating to the Disabled Exchange; and

(iv) the Clearing Trading Permit Holder of that Cboe Options Trading Permit Holder will guarantee and clear the transactions of that Cboe Options Trading Permit Holder on the Disabled Exchange.

(B) A member of a Back-Up Exchange acting in the capacity of a temporary Trading Permit Holder of Cboe Options pursuant to subparagraph (a)(1)(F) will be subject to, and obligated to comply with, the rules that govern the operation of the facility of Cboe Options at the Back-Up Exchange, including Cboe Options Rules to the extent applicable during the period of such trading. Additionally:

(i) the temporary Trading Permit Holder will be deemed to have satisfied, and Cboe Options will waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a Trading Permit Holder of Cboe Options, including all dues, fees and charges imposed generally upon Cboe Options Trading Permit Holders based on their status as such;

(ii) the temporary Trading Permit Holder will have none of the rights of a Cboe Options Trading Permit Holder except the right to conduct business on the facility of Cboe Options at the Back-Up Exchange to the extent described in this Rule;

(iii) the member organization associated with that temporary Trading Permit Holder, if any, will be responsible for all obligations arising out of that temporary Trading Permit Holder's activities on or relating to Cboe Options; and

(iv) the Clearing Trading Permit Holder of that temporary Trading Permit Holder will guarantee and clear the transactions on Cboe Options of the temporary Trading Permit Holder.

(2) Temporary Members of the Back-Up Exchange.

(A) A Cboe Options Trading Permit Holder acting in the capacity of a temporary member of the Back-Up Exchange pursuant to subparagraphs (a)(2)(B) or (a)(3) will be subject to, and obligated to comply with, the rules of the Back-Up Exchange that are applicable to the Back-Up Exchange's own members. Additionally:

(i) the Cboe Options Trading Permit Holder will be deemed to have satisfied, and the Back-Up Exchange has agreed to waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a member of the Back-Up Exchange, including all dues, fees and charges imposed generally upon members of the Back-Up Exchange based on their status as such;

(ii) the Cboe Options Trading Permit Holder will have none of the rights of a member of the Back-Up Exchange except the right to conduct business on the Back-Up Exchange to the extent described in this Rule;

(iii) the TPH organization associated with that Cboe Options Trading Permit Holder, if any, will be responsible for all obligations arising out of that Cboe Options Trading Permit Holder's activities on or relating to the Back-Up Exchange;

(iv) the Clearing Trading Permit Holder of that Cboe Options Trading Permit Holder shall guarantee and clear the transactions of that Cboe Options Trading Permit Holder on the Back-Up Exchange; and

(v) the Cboe Options Trading Permit Holder will only be permitted (a) to act in those capacities on the Back-Up Exchange that are authorized by the Back-Up Exchange and that are comparable to capacities in which the Cboe Options Trading Permit Holder has been authorized to act on Cboe Options, and (b) to trade in those option classes in which the Cboe Options Trading Permit Holder is authorized to trade on Cboe Options.

(B) A member of a Disabled Exchange acting in the capacity of a temporary Trading Permit Holder of Cboe Options pursuant to subparagraphs (b)(2)(A) or (b)(3) will be subject to, and obligated to comply with, Cboe Options Rules that are applicable to Cboe Options' own Trading Permit Holders. Additionally:

(i) the temporary Trading Permit Holder will be deemed to have satisfied, and Cboe Options will waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a Trading Permit Holder of Cboe Options, including all dues, fees and charges imposed generally upon Cboe Options Trading Permit Holders based on their status as such;

(ii) the temporary Trading Permit Holder will have none of the rights of a Cboe Options Trading Permit Holder except the right to conduct business on Cboe Options to the extent described in this Rule;

(iii) the member organization associated with that temporary Trading Permit Holder, if any, will be responsible for all obligations arising out of that temporary Trading Permit Holder's activities on or relating to Cboe Options;

(iv) the Clearing Trading Permit Holder of that temporary Trading Permit Holder will guarantee and clear the transactions of the temporary Trading Permit Holder on the Cboe Options; and

(v) the temporary Trading Permit Holder will only be permitted (a) to act in those Cboe Options capacities that are authorized by Cboe Options and that are comparable to capacities in which the temporary Trading Permit Holder has been authorized to act on the Disabled Exchange, and (b) to trade in those option classes in which the temporary Trading Permit Holder is authorized to trade on the Disabled Exchange.

(d) Member Proceedings.

(1) If Cboe Options initiates an enforcement proceeding with respect to the trading during a back-up period of the singly or multiply listed options of the Disabled Exchange by a temporary Trading Permit Holder of Cboe Options or the exclusively listed options of the Disabled Exchange by a member of the Disabled Exchange (other than a Cboe Options Trading Permit Holder who is a temporary member of the Disabled Exchange), and such proceeding is in process upon the conclusion of the back-up period, Cboe Options may transfer responsibility for such proceeding to the Disabled Exchange following the conclusion of the back-up period. Arbitration of any disputes with respect to any trading during a back-up period of singly or multiply listed options of the Disabled Exchange or of exclusively listed options of the Disabled Exchange on the Disabled Exchange's facility at Cboe Options will be conducted in accordance with Cboe Options rules, unless the parties to an arbitration agree that it shall be conducted in accordance with the rules of the Disabled Exchange.

(2) If the Back-Up Exchange initiates an enforcement proceeding with respect to the trading during a back-up period of Cboe Options singly or multiply listed options by a temporary member of the Back-Up Exchange or Cboe Options exclusively listed options by a Cboe Options Trading Permit Holder (other than a member of the Back-Up Exchange who is a temporary Trading Permit Holder of Cboe Options), and such proceeding is in process upon the conclusion of the back-up period, the Back-Up Exchange may transfer responsibility for such proceeding to Cboe Options following the conclusion of the back-up period. Arbitration of any disputes with respect to any trading during a back-up period of Cboe Options singly or multiply listed options on the Back-Up Exchange or of Cboe Options exclusively listed options on the facility of Cboe Options at the Back-Up Exchange will be conducted in accordance with the rules of the Back-Up Exchange, unless the parties to an arbitration agree that it shall be conducted in accordance with Cboe Options Rules.

(e) Trading Permit Holder Preparations. Cboe Options Trading Permit Holders are required to take appropriate actions as instructed by Cboe Options to accommodate Cboe Options' back-up trading arrangements with other exchanges and Cboe Options' own back-up trading arrangements.

Interpretations and Policies

.01 This Rule 5.26 reflects back-up trading arrangements that Cboe Options has entered into or may enter into with one or more other exchanges. To the extent that this Rule provides that another exchange will take certain action, the Rule is reflecting what that exchange has agreed to do by contractual agreement with Cboe Options, but the Rule itself is not binding upon the other exchange.

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Section C. Electronic Trading

Rule 5.30. Availability of Orders and Quotes for Electronic Processing

Pursuant to Rule 5.6(a), the Exchange may make order types, Order Instructions, and Times-in-Force available on a system, class, and trading session basis for electronic processing, subject to the restrictions set forth in Rule 5.5 with respect to orders and bulk messages submitted through bulk ports.

(a) *RTH Trading Session.* The Exchange may make the following order types, Order Instructions, and Times-in-Force available for electronic processing during RTH:

(1) *Order Types:* limit order and market order.

(2) *Order Instructions:* AON, Attributable, Book Only, All Sessions, Cancel Back, Electronic Only, ISO, MTP Modifier, Minimum Quantity, Non-Attributable, Post Only, Price Adjust, QCC, Reserve Order, RTH Only, Stop (Stop-Loss), and Stop Limit.

(3) *Times-in-Force:* Day, FOK, GTC, GTD, IOC, LOC, MOC, and OPG.

(b) *GTH Trading Session.* The Exchange may make the following order types, Order Instructions, and Times-in-Force available for electronic processing during GTH:

(1) *Order Types:* limit order.

(2) *Order Instructions:* AON, Attributable, Book Only, All Sessions, Cancel Back, Electronic Only, MTP Modifier, Minimum Quantity, Non-Attributable, Post Only, Price Adjust, Reserve Order, and Stop Limit.

(3) *Times-in-Force:* Day, FOK, GTC, GTD, IOC, OPG.

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Rule 5.32. Order and Quote Book Processing, Display, Priority, and Execution

(a) *Priority and Allocation.* The Exchange determines which base allocation algorithm in subparagraph (1), and whether one or more of the priority overlays in subparagraph (2), applies on a class-by-class basis. Pursuant to any allocation algorithm and any priority overlay, the System only allocates to an order or quote (including a bulk message bid or offer) up to the number of contracts of that order or quote at the execution price.

(1) *Base Allocation Algorithms.*

(A) *Price-Time.* Resting orders and quotes on the Book with the highest bid and lowest offer have priority. If there are two or more resting orders or quotes at the same price, the System prioritizes them at the same price in the order in which the System received them (*i.e.*, in time priority).

(B) Pro-Rata. Resting orders and quotes on the Book with the highest bid and lowest offer have priority. If there are two or more resting orders at the same price, the System allocates orders proportionally according to size (*i.e.*, on a pro-rata basis). The System allocates executable quantity to the nearest whole number, with fractions $\frac{1}{2}$ or greater rounded up (in size-time priority) and fractions less than $\frac{1}{2}$ rounded down. If the executable quantity cannot be evenly allocated, the System distributes remaining contracts one at a time in size-time priority to orders that were rounded down.

(2) Priority Overlays. The Exchange may apply one or more of the priority overlays to a class in any sequence, except if the Exchange applies any participation entitlement pursuant to subparagraph (B) or the small order priority pursuant to subparagraph (C), it must apply the Priority Customer overlay in subparagraph (A) ahead of the participation entitlement and small-size order priority in the priority sequence. After the System executes an incoming order subject to the applicable priority overlays, the System executes any remaining orders resting on the Book (which are non-Priority Customer orders if the Exchange applies any of the overlays in subparagraphs (A) through (C)) pursuant to the applicable base allocation algorithm.

(A) Priority Customer Overlay. A Priority Customer order at the highest bid or lowest offer has priority over orders and quotes of all other market participants at that price. If there are two or more Priority Customer orders at the same price, the System prioritizes them in the order in which the System received them (*i.e.*, in time priority).

(B) DPM/LMM/PMM Participation Entitlement. The Exchange may apply one or more of the DPM, LMM, and PMM participation entitlements (in any sequence) to a class. If the DPM, LMM, or PMM, as applicable, has a quote at the highest bid or lowest offer, it will receive the greater of (i) the number of contracts it would receive pursuant to the applicable base allocation algorithm and (ii) 50% of the contracts if there is one other non-Priority Customer order or quote, 40% of the contracts if there are two non-Priority Customer orders or quotes, or 30% of the contracts if there are three or more non-Priority Customer orders or quotes on the Book at that price.

(i) Only one participation entitlement may apply to a trade (*e.g.*, if the Exchange applies a PMM participation entitlement and DPM participation entitlement to a class, with the PMM participation entitlement ahead of the DPM participation entitlement in the priority sequence, and both a PMM and DPM have a quote at the highest bid or lowest offer, the PMM will receive an entitlement on a trade and the DPM will not).

(ii) The participation entitlement is based on the number of non-Priority Customer contracts remaining after the Priority Customer overlay is applied.

(iii) If the Exchange appoints both an On-Floor LMM or DPM and Off-Floor DPM or LMM to a class, the On-Floor LMM or DPM, as applicable, may receive a participation entitlement with respect to orders represented in open outcry but not for orders executed electronically, and an Off-Floor DPM or LMM, as applicable, may receive a participation entitlement with respect to orders executed electronically but not orders represented in open outcry.

(iv) The DPM/LMM/PMM participation entitlement does not apply during Global Trading Hours.

(C) *Small-Size Order Entitlement (1 – 5 Lot)*. If an incoming order or quote has five or fewer contracts (“small-size order”), and the DPM or LMM in the class, as applicable, has a quote at the highest bid or lowest offer, it has priority to execute against the entire size of the order or quote that does not execute against any Priority Customer orders at that price.

(i) If a small-size order is preferred to a PMM, the PMM has a quote at the BBO, and the Exchange has applied the PMM participation entitlement, the PMM receives its participation entitlement, and the small-size order entitlement does not apply to execution of that order. If the PMM does not have a quote at the BBO, but the DPM or LMM, as applicable, in the class does have a quote at the BBO, then the DPM or LMM receives the small-size order entitlement.

(ii) If a small-size order is preferred to a DPM or LMM, the DPM or LMM as applicable, as a quote at the BBO, and the Exchange has applied the PMM and DPM or LMM participation entitlement, the DPM or LMM receives the small-size order entitlement, and the participation entitlement does not apply to execution of that order.

(iii) The small-size order entitlement does not apply to executions following auctions.

(iv) The Exchange reviews this provision on a quarterly basis, and will reduce the size of small-size orders if they comprise more than 40% of the volume executed on the Exchange (excluding volume resulting from the execution of orders in AIM).

(D) *Market Turner Priority*. A “Market Turner” is a TPH that first entered an order or quote at a better price than the previous highest bid or lowest offer, which order is continuously on the Book (and not modified in a manner that changes its priority) until it trades. A Market Turner has priority to execute against 50% of the size of an incoming order or quote, or against the number of contracts remaining after any priority overlays ahead of the Market Turner Priority are applied, at the highest bid or lowest offer the Market Turner established.

(i) There may be a Market Turner for each price at which a particular order or quote trades.

(ii) Market Turner priority remains with an order or quote once established (i.e., if the market moves in the same direction as the Market Turner's order or quote moved the market, and then moves back to the Market Turner's original price, the Market Turner retains priority at that original price).

(iii) Any unexecuted portion of a Market Turner order or quote retains its Market Turner priority at its original price.

(iv) Market Turner priority may not be established until after the market open. Once established, Market Turner priority remains in effect for an order or quote until the market close.

(v) If a Preferred Market-Maker receives a participation entitlement for an order pursuant to subparagraph (B) above, no Market Turner priority applies to the execution of that order.

(3) Additional Priority Rules.

(A) Undisplayed Orders. Displayed orders at a given price have priority over nondisplayed orders.

(B) Reserve Orders. Priority Customer Reserve Quantities at the same price execute in time sequence, and non-Priority Customer Reserve Quantities execute in accordance with the applicable base allocation algorithm.

(C) All-or-None Orders. An AON order is always last in priority order (including after nondisplayed Reserve Quantity). The System allocates AON orders at the same price based on the time the System receives them (i.e., in time priority), except if the Exchange applies the Priority Customer overlay to a class, Priority Customer AON orders have priority over non-Priority Customer AON orders.

(i) A transaction may occur at the same price as an AON order resting on the EDGX Options Book without the AON order participating in the transaction.

(ii) Notwithstanding subparagraph (1) above, a transaction may occur at a price lower (higher) than an AON order bid (offer) resting on the Book if the size of the resting AON order cannot be satisfied.

(b) Price Adjust.

(1) The System adjusts the price ("Price Adjust") of an order designated as Price Adjust (or an order not designated as Cancel Back) as follows:

(A) Incoming Non-AON Orders. If a buy (sell) non-AON order at the time of entry, would lock or cross:

(i) a Protected Quotation of another options exchange or the Exchange, the System ranks and displays the order at one minimum price variation below (above) the current NBO (NBB); or

(ii) the offer (bid) of a sell (buy) AON order resting on the EDGX Options Book at or better than the Exchange's best offer (bid), the System ranks the resting AON order one minimum price variation above (below) the bid (offer) of the non-AON order.

(B) Incoming AON Orders. If a buy (sell) AON order, at the time of entry, would:

(i) cross a Protected Offer (Bid) of another options exchange or a sell (buy) AON order resting on the EDGX Options Book at or better than the Exchange's best offer (bid), the System ranks the incoming AON order at a price equal to the Protected Offer (Bid) or the offer (bid) of the resting AON order, respectively; or

(ii) lock or cross a Protected Offer (Bid) of the Exchange, the System ranks the incoming AON order at a price one minimum price variation below (above) the Protected Offer (Bid).

(2) If the circumstances that caused the System to adjust the price of an order pursuant to subparagraph (1) change so that it would not lock or cross, as applicable, a Protected Quotation or an AON resting on the Book at a price at or better than the BBO, the System gives the Price Adjust order a new timestamp. The System ranks or displays the order at a price that locks or is one minimum price variation away from the new Protected Quotation or AON resting on the Book at or better than the BBO, as applicable. All Price Adjust orders that are re-ranked and re-displayed (if applicable) retain their priority as compared to other Price Adjust orders based upon the time the System initially received the orders. Following the initial ranking and display (if applicable) of a Price Adjust order, an order will only be re-ranked and re-displayed (if applicable) to the extent it achieves a more aggressive price up to its limit price.

(2) The System adjusts the ranked and displayed price of an order subject to Price Adjust once or multiple times depending upon the User's instructions and changes to the prevailing NBBO.

(3) The System does not display a Price Adjust limit order at any price worse than its limit price.

(c) Additional Order Handling.

(1) Trade-Through Prevention. Subject to the exceptions contained in Rule 5.66, the System does not execute an order at a price that trades through a Protected Quotation of another options exchange. The System routes an order a User designates as routable in compliance with applicable Trade-Through restrictions. The System cancels or rejects any order not eligible for routing or the Price Adjust process that is entered with a price that locks or crosses a Protected Quotation of another options exchange.

(2) Stop and Stop-Limit Orders. The System cancels or rejects a buy (sell) Stop or Stop-Limit order if the NBB (NBO) at the time the System receives the order is equal to or above (below) the stop price. The System accepts a buy (sell) Stop or Stop-Limit order if the consolidated last sale price at the time the System receives the order is equal to or above (below) the stop price.

(3) GTC and GTD Orders. The System cancels or rejects a GTC or GTD order in an adjusted series.

(4) MTP Modifiers. The System does not execute an order with an MTP Modifier entered into the System against an order entered with an MTP Modifier and the same Unique Identifier, and instead handles them in accordance with Rule 5.7(c).

(5) Market, MOC, and Stop Orders During Limit Up-Limit Down State.

(A) The System cancels or rejects a market order to buy or sell an option traded on the Exchange if the System receives it when the underlying security is in a limit up-limit down state.

(B) A MOC order is not elected if the underlying security is in a limit up-limit down state three minutes prior to the RTH market close. If the limit up-limit down state ends prior to the RTH market close, the System attempts to reevaluate, elect, and execute the order.

(C) A stop order is not triggered if the underlying security is in a limit up-limit down state, and instead is held until the end of the limit up-limit down state, at which point the order becomes eligible to be triggered if the market for the particular option contract reaches the specified contract price.

(6) Bulk Messages and Orders Submitted Through Bulk Port. The System cancels or rejects a Book Only bulk message bid (offer) or order bid (offer) (or unexecuted portion) submitted by a Market-Maker with an appointment in the class through a bulk port if it would execute against a resting offer (bid) with a Capacity of M.

(d) Decrementation. Upon execution, the System decrements an order or quote by an amount equal to the size of that execution. Any unexecuted portion of the order or quote retains its priority position.

(e) Cancel/Replace. Depending on how an order is modified, the order may change priority position as follows:

(1) If the price of an order is changed, the order loses position and is placed in a priority position as if the System received the order at the time the order was changed.

(2) If the quantity of an order is decreased, it retains its priority position.

(3) If the quantity of an order is increased, it loses its priority position and is placed in a priority position as if the System received the order at the time the quantity of the order is increased.

(f) Price Improvement. Unless expressly stated otherwise, any potential price improvement resulting from an execution in the System accrues to the incoming order that removes liquidity previously posted in the Book.

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Section D. [Open Outcry Trading]MARKET-MAKER OBLIGATIONS

Section E. [FLEX Trading]INTERMARKET LINKAGE

Rule 5.65. Definitions

The following terms have the meaning specified in this Rule solely for the purpose of this Section E:

(a) “Best Bid” and “Best Offer” mean the highest priced Bid and the lowest priced Offer.

(b) “Bid” or “Offer” means the bid price or the offer price communicated by a member of an Eligible Exchange to any Broker/Dealer, or to any customer, at which it is willing to buy or sell, as either principal or agent, but shall not include indications of interest.

(c) “Broker/Dealer” means an individual or organization registered with the Commission in accordance with Section 15(b)(1) of the Exchange Act or a foreign broker or dealer exempt from such registration pursuant to Rule 15a-6 under the Exchange Act.

(d) “Complex Trade” means: (1) the execution of an order in an option series in conjunction with the execution of one or more related order(s) in different option series in the same underlying security occurring at or near the same time in a ratio that is equal to or greater than one-to- three (.333) and less than or equal to three-to-one (3.0) and for the purpose of executing a particular investment strategy (for the purpose of applying the aforementioned ratios to complex trades comprised of both mini-option contracts and standard option contracts, ten (10) mini-option contracts will represent one (1) standard option contract); or (2) the execution of a stock-option order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of option contract(s) on the opposite side of the market

representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock or convertible security necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option leg to the total number of units of the underlying stock or convertible security in the stock leg.

(e) “Crossed Market” means a quoted market in which a Protected Bid is higher than a Protected Offer in a series of an Eligible Class.

(f) “Customer” means an individual or organization that is not a Broker/Dealer.

(g) “Eligible Exchange” means a national securities exchange registered with the SEC in accordance with Section 6(a) of the Exchange Act that: (1) is a Participant Exchange in OCC (as that term is defined in Section VII of the OCC by-laws); (2) is a party to the OPRA Plan (as that term is described in Section I of the OPRA Plan); and (3) if the national securities exchange is not a party to the Plan, is a participant in another plan approved by the Commission providing for comparable Trade-Through and Locked and Crossed Market protection.

(h) “Intermarket Sweep Order (“ISO”)” means a Limit Order for an options series that, simultaneously with the routing of the ISO, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or any Protected Offer, in the case of a limit order to buy, for the options series with a price that is superior to the limit price of the ISO. A Trading Permit Holder may submit an ISO to the Exchange only if it has simultaneously routed one or more additional ISOs to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or Protected Offer, in the case of a limit order to buy, for an options series with a price that is superior to the limit price of the ISO.

(i) “Locked Market” means a quoted market in which a Protected Bid is equal to a Protected Offer in a series of an Eligible Options Class.

(j) “NBBO” means the national best bid and offer in an options series as calculated by an Eligible Exchange.

(k) “Non-Firm” means, with respect to Quotations, that members of an Eligible Exchange are relieved of their obligation to be firm for their Quotations pursuant to Rule 602 under the Exchange Act.

(l) “OPRA Plan” means the plan filed with the Commission pursuant to Section 11Aa(1)(C)(iii) of the Exchange Act, approved by the Commission and declared effective as of January 22, 1976, as from time to time amended.

(m) “Participant” means an Eligible Exchange that is a party to the Plan.

(n) “Plan” means the Options Order Protection and Locked/Crossed Market Plan, as such plan may be amended from time to time.

(o) “Protected Bid” or “Protected Offer” means a Bid or Offer in an options series, respectively, that:

(1) is disseminated pursuant to the OPRA Plan; and

(2) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange.

(p) “Quotation” means a Bid or Offer.

(q) “Trade-Through” means a transaction in an option series at a price that is lower than a Protected Bid or higher than a Protected Offer.

Rule 5.66. Order Protection

(a) Avoidance of Trade-Throughs. Except as provided in paragraph (b) below, Trading Permit Holders shall not effect Trade-Throughs.

(b) Exceptions. The provisions of paragraph (a) pertaining to Trade-Throughs shall not apply under the following circumstances:

(1) If an Eligible Exchange repeatedly fails to respond within one second to incoming orders attempting to access its Protected Quotations, the Exchange may bypass those Protected Quotations by:

(A) Notifying the non-responding Eligible Exchange immediately after (or at the same time as) electing self-help; and

(B) Assessing whether the cause of the problem lies with its own systems and, if so, taking immediate steps to resolve the problem;

Any time a determination to bypass the Protected Quotations of an Eligible Exchange is made pursuant to this subparagraph, the Exchange must promptly document the reasons supporting such determination.

(2) The transaction traded through a Protected Quotation being disseminated by an Eligible Exchange during a trading rotation;

(3) The transaction that constituted the Trade-Through occurred when there was a Crossed Market;

(4) The transaction that constitutes the Trade-Through is the execution of an order identified as an ISO, or the transaction that constitutes the Trade-Through is effected by the Exchange while simultaneously routing an ISO to execute against the full displayed size of any better-priced Protected Quotation;

(5) The Eligible Exchange displaying the Protected Quotation that was traded through had displayed, within one second prior to execution of the Trade-Through, a Best bid or Best offer, as applicable, for the options series with a price that was equal or inferior to the price of the Trade-Through transaction;

(6) The Protected Quotation traded through was being disseminated from an Eligible Exchange whose Quotations were Non-Firm with respect to such options series;

(7) The transaction that constituted the Trade-Through was effected as a portion of a Complex Trade;

(8) The transaction that constituted the Trade-Through was the execution of an order for which, at the time of receipt of the order, a Trading Permit Holder had guaranteed an execution at no worse than a specified price (a “stopped order”), where:

(A) the stopped order was for the account of a Customer;

(B) the Customer agreed to the specified price on an order-by-order basis; and

(C) the price of the Trade-Through was, for a stopped buy order, lower than the national Best Bid in the options series at the time of execution, or, for a stopped sell order, higher than the national Best Offer in the options series at the time of execution;

(9) The transaction that constituted the Trade-Through was the execution of an order that was stopped at a price that did not Trade-Through an Eligible Exchange at the time of the stop; or

(10) The transaction that constituted the Trade-Through was the execution of an order at a price that was not based, directly or indirectly, on the quoted price of the options series at the time of execution and for which the material terms were not reasonably determinable at the time the commitment to execute the order was made.

Rule 5.67. Locked and Crossed Markets

(a) Prohibition. Except for quotations that fall within the provisions of paragraph (b) of this Rule, Trading Permit Holders shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a Protected Quotation.

(b) Exceptions.

(1) The locking or crossing quotation was displayed at a time when the Exchange was experiencing a failure, material delay, or malfunction of its systems or equipment;

(2) The locking or crossing quotation was displayed at a time when there is a Crossed Market; or

(3) The Trading Permit Holder simultaneously routed an ISO to execute against the full displayed size of any locked or crossed Protected Bid or Protected Offer.

Section F. [Market-Maker Appointments and Obligations]FLEX TRADING

Section G. [Intermarket Linkage]OPEN OUTCRY TRADING

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