Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 144	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2019 - * 042
		Amendment No. (req. for Amendments *)

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) * ☐

Rule

Pilot ☐	Extension of Time Period for Commission Action * ☐	Date Expires *	19b-4(f)(1) ☐ 19b-4(f)(4) ☐ 19b-4(f)(2) ☐ 19b-4(f)(5) ☐ 19b-4(f)(3) ☐ 19b-4(f)(6) ☑

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

Exhibit 2 Sent As Paper Document ▣	Exhibit 3 Sent As Paper Document ▣

Description

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

The Exchange proposes a rule change that amends Cboe's rule related to open outcry trading and PAR routing 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 * Vicce President, Associate General Counsel

E-mail * dickman@cboe.com

Telephone * (312) 786-7572   Fax

Signature

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

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

(Title *)

Date 08/14/2019

By Laura G. Dickman

Vice President, Associate General Counsel

(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.

dickman@cboe.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

[Add] [Remove] [View]

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

Exhibit 1 - Notice of Proposed Rule Change *

[Add] [Remove] [View]

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

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

[Add] [Remove] [View]

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

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

[Add] [Remove] [View]

Exhibit Sent As Paper Document
☐

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

Exhibit 3 - Form, Report, or Questionnaire

[Add] [Remove] [View]

Exhibit Sent As Paper Document
☐

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

Exhibit 4 - Marked Copies

[Add] [Remove] [View]

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

Exhibit 5 - Proposed Rule Text

[Add] [Remove] [View]

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

Partial Amendment

[Add] [Remove] [View]

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

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

(a)   Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend certain Rules related to how the System[1] handles incoming orders and open outcry trading, as well as move these Rules from the 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 August 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.

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[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. 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.

Currently, the Exchange has an order handling system that determines how to handle incoming orders. The order handling system routes orders for automatic execution, book entry, open outcry, or manual handling (by a Floor Broker or PAR Official).[2] How the System handles an order depends on whether an order is eligible for electronic processing (*i.e.*, eligible for automatic execution or book entry) or the Trading Permit Holder's instructions on the order (*e.g.*, a Trading Permit Holder may route an order directly to a PAR

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[2]   *See* current Rule 6.12.

workstation[3] for manual handling and potential open outcry trading). Additionally, certain

Rules provide that an order will route for manual handling if it does not execute pursuant to

those Rules.[4] The Exchange's new trading platform will not have an order handling system,

and therefore deletes the majority of provisions in current Rule 6.12 and other provisions

regarding the order handling system. Instead, the System will handle orders in accordance

with their instructions. Certain orders will be eligible for electronic processing, while other

orders will be eligible for manual handling and open outcry trading, as set forth in the

proposed Rules and described below.

The proposed rule change adds the following order instructions to Rule 5.6 in the

shell Rulebook:

- A "Default" order is an order a User designates for electronic processing,

  and which order (or unexecuted portion) routes to PAR for manual handling if not

  eligible for electronic processing.

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3   A PAR workstation is an order management tool used on the Exchange's trading
    floor by Trading Permit Holders or PAR Officials (whose responsibilities are
    described in current Rule 6.12B (which the proposed rule change moves to
    proposed Rule 5.90)) to facilitate manual handling of orders and open outcry
    trading.

4   *See, e.g.*, Rule 6.12(a)(1) (which provides any remaining balance of an order that
    does not automatically execute are cannot enter the Book will route to a PAR
    workstation or order management terminal). Upon the migration of the trading
    platform, the Exchange will no longer offer order management terminals (as all
    Floor Brokers have PAR workstations on the trading floor, and order management
    terminals provide similar order management functionality), so all orders routed
    for manual handling will route to a PAR workstation.

- A "Direct to PAR" order is an order a User designates to be routed directly to a specified PAR workstation for manual handling. A User must designate a Direct to PAR order as RTH Only.[5]

These Order Instructions, in addition to the Electronic Only[6] instruction in Rule 5.6(c) in the shell Rulebook, essentially "replace" the Exchange's current order handling system.

Current Rule 6.12A(c) states unless otherwise specified in the Rules or the context indicates otherwise, all order types in current Rule 6.53 are eligible to route to PAR, except attributable orders, intermarket sweep orders ("ISOs"), AIM sweep orders, sweep and AIM orders, reserve orders,[7] qualified contingent cross ("QCC") orders, and Market-Maker Trade Prevention Orders may not be routed to PAR. The proposed rule change provides in Rule 5.6(c) and (d) that Users may not designate orders with the following Order Instructions or Times-in-Force as Direct to PAR (and thus they may not route to PAR for manual handling[8] or trade in open outcry), because manual handling of these orders would generally be inconsistent with their defined purposes[9]:

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[5]   Pursuant to Rule 5.1(c), trading during the Exchange's Global Trading Hours ("GTH") trading session is electronic only.

[6]   An "Electronic Only" order is an order a User designates for electronic execution (in whole or in part) on the Exchange only, and does not route to PAR for execution in open outcry. The System cancels an Electronic Only order that would otherwise route to PAR pursuant to the Rules.

[7]   The Exchange does not intend to offer reserve complex orders following the technology migration.

[8]   As further discussed below, a Floor Broker that receives an order via PAR for manual handling has discretion with how to handle the order.

[9]   *See* Rule 5.6(c) and (d) in the shell Rulebook. While stop and stop-limit orders are eligible for routing for manual handling today, the Exchange has authority pursuant to current Rules 6.12A and 6.53 to determine to make them not eligible for routing for manual handling. The Exchange believes there is minimal demand for these order types to route to PAR given the purpose of these order types (which is to rest and become eligible for automatic execution as soon as the series

- All Sessions[10];

- Book Only;

- Cancel Back;

- ISO[11];

- Post Only;

- Price Adjust;

- QCC[12];

- Reserve[13];

- Stop;

- Stop-limit;

- Fill-or-kill;

- Good-til-date;

- Immediate-or-cancel;

- Limit-on-close;

- Market-on-close; and

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reaches a specified price), and Users have the ability to send these orders for electronic processing or send other orders to PAR for manual handling if they so desire.

[10]   As noted above, there is no open outcry trading during the Exchange's GTH trading session.

[11]   This is consistent with current Rule 6.12A(c).

[12]   This is consistent with current Rule 6.12A(c). The proposed rule change makes nonsubstantive changes to the definition of QCC orders, including to add subheadings, update paragraph lettering and numbering, and make other clarifying changes, as well as conform language to the definition of a QCC order in EDGX Options Rule 21.1(d).

[13]   This is consistent with current Rule 6.12A(c).

- At the open.

Proposed Rule 5.6(c) also identifies certain Order Instructions that are only available for PAR routing and open outcry trading:

- Multi-Class Spread Order (which may only execute on the Exchange's trading floor pursuant to current Rule 24.19);

- Not Held order (which by definition is subject to discretion regarding execution)[14]; and

- SPX Combo (which may only execute on the Exchange's trading floor pursuant to current Rule 24.20).

All other orders may be routed for electronic processing or manual handling.

The proposed rule change amends the definition of complex order in Rule 1.1 of the shell Rulebook. Currently, the term complex order means any order involving the concurrent execution of two or more different series in the same class, for the same account, occurring at or near the same time and for the purpose of executing a particular investment strategy with no more than the applicable number of legs (which number the Exchange determines on a class-by-class basis). The current definition also states for purposes of Rules 5.4 (regarding permissible minimum increments for bids and offers), 5.85 (regarding complex order priority in open outcry trading), 5.86 (regarding open outcry facilitations and solicitations), and 5.87 (regarding open outcry crossing) in the shell Rulebook, the term

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[14]   The proposed rule change deletes the language in the definition of a "not held" order regarding the need to be marked, as it is redundant of the not held order message that signifies it is a not held order.

complex order means a spread order, combination order, straddle order, or ratio order (each

as defined in Rule 5.6 in the shell Rulebook.[15]

The Exchange believes the current definition of complex order is unnecessarily

restrictive on market participants. Market participants may determine that investment and

hedging strategies within the specified ratio are appropriate for their investment purposes,

and the Exchange believes it will benefit market participants if they can define the

investment and hedging strategies that may help them achieve their desired investment

results. The Exchange does not believe it is necessary to restrict complex orders submitted

for execution to those that fit within the definitions of straddle, combination, or spread.

Therefore, the proposed rule change deletes those defined terms, as well as the term ratio

order, and provides that any multi-leg order (up to the maximum number of legs specified

by the Exchange) with a ratio equal to or greater than one-to-three (.333) and less than or

equal to three-to-one (3.00) (which ratio is consistent with the current definition of ratio

order)[16] may be executed on the Exchange electronically or in open outcry on the

Exchange's trading floor.[17] Therefore, all multi-legged orders (and their legs) with a ratio

equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) (and

not just spread, straddle, and combination orders) may trade in penny increments pursuant to

Rule 5.4 in the shell Rulebook (including electronically pursuant to Rule 5.33 and in open

outcry pursuant to Rule 5.85 in the shell Rulebook), and may be eligible for the complex

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[15]   The current definition also provides that a definition for complex order for the
       purposes of electronic processing will be added to Rule 5.33 of the shell Rulebook
       (which the Exchange intends to add in a separate rule filing).

[16]   *See* current Rule 6.53 (Rule 5.6(c) in the shell Rulebook).

[17]   *See* proposed Rules 1.1, 5.6, and 5.30 in the shell Rulebook. In a separate rule
       filing, the Exchange intends to adopt rules regarding the trading of complex
       orders following the technology migration.

order priority in Rule 5.85(b)(1) in open outcry trading.[18] The proposed rule change makes

conforming changes to Rules 5.4[19] and 5.30 in the shell Rulebook.[20] In other words, the

proposed rule change has no impact on the minimum trading increment or priority of

complex orders as currently defined in the shell Rulebook – it merely expands the types of

complex order strategies within the permissible range of ratios that may receive complex

order increment (electronically and in open outcry) and open outcry priority treatment.[21]

The proposed rule change also clarifies that market participants may submit a

complex order with any strategy and any ratio for manual handling and open outcry

trading.[22] The proposed rule change makes explicit that a complex order (and its legs) with

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[18] *See* proposed Rules 1.1 (definition of complex order), 5.4(b), 5.6(c), and 5.85(b).

[19] The proposed rule change also updates the expiration date of the penny pilot program in Rule 5.4, Interpretation and Policy .03 of the shell Rulebook. The Exchange previously "moved" its rule regarding minimum increments from Rule 6.42 in the current Rulebook to Rule 5.4 of the shell Rulebook (*see* Securities Exchange Act Release No. 86173 (June 20, 2019), 84 FR 30267 (June 26, 2019) (SR-CBOE-2019-027). After that filing, the Exchange submitted a rule filing to extend the penny pilot program through December 31, 2019. *See* Securities Exchange Act Release No. 86148 (June 19, 2019), 84 FR 29906 (June 25, 2019) (SR-CBOE-2019-028). The proposed rule change amends Rule 5.4 to reflect the current expiration of the penny pilot program in the shell Rulebook, but makes no change to the penny pilot program.

[20] Proposed Rule 5.85(b) also clarifies that only complex orders with ratios greater than one-to-three (.333) or less than three-to-one (3.00) are eligible for complex order priority in open outcry trading.

[21] Pursuant to the proposed rule change, complex orders with any ratio may trade on the Exchange's trading floor pursuant to the rules regarding solicitation and crossing (current Rules 6.9 and 6.74, which the proposed rule change moves to Rules 5.86 and 5.87, respectively). However, any complex order trades pursuant to those Rules will be subject to the minimum increment and priority Rules described in this rule filing. Other options exchanges have similar definitions of complex orders. *See, e.g.*, BOX Exchange LLC ("BOX") Rule 7600(a)(4); and Nasdaq Phlx, LLC ("Phlx") Rule 1098(a)(i) and (ix) and (c)(iii).

[22] By clarifying in the definition of complex order that, for purposes of Rule 5.33 in the shell Rulebook (which will be moved from Rule 6.53C in the current Rulebook and describe the electronic processing of complex orders), a complex

a ratio of less than one-to-three (.333) or greater than three-to-one (3.00) may trade in open outcry on the Exchange's trading floor in the standard trading increment for the class, and that each leg price be better than the price of a Priority Customer order in the Book on each leg of the order. This is equivalent to a market participant submitting multiple simple orders in the same class for open outcry trading (they would trade in the permissible minimum increments in Rule 5.4(a) in the shell Rulebook, and each would need to be price better than a Priority Customer order in the book in the applicable series, as set forth in proposed Rule 5.85(a)).[23] The proposed rule change merely clarifies that market participants may submit these as a single complex order for manual handling and execution on the Exchange's trading floor, which will permit more efficient execution of complex trading strategies outside of the specified ratio.

The proposed rule change also adopts Rule 5.83 in the shell Rulebook to explicitly state which orders may be eligible for PAR routing (and open outcry trading), which include market and limit orders, all-or-none orders, minimum quantity orders, multi-class spread orders, not held orders, RTH Only orders, SPX combo orders, Day orders, and GTC orders. Additionally, the Exchange may make complex orders, including security future-option orders, and stock-option orders available for PAR routing and manual handling, as it consistent with current functionality.[24]

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order may only have a ratio equal to or greater than one-to-three and less than or equal to three-to-one to be eligible for electronic processing.

[23] *See* proposed Rules 1.1, 5.4, 5.6, and 5.85(b) in the shell Rulebook.

[24] *See* Rules 6.12A(c) and 6.53 (in the current Rulebook) (which provide that certain order types in Rule 6.53 are eligible for routing to PAR, and that the Exchange may determine which order types in Rule 6.53 are available on a class and system (including PAR) basis). In a separate rule filing, the Exchange intends to adopt rules regarding the trading of complex orders following the technology migration.

The proposed rule change adopts Rule 5.84 in the shell Rulebook to provide that open outcry trading on the Exchange's trading floor may begin in a series after it opens for electronic trading pursuant to Rule 5.31 of the shell Rulebook. This is consistent with when open outcry trading may begin today, and the proposed rule change merely codifies this in the Rules.

The proposed rule change moves the following Rules (and deletes portions of those Rules that will no longer be applicable following the System migration) from the current Rulebook that apply solely to the Exchange's trading floor and open outcry trading into Chapter 5, Section G of the shell Rulebook. The Exchange believes it will benefit investors if all Rules that only relate to this type of trading are contained in the same portion of the Rulebook. Other than certain changes described below, the proposed rule change makes only nonsubstantive changes to these Rules, including to update paragraph lettering and numbering, make grammatical changes and make the language more plain English, change times from Central Time to Eastern Time (to be consistent with the Rule provisions in the shell Rulebook),[25] delete provisions regarding the announcement of Exchange determinations by Regulatory Circular (as those will occur pursuant to Rule 1.5 in the shell Rulebook), add paragraph headings, simplify certain provisions, update cross-references, and incorporate defined terms.

- Current Rule 6.9 regarding facilitated and solicited transactions moves to proposed Rule 5.86.[26] The proposed rule change deletes a reference to an old

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[25]   *See* Rule 1.6 in the shell Rulebook.

[26]   Proposed Rule 5.86 is renamed "Facilitated and Solicited Transactions." While current Rule 6.9 is called "Solicited Transactions," pursuant to current Rule 6.9, Interpretation and Policy .01, the rule applies to solicited orders, including

regulatory circular regarding front-running prohibitions, which are considered a violation of current Rule 4.1 (which the Exchange proposes to move to Rule 8.1 in the shell Rulebook). The Exchange intends to re-issue the circular and add certain portions to the Rules as appropriate, in a separate rule filing. Additionally, current Rule 6.9(f) requires orders that result from a solicitation to be marked in a manner and form prescribed by the Exchange. The Exchange no longer intends to impose that requirement. Whether an order is solicited is only relevant with respect to how it is represented on the trading floor; however, the Exchange does not incorporate any such markings into its surveillances and thus does not believe it is necessary to require a systematic marking.

- Current Rules 6.12(a)(1) and 6.13(b) regarding how the System handles incoming orders (whether they automatically execute at one price or multiple prices, rest on the Book, or route to PAR for manual handling) to proposed Rule 5.8.[27] The proposed rule change deletes language regarding the Exchange designating an eligible order size, type, origin code, or classes for which automatic execution is available from Rule 6.13(a) and(b)(i) and (ii).[28] Orders in all classes of all sizes and for all origin codes may execute automatically upon entry, subject to a User's instructions (as discussed above, orders with certain Order Instructions and Times-in-Force are only eligible to route to PAR may not automatically execute upon entry

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facilitation orders. The Exchange believes updating the name of the Rule will clarify its application to investors.

[27] The proposed rule change also renumbers Rule 5.8 in the shell Rulebook (regarding order exposure) to Rule 5.9 in the shell Rulebook.

[28] The proposed rule change also deletes current Rule 6.13(b)(vii), as it is redundant of language in Rule 5.32 of the shell Rulebook.

or rest in the Book). The proposed rule change also deletes current Rule 6.13(c) regarding users that may access the System for automatic execution of orders. Rule 5.5 describes how Users (including order entry firms)[29] will be able to establish access and connectivity to the System following the technology migration to enter orders both for electronic processing and manual handling. The remainder of Rule 6.13(c) describes requirements that apply to all Users (such as complying with all Rules), and thus the proposed rule change deletes those redundant provisions. For example, all TPHs must comply with the Exchange's trading rules and procedures, and all features of automatic execution on the Exchange's System are available to the public in the Exchange's Rules and other documents available on the Exchange's website.[30] Other Rules (for example, Rule 4.24 regarding supervision and Rule 9.8 regarding supervision of accounts) require TPHs to develop and maintain adequate procedures and controls over their business activities, which would include order entry.[31]

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[29]   Order entry firms is currently defined in Rule 1.1 in the shell Rulebook, so the proposed rule change deletes provisions in Rule 6.13 regarding the functions of an order entry firm. The proposed rule change also updates the definition of order entry firm in Rule 1.1 of the shell Rulebook to eliminate the cross-reference to Rule 3.51, as the Exchange does not anticipate having a separate rule regarding order entry firms. This is consistent with the definition of order entry firms in the rules of Cboe Affiliated Exchanges. *See, e.g.*, C2 Rule 1.1 and EDGX Rule 16.1.

[30]   Current Chapter IX (which the Exchange intends to move to Chapter 9 of the shell Rulebook) describes requirements for firms that do business with the public.

[31]   Additionally, Rule 15c3-5 under the Exchange Act requires a broker-dealer with market access, or that provides any person with access to an exchange, to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks, such as legal and operational risks, related to market access, which would include order entry.

- Current Rule 6.12A regarding PAR moves to Rule 5.82. The proposed rule change deletes the portion of the current introductory paragraph in current Rule 6.12A regarding the order handling system (which, as discussed above, is being replaced by Order Instructions). The proposed rule change adds to current Rule 6.12A(b)(ii) (proposed Rule 5.82(c)(2)) that Trading Permit Holders may use PAR to trade against Priority Customer orders and other orders resting at the best available price in the Book, which is consistent with current functionality and open outcry priority and allocation rules (current Rule 6.45(b), which the proposed Rule change moves to Rule 5.85(a), as discussed below). The proposed rule change is merely adding this detail to the Rules. Additionally, the proposed rule change adds proposed Rule 5.82(c)(4) to provide that Trading Permit Holders may route orders to another PAR workstation. This is similar to current Rule 6.12(a)(2), which provides orders may be routed back and forth between order management terminals and PAR workstations. As noted above, the Exchange will no longer offer order management terminals, and so the Exchange will provide the same service for order routing between PAR workstations (which are merely a different type of order management terminals). As discussed above, the Exchange will no longer have an order handling system, and Order Instructions will determine whether an order may route to PAR. As discussed above, only orders not eligible for electronic processing (as specified in the proposed Rules) may be routed to PAR. Proposed Rule 5.83 sets forth whether a specific order type is eligible to route to PAR, as described above. The proposed rule change deletes current Rule 6.12A(d), as the proposed rule change describes PAR functionality as of the System migration. The Exchange will continue to issue

additional notices or technical specifications regarding the operation of PAR workstations.[32]

- Current Rule 6.12B regarding PAR Officials moves to proposed Rule 5.90. The Exchange notes proposed Rule 5.90(b)(1)(C) deletes references to market-if-touched, market-on-close (which includes limit-on-close pursuant to current Rule 6.53), stop, stop-limit, fill-or-kill, and immediate-or-cancel orders). Currently, those orders are excluded from a PAR Official's display obligation. However, as discussed above, these orders will no longer be eligible to route to PAR, and thus it is no longer necessary to reference them.

- Current Rule 6.20(a) through (d) regarding admission to and conduct on the Exchange's trading floor moves to proposed Rule 5.80. The proposed rule change deletes the last sentence of current Rule 6.20(d) regarding quote terminals on the trading floor, as quote terminals are obsolete and no longer used. Current Rule 6.20(e) regarding TPH education moves to proposed Rule 3.12, as it relates to a TPH's registration requirements rather than open outcry trading. The Exchange notes it deletes the provision from current Rule 6.20(e) (proposed Rule 3.12) that states any action taken by Floor Officials under that provision does not preclude further disciplinary action under current Chapter XVII (proposed Chapter 13) under the Rules. There is no action that Floor Officials may take with respect to TPH educational classes, and the Exchange may take action pursuant to current Chapter XVII (proposed Chapter 13), therefore this provision is unnecessary.

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[32]   *See, e.g.*, technical specifications on the Exchange's website at http://markets.cboe.com/us/options/support/technical/.

- Current Rule 6.23 regarding equipment and communications on the Exchange's trading floor moves to proposed Rule 5.81.

- Current Rules 6.41, Interpretation and Policy .01 and 24.8, Interpretation and Policy .01 regarding complex orders submitted with a cash price move to proposed Rule 5.85(f). The proposed rule change adds some detail regarding the submission and execution of these orders, but does not amend how these orders may be represented or execute on the Exchange's trading floor.[33] These details regarding the representation of orders with cash prices was set forth in a previous rule filing submitted to the Commission.[34]

- Current Rule 6.45(b) regarding the priority and allocation of bids and offers in open outcry moves to proposed Rule 5.85(a) and (b). The proposed rule change also incorporates the on-floor DPM or LMM participation entitlement into the open outcry priority provisions, which is consistent with current Rules[35] – the proposed rule change merely clarifies where this priority overlay applies within the allocation and priority Rules for open outcry trades. The proposed rule change makes no change to how the on-floor participation entitlement is applied.[36] Current Rule 6.45,

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[33] The proposed rule change also adds an applicable cross-reference to Rule 5.3(e) of the shell Rulebook regarding bids and offers and updates subparagraph numbering as applicable.

[34] *See* Securities Exchange Act Release No. 74551 (March 20, 2015), 80 FR 16046 (March 26, 2015) (SR-CBOE-2015-010).

[35] *See* current Rules 8.15(d) and 8.87. As is the case for electronic trading (*see* Rule 5.32 in the shell Rulebook), the LMM/DPM participation entitlement may only be applied after Priority Customer orders at the same price trade.

[36] LMMs and DPMs will continue to only be able to receive a participation entitlement if they have an appointment in the relevant class, and if they have a quote at the best price. Additionally, LMMs and DPMs may not be allocated a

Interpretation and Policy .06 regarding the routing of the stock component of a stock-option order represented in open outcry moves to proposed Rule 5.85(b). The proposed rule change current Rule 6.45(b)(iii), which states the open outcry allocation and priority provisions are subject to current Rules 8.7, Interpretation and Policy .02 and Rule 8.51. Those Rules relate to Market-Maker obligations, to which Market-Makers are always subject, and thus the Exchange does not believe it is necessary to include a reference to those rules here.

- Current Rule 6.47 regarding split-price priority (which only applies to open outcry trading) moves to proposed Rule 5.85(c).

- Current Rule 6.56 regarding compression forums moves to proposed Rule 5.88.

- Current Rule 6.57 regarding risk-weighted asset (RWA) transactions moves to proposed Rule 5.89.

- Current Rule 6.73 regarding Floor Broker responsibilities moves to proposed Rule 5.91(a) and (b). Current Rule 6.73(c) is duplicative of language in current Rule 6.75 (which the proposed rule change moves to proposed Rule 5.91(c)), and thus the proposed rule change deletes the redundant language. The proposed rule change deletes current Rule 6.73(b), because the Exchange will no longer have market-if-touched orders following the System migration, and, as discussed above, market-on-close (which includes limit-on-close pursuant to current Rule 6.53), stop, and stop limit orders will no longer be eligible to route to PAR, and thus will not be available

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total quantity of contracts greater than the quantity that they quote at the best price.

for Floor Broker handling.[37]   The proposed rule change amends current Rule 6.73, Interpretation and Policy .01 (which moves to proposed Rule 5.91(a)(1)) to state a Floor Broker must due diligence in handling and executing an order by announcing to the trading crowd a request for quotes, rather than making all persons in the trading crowd aware of a request for quotes.   While a Floor Broker must use best efforts to make as many people in the crowd aware of a request for quotes, given the size and activity (and thus, noise volume) in certain trading crowds, a Floor Broker cannot guarantee that all persons in a trading crowd will hear and thus be aware of a request for quotes.   Additionally, the proposed rule change deletes references in current Rule 6.73, Interpretations and Policies .03 and .04 to the dissemination the trading crowd market quote and a related obligation, as trading crowd quotes are no longer disseminated.   Rule 8.51 regarding firm quote obligations (which the Exchange intends to move to Rule 5.52 in the shell Rulebook) applies to all orders and quotes on the Exchange.

- Current Rule 6.74 regarding crossing orders in open outcry moves to proposed Rule 5.87.

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[37]   Similarly, the Exchange deletes current Rules 21.17 and 23.12 (regarding the handling by Floor Brokers of contingency orders for government securities options and interest rate options (which the Exchange does not currently list for trading)), as those rules replace current Rule 6.73(b), which the proposed rule change deletes.   Floor Brokers will no longer be able to handle any of these contingency orders.

- Current Rule 6.75 regarding discretionary transactions moves to proposed Rule 5.91(c). The proposed rule change moves all rules regarding Floor Broker responsibilities into a single proposed Rule 5.91.[38]

- Current Rule 6.79 regarding Floor Broker practices moves to proposed Rule 5.91(d) through (j).[39] The proposed rule change deletes the portion of current Rule 6.79 that restates Exchange Act requirements regarding record retention requirements for Floor Brokers, as the Rule states a Floor Broker must comply with the Exchange Act and Exchange Rules regarding documentation and record-keeping, making restatement of the Exchange Act provisions redundant and unnecessary.

- Current Rule 24.19(a) and (b) regarding the definition of a multi-class spread order moves to proposed Rule 5.6(c), so that all Order Instructions that will be available on the Exchange are included in the same place within the Rules. The proposed rule change adds to the Rules the current combinations of broad-based index options the Exchange has determined may trade as multi-class spread orders.[40] Current Rule 24.19(c) regarding how a multi-class spread order may execute moves to proposed Rule 5.85(d), so that all provisions regarding how orders may trade in open outcry are included in the same place within the Rules. The proposed rule

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38   The proposed rule change also deletes Rules 6.76 and 6.76A from the current Rulebook, as they were previously deleted.

39   These include practices related to the liquidation or reduction of error account positions, erroneously executed orders, lost or misplaced market orders, legging multi-part orders, print-throughs, stopping orders, and documentation of errors and recordkeeping requirements.

40   *See* Cboe Options Regulatory Circular RG16-136 (August 11, 2016).

change makes no changes regarding how multi-class spreads may execute on the Exchange.

- Current Rule 24.20(a) and Interpretation and Policy .01 regarding the definition of an SPX Combo Order move to proposed Rule 5.6(c), so that all Order Instructions that will be available on the Exchange are included in the same place within the Rules. Current Rule 24.20(b) regarding how an SPX Combo Order may execute moves to proposed Rule 5.85(e), so that all provisions regarding how orders may trade in open outcry are included in the same place within the Rules. The proposed rule change makes no changes regarding how SPX Combo Orders may execute on the Exchange. The proposed rule change deletes the requirement that TPHs apply an indicator the an SPX Combo, as the new "SPX Combo" order instruction replaces the need for a separate indictor, as it will be the only order type that may execute pursuant to the procedures set forth in current Rule 24.20 (proposed Rule 5.85(e)).

- Current Rule 24.21 regarding crowd space dispute resolution procedures moves to proposed Rule 5.93. The current rule states the Exchange may apply these procedures to OEX, SPX, DJX, DIA and any index option not located at a station shared with equity options. Currently, these procedures apply only to the SPX and VIX index option crowds, so proposed Rule 5.93 explicitly states these procedures will only apply to spaces within those trading crowds.

- Current Rule 24.22 regarding the allocation of trading spaces moves to proposed Rule 5.92.

- Current Rule 24A.6 regarding a Floor Broker's discretion with respect to the number of FLEX contracts it may transact moves to proposed Rule 5.91(c)(2)(B), so that all provisions regarding Floor Broker discretion are contained within the same part of the Rules.

The proposed rule change also amends Rule 5.32 of the shell Rulebook to delete three inadvertent references to the "EDGX Options Book" and instead refers to the term "Book," which is defined in Rule 1.1 of the shell Rulebook as the electronic book of simple orders and quotes maintained by the System, which single book is used during both the RTH and GTH trading sessions. In addition, the proposed rule change corrects an error in the paragraph number in Rule 5.32(b), which currently has two subparagraphs labeled as (2). These proposed changes make no changes to any functionality – they merely correct errors in the shell Rulebook.

(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.[41] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[42] 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

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[41]   15 U.S.C. 78f(b).

[42]   15 U.S.C. 78f(b)(5).

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)[43] requirement that the rules of an exchange not be designed to permit

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

In particular, the proposed elimination of the Exchange's order handling system,

which the Exchange proposes to replace with Order Instructions that will dictate whether

an order will route for electronic processing or manual handling, as well as specific Rules

regarding eligibility of Order Instructions and Times-in-Force for electronic processing or

manual handling (or both) will benefit investors by providing them with more control

regarding how their orders will be processed upon submission to the Exchange. The

Exchange believes the proposed rule change simplifies the process pursuant to which the

System handles order, and will provide Users with more certainty regarding how the

Exchange will process their orders. The Exchange notes the proposed elimination of

order management terminals will have minimal impact on Users on the trading floor, as

all Floor Brokers use PAR workstations (which provide similar order management tools

as order management terminals). The Exchange believes this will further simplify

manual handling of orders on the Exchange's trading floor.

The proposed rule change also benefits investors by adding transparency

regarding which orders are eligible for electronic processing, and which orders are

eligible for manual handling. The Exchange currently has authority pursuant to Rules

6.12A and 6.53 in the current Rulebook to determine which orders are eligible for

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[43]   Id.

electronic processing and PAR routing, and the proposed rule change is consistent with that authority.

The proposed rule change regarding the definition of a complex order will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors. Market participants may determine that investment and hedging strategies within the specified ratio are appropriate for their investment purposes and refer to submit those orders for execution. The Exchange believes it will benefit market participants if they can define the investment and hedging strategies that may help them achieve their desired investment results. As discussed above, the proposed rule change has no impact on which complex orders may trade in permissible complex order increments or receive complex order priority in open outcry trading – the proposed rule change merely expands the potential strategies with ratios of greater than or equal to one-to-three and less than or equal to three-to-one that may be executed on the Exchange (electronically or in open outcry), trade in complex order increments permissible in Rule 5.4 in the shell Rulebook (including the legs), and receive complex order priority in open outcry trading in Rule 5.85(b) in the shell Rulebook (as proposed). The proposed rule change also benefits investors by clarifying that a complex order (and its legs) with a ratio less than one-to-three or greater than three-to-one is only eligible for manual handling and open outcry trading in the standard increment for the class, and may not receive complex order priority in open outcry trading. Additionally, other options exchanges have similar definitions of complex orders.[44]

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[44]   *See, e.g.*, BOX Exchange LLC ("BOX") Rule 7600(a)(4); and Nasdaq Phlx, LLC ("Phlx") Rule 1098(a)(i) and (ix) and (c)(iii).

The Exchange believes the proposed reorganization of Rules to move all Rules that relate solely to open outcry trading on the Exchange's trading floor will also benefit investors and remove impediments to and perfect the mechanism of a free and open market and a national market system. The majority of the changes in the proposed rule change move rules from the current Rulebook to the shell Rulebook with no substantive changes. The proposed nonsubstantive changes to the Rules provide additional detail in the rule regarding current functionality, make the Rules more plain English, update cross-references and paragraph lettering and numbering, delete duplicative language, and simplify rule language, which all benefit investors. The Exchange believes these changes and transparency will protect investors, as they provide more clarity and reduce complexity within the Rules.

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, as they will apply to all Users in the same manner. All Users may submit orders for electronic processing or manual handling (including complex orders as proposed) as eligible pursuant to the proposed rule change, and the System will handle orders from Users in the same manner. Submission of orders for electronic processing or manual handling will be within Users' discretion. 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 it only impacts how the System will route orders for electronic processing or manual trading on the Exchange, but will have no impact on how orders will be executed

on the Exchange. Regarding the expanded definition of complex orders that may be submitted to the Exchange for electronic processing, the Exchange notes other options exchanges have similar definitions of complex orders.[45] The proposed nonsubstantive changes are not intended to have any impact on competition, as they do not impact trading on Cboe Options.

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

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

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

Not applicable.

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

(a)   The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act[46] and Rule 19b-4(f)(6)[47] 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

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[45]   *See, e.g.*, BOX Rule 7600(a)(4); and Phlx Rule 1098(a)(i) and (ix) and (c)(iii).

[46]   15 U.S.C. 78s(b)(3)(A).

[47]   17 CFR 240.19b-4(f)(6).

intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

The Exchange believes the proposed rule change does not significantly affect the protection of investors or the public interest. The proposed elimination of the Exchange's order handling system and replacement with Order Instructions that will dictate whether an order will route for electronic processing or manual handling will benefit investors by providing them with more control and clarity regarding how their orders will be processed by the Exchange. The proposed rule change also benefits investors by adding transparency regarding which orders are eligible for electronic processing, and which orders are eligible for manual handling. The Exchange believes the proposed rule change regarding complex orders will benefit market participants by providing them with more flexibility to define the investment and hedging strategies in orders submitted for execution electronically or in open outcry, which may help them achieve their desired investment results. The proposed rule change merely expands the potential strategies with ratios of greater than or equal to one-to-three and less than or equal to three-to-one that may be executed on the Exchange, trade in complex order increments permissible in Rule 5.4 in the shell Rulebook (including its legs), and receive complex order priority in open outcry trading in Rule 5.85(b) in the shell Rulebook (as proposed). The proposed rule change also benefits investors by clarifying that a complex order (and its legs) with a ratio less than one-to-three or greater than three-to-one is only eligible for manual handling and open outcry trading in the standard increment for the class, and may not

receive complex order priority in open outcry trading.[48]   The Exchange believes the proposed reorganization of and nonsubstantive changes to the Rules add detail and transparency to the Rules, as well as simplify the Rules, which also benefits investors.

The Exchange believes the proposed rule change will not impose any significant burden on competition. The proposed rule change will apply to all Users in the same manner. All Users may submit orders for electronic processing or manual handling (including complex orders as proposed) as eligible pursuant to the proposed rule change, and the System will handle orders from Users in the same manner. Submission of orders for electronic processing or manual handling will be within Users' discretion. The proposed rule change impacts how the Exchange's System will route orders for electronic processing or manual trading on the Exchange, but will have no impact on how orders will be executed on the Exchange. As discussed above, other options exchanges have similar definitions of complex orders as the proposed definition.[49]   The proposed nonsubstantive changes are not intended to have any impact on competition, as they do not impact trading on Cboe Options.

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

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[48]   The proposed rule change to the definition of complex orders has no impact on which complex orders may trade in permissible complex order increments or receive complex order priority in open outcry trading.

[49]   *See, e.g.*, BOX Rule 7600(a)(4); and Phlx Rule 1098(a)(i) and (ix) and (c)(iii).

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

The proposed rule change is not based on a rule either of another self-regulatory organization or of the Commission. The Exchange notes other options exchanges have similar definitions of complex orders.[50]

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 5A.   Proposed rule text – current Rulebook.

Exhibit 5B.   Proposed rule text – shell Rulebook.

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[50]   *See, e.g.*, BOX Rule 7600(a)(4); and Phlx Rule 1098(a)(i) and (ix) and (c)(iii).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-   ; File No. SR-CBOE-2019-042]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend Certain Rules Related to how the System Handles Incoming Orders and Open Outcry Trading, as well as Move these Rules from the 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 Act[3] and Rule 19b-4(f)(6) thereunder.[4] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend certain Rules related to how the System[5] handles incoming orders and open outcry

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

[2]   17 CFR 240.19b-4.

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

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

[5]   The term "System" means the Exchange's hybrid trading platform that integrates

trading, as well as move these Rules from the 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

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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.

"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. 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.

Currently, the Exchange has an order handling system that determines how to handle incoming orders. The order handling system routes orders for automatic execution, book entry, open outcry, or manual handling (by a Floor Broker or PAR Official).[6] How the System handles an order depends on whether an order is eligible for electronic processing (*i.e.*, eligible for automatic execution or book entry) or the Trading Permit Holder's instructions on the order (*e.g.*, a Trading Permit Holder may route an order directly to a PAR workstation[7] for manual handling and potential open outcry trading). Additionally, certain Rules provide that an order will route for manual handling if it does not execute pursuant to those Rules.[8] The Exchange's new trading platform will not have an order handling system,

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[6]   *See* current Rule 6.12.

[7]   A PAR workstation is an order management tool used on the Exchange's trading floor by Trading Permit Holders or PAR Officials (whose responsibilities are described in current Rule 6.12B (which the proposed rule change moves to proposed Rule 5.90)) to facilitate manual handling of orders and open outcry trading.

[8]   *See, e.g.*, Rule 6.12(a)(1) (which provides any remaining balance of an order that does not automatically execute are cannot enter the Book will route to a PAR

and therefore deletes the majority of provisions in current Rule 6.12 and other provisions regarding the order handling system. Instead, the System will handle orders in accordance with their instructions. Certain orders will be eligible for electronic processing, while other orders will be eligible for manual handling and open outcry trading, as set forth in the proposed Rules and described below.

The proposed rule change adds the following order instructions to Rule 5.6 in the shell Rulebook:

- A "Default" order is an order a User designates for electronic processing, and which order (or unexecuted portion) routes to PAR for manual handling if not eligible for electronic processing.

- A "Direct to PAR" order is an order a User designates to be routed directly to a specified PAR workstation for manual handling. A User must designate a Direct to PAR order as RTH Only.[9]

These Order Instructions, in addition to the Electronic Only[10] instruction in Rule 5.6(c) in the shell Rulebook, essentially "replace" the Exchange's current order handling system.

Current Rule 6.12A(c) states unless otherwise specified in the Rules or the context indicates otherwise, all order types in current Rule 6.53 are eligible to route to PAR, except

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workstation or order management terminal). Upon the migration of the trading platform, the Exchange will no longer offer order management terminals (as all Floor Brokers have PAR workstations on the trading floor, and order management terminals provide similar order management functionality), so all orders routed for manual handling will route to a PAR workstation.

[9] Pursuant to Rule 5.1(c), trading during the Exchange's Global Trading Hours ("GTH") trading session is electronic only.

[10] An "Electronic Only" order is an order a User designates for electronic execution (in whole or in part) on the Exchange only, and does not route to PAR for execution in open outcry. The System cancels an Electronic Only order that would otherwise route to PAR pursuant to the Rules.

attributable orders, intermarket sweep orders ("ISOs"), AIM sweep orders, sweep and AIM orders, reserve orders,[11] qualified contingent cross ("QCC") orders, and Market-Maker Trade Prevention Orders may not be routed to PAR. The proposed rule change provides in Rule 5.6(c) and (d) that Users may not designate orders with the following Order Instructions or Times-in-Force as Direct to PAR (and thus they may not route to PAR for manual handling[12] or trade in open outcry), because manual handling of these orders would generally be inconsistent with their defined purposes[13]:

- All Sessions[14];

- Book Only;

- Cancel Back;

- ISO[15];

- Post Only;

- Price Adjust;

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[11]   The Exchange does not intend to offer reserve complex orders following the technology migration.

[12]   As further discussed below, a Floor Broker that receives an order via PAR for manual handling has discretion with how to handle the order.

[13]   *See* Rule 5.6(c) and (d) in the shell Rulebook. While stop and stop-limit orders are eligible for routing for manual handling today, the Exchange has authority pursuant to current Rules 6.12A and 6.53 to determine to make them not eligible for routing for manual handling. The Exchange believes there is minimal demand for these order types to route to PAR given the purpose of these order types (which is to rest and become eligible for automatic execution as soon as the series reaches a specified price), and Users have the ability to send these orders for electronic processing or send other orders to PAR for manual handling if they so desire.

[14]   As noted above, there is no open outcry trading during the Exchange's GTH trading session.

[15]   This is consistent with current Rule 6.12A(c).

- QCC[16];

- Reserve[17];

- Stop;

- Stop-limit;

- Fill-or-kill;

- Good-til-date;

- Immediate-or-cancel;

- Limit-on-close;

- Market-on-close; and

- At the open.

Proposed Rule 5.6(c) also identifies certain Order Instructions that are only available for PAR routing and open outcry trading:

- Multi-Class Spread Order (which may only execute on the Exchange's trading floor pursuant to current Rule 24.19);

- Not Held order (which by definition is subject to discretion regarding execution)[18]; and

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[16]   This is consistent with current Rule 6.12A(c). The proposed rule change makes nonsubstantive changes to the definition of QCC orders, including to add subheadings, update paragraph lettering and numbering, and make other clarifying changes, as well as conform language to the definition of a QCC order in EDGX Options Rule 21.1(d).

[17]   This is consistent with current Rule 6.12A(c).

[18]   The proposed rule change deletes the language in the definition of a "not held" order regarding the need to be marked, as it is redundant of the not held order message that signifies it is a not held order.

- SPX Combo (which may only execute on the Exchange's trading floor pursuant to current Rule 24.20).

All other orders may be routed for electronic processing or manual handling.

The proposed rule change amends the definition of complex order in Rule 1.1 of the shell Rulebook. Currently, the term complex order means any order involving the concurrent execution of two or more different series in the same class, for the same account, occurring at or near the same time and for the purpose of executing a particular investment strategy with no more than the applicable number of legs (which number the Exchange determines on a class-by-class basis). The current definition also states for purposes of Rules 5.4 (regarding permissible minimum increments for bids and offers), 5.85 (regarding complex order priority in open outcry trading), 5.86 (regarding open outcry facilitations and solicitations), and 5.87 (regarding open outcry crossing) in the shell Rulebook, the term complex order means a spread order, combination order, straddle order, or ratio order (each as defined in Rule 5.6 in the shell Rulebook.[19]

The Exchange believes the current definition of complex order is unnecessarily restrictive on market participants. Market participants may determine that investment and hedging strategies within the specified ratio are appropriate for their investment purposes, and the Exchange believes it will benefit market participants if they can define the investment and hedging strategies that may help them achieve their desired investment results. The Exchange does not believe it is necessary to restrict complex orders submitted for execution to those that fit within the definitions of straddle, combination, or spread.

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[19] The current definition also provides that a definition for complex order for the purposes of electronic processing will be added to Rule 5.33 of the shell Rulebook (which the Exchange intends to add in a separate rule filing).

Therefore, the proposed rule change deletes those defined terms, as well as the term ratio order, and provides that any multi-leg order (up to the maximum number of legs specified by the Exchange) with a ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) (which ratio is consistent with the current definition of ratio order)[20] may be executed on the Exchange electronically or in open outcry on the Exchange's trading floor.[21] Therefore, all multi-legged orders (and their legs) with a ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) (and not just spread, straddle, and combination orders) may trade in penny increments pursuant to Rule 5.4 in the shell Rulebook (including electronically pursuant to Rule 5.33 and in open outcry pursuant to Rule 5.85 in the shell Rulebook), and may be eligible for the complex order priority in Rule 5.85(b)(1) in open outcry trading.[22] The proposed rule change makes conforming changes to Rules 5.4[23] and 5.30 in the shell Rulebook.[24] In other words, the

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[20] *See* current Rule 6.53 (Rule 5.6(c) in the shell Rulebook).

[21] *See* proposed Rules 1.1, 5.6, and 5.30 in the shell Rulebook. In a separate rule filing, the Exchange intends to adopt rules regarding the trading of complex orders following the technology migration.

[22] *See* proposed Rules 1.1 (definition of complex order), 5.4(b), 5.6(c), and 5.85(b).

[23] The proposed rule change also updates the expiration date of the penny pilot program in Rule 5.4, Interpretation and Policy .03 of the shell Rulebook. The Exchange previously "moved" its rule regarding minimum increments from Rule 6.42 in the current Rulebook to Rule 5.4 of the shell Rulebook (*see* Securities Exchange Act Release No. 86173 (June 20, 2019), 84 FR 30267 (June 26, 2019) (SR-CBOE-2019-027). After that filing, the Exchange submitted a rule filing to extend the penny pilot program through December 31, 2019. *See* Securities Exchange Act Release No. 86148 (June 19, 2019), 84 FR 29906 (June 25, 2019) (SR-CBOE-2019-028). The proposed rule change amends Rule 5.4 to reflect the current expiration of the penny pilot program in the shell Rulebook, but makes no change to the penny pilot program.

[24] Proposed Rule 5.85(b) also clarifies that only complex orders with ratios greater than one-to-three (.333) or less than three-to-one (3.00) are eligible for complex order priority in open outcry trading.

proposed rule change has no impact on the minimum trading increment or priority of complex orders as currently defined in the shell Rulebook – it merely expands the types of complex order strategies within the permissible range of ratios that may receive complex order increment (electronically and in open outcry) and open outcry priority treatment.[25]

The proposed rule change also clarifies that market participants may submit a complex order with any strategy and any ratio for manual handling and open outcry trading.[26] The proposed rule change makes explicit that a complex order (and its legs) with a ratio of less than one-to-three (.333) or greater than three-to-one (3.00) may trade in open outcry on the Exchange's trading floor in the standard trading increment for the class, and that each leg price be better than the price of a Priority Customer order in the Book on each leg of the order. This is equivalent to a market participant submitting multiple simple orders in the same class for open outcry trading (they would trade in the permissible minimum increments in Rule 5.4(a) in the shell Rulebook, and each would need to be price better than a Priority Customer order in the book in the applicable series, as set forth in proposed Rule 5.85(a)).[27] The proposed rule change merely clarifies that market participants may submit

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[25]   Pursuant to the proposed rule change, complex orders with any ratio may trade on the Exchange's trading floor pursuant to the rules regarding solicitation and crossing (current Rules 6.9 and 6.74, which the proposed rule change moves to Rules 5.86 and 5.87, respectively). However, any complex order trades pursuant to those Rules will be subject to the minimum increment and priority Rules described in this rule filing. Other options exchanges have similar definitions of complex orders. *See, e.g.*, BOX Exchange LLC ("BOX") Rule 7600(a)(4); and Nasdaq Phlx, LLC ("Phlx") Rule 1098(a)(i) and (ix) and (c)(iii).

[26]   By clarifying in the definition of complex order that, for purposes of Rule 5.33 in the shell Rulebook (which will be moved from Rule 6.53C in the current Rulebook and describe the electronic processing of complex orders), a complex order may only have a ratio equal to or greater than one-to-three and less than or equal to three-to-one to be eligible for electronic processing.

[27]   *See* proposed Rules 1.1, 5.4, 5.6, and 5.85(b) in the shell Rulebook.

these as a single complex order for manual handling and execution on the Exchange's trading floor, which will permit more efficient execution of complex trading strategies outside of the specified ratio.

The proposed rule change also adopts Rule 5.83 in the shell Rulebook to explicitly state which orders may be eligible for PAR routing (and open outcry trading), which include market and limit orders, all-or-none orders, minimum quantity orders, multi-class spread orders, not held orders, RTH Only orders, SPX combo orders, Day orders, and GTC orders. Additionally, the Exchange may make complex orders, including security future-option orders, and stock-option orders available for PAR routing and manual handling, as it consistent with current functionality.[28]

The proposed rule change adopts Rule 5.84 in the shell Rulebook to provide that open outcry trading on the Exchange's trading floor may begin in a series after it opens for electronic trading pursuant to Rule 5.31 of the shell Rulebook. This is consistent with when open outcry trading may begin today, and the proposed rule change merely codifies this in the Rules.

The proposed rule change moves the following Rules (and deletes portions of those Rules that will no longer be applicable following the System migration) from the current Rulebook that apply solely to the Exchange's trading floor and open outcry trading into Chapter 5, Section G of the shell Rulebook. The Exchange believes it will benefit investors if all Rules that only relate to this type of trading are contained in the same portion of the

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[28] *See* Rules 6.12A(c) and 6.53 (in the current Rulebook) (which provide that certain order types in Rule 6.53 are eligible for routing to PAR, and that the Exchange may determine which order types in Rule 6.53 are available on a class and system (including PAR) basis). In a separate rule filing, the Exchange intends to adopt rules regarding the trading of complex orders following the technology migration.

Rulebook. Other than certain changes described below, the proposed rule change makes only nonsubstantive changes to these Rules, including to update paragraph lettering and numbering, make grammatical changes and make the language more plain English, change times from Central Time to Eastern Time (to be consistent with the Rule provisions in the shell Rulebook),[29] delete provisions regarding the announcement of Exchange determinations by Regulatory Circular (as those will occur pursuant to Rule 1.5 in the shell Rulebook), add paragraph headings, simplify certain provisions, update cross-references, and incorporate defined terms.

- Current Rule 6.9 regarding facilitated and solicited transactions moves to proposed Rule 5.86.[30] The proposed rule change deletes a reference to an old regulatory circular regarding front-running prohibitions, which are considered a violation of current Rule 4.1 (which the Exchange proposes to move to Rule 8.1 in the shell Rulebook). The Exchange intends to re-issue the circular and add certain portions to the Rules as appropriate, in a separate rule filing. Additionally, current Rule 6.9(f) requires orders that result from a solicitation to be marked in a manner and form prescribed by the Exchange. The Exchange no longer intends to impose that requirement. Whether an order is solicited is only relevant with respect to how it is represented on the trading floor; however, the Exchange does not incorporate

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[29] *See* Rule 1.6 in the shell Rulebook.

[30] Proposed Rule 5.86 is renamed "Facilitated and Solicited Transactions." While current Rule 6.9 is called "Solicited Transactions," pursuant to current Rule 6.9, Interpretation and Policy .01, the rule applies to solicited orders, including facilitation orders. The Exchange believes updating the name of the Rule will clarify its application to investors.

any such markings into its surveillances and thus does not believe it is necessary to require a systematic marking.

- Current Rules 6.12(a)(1) and 6.13(b) regarding how the System handles incoming orders (whether they automatically execute at one price or multiple prices, rest on the Book, or route to PAR for manual handling) to proposed Rule 5.8.[31] The proposed rule change deletes language regarding the Exchange designating an eligible order size, type, origin code, or classes for which automatic execution is available from Rule 6.13(a) and(b)(i) and (ii).[32] Orders in all classes of all sizes and for all origin codes may execute automatically upon entry, subject to a User's instructions (as discussed above, orders with certain Order Instructions and Times-in-Force are only eligible to route to PAR may not automatically execute upon entry or rest in the Book). The proposed rule change also deletes current Rule 6.13(c) regarding users that may access the System for automatic execution of orders. Rule 5.5 describes how Users (including order entry firms)[33] will be able to establish access and connectivity to the System following the technology migration to enter orders both for electronic processing and manual handling. The remainder of Rule 6.13(c) describes requirements that apply to all Users (such as complying with all

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[31] The proposed rule change also renumbers Rule 5.8 in the shell Rulebook (regarding order exposure) to Rule 5.9 in the shell Rulebook.

[32] The proposed rule change also deletes current Rule 6.13(b)(vii), as it is redundant of language in Rule 5.32 of the shell Rulebook.

[33] Order entry firms is currently defined in Rule 1.1 in the shell Rulebook, so the proposed rule change deletes provisions in Rule 6.13 regarding the functions of an order entry firm. The proposed rule change also updates the definition of order entry firm in Rule 1.1 of the shell Rulebook to eliminate the cross-reference to Rule 3.51, as the Exchange does not anticipate having a separate rule regarding order entry firms. This is consistent with the definition of order entry firms in the rules of Cboe Affiliated Exchanges. *See, e.g.*, C2 Rule 1.1 and EDGX Rule 16.1.

Rules), and thus the proposed rule change deletes those redundant provisions. For example, all TPHs must comply with the Exchange's trading rules and procedures, and all features of automatic execution on the Exchange's System are available to the public in the Exchange's Rules and other documents available on the Exchange's website.[34] Other Rules (for example, Rule 4.24 regarding supervision and Rule 9.8 regarding supervision of accounts) require TPHs to develop and maintain adequate procedures and controls over their business activities, which would include order entry.[35]

- Current Rule 6.12A regarding PAR moves to Rule 5.82. The proposed rule change deletes the portion of the current introductory paragraph in current Rule 6.12A regarding the order handling system (which, as discussed above, is being replaced by Order Instructions). The proposed rule change adds to current Rule 6.12A(b)(ii) (proposed Rule 5.82(c)(2)) that Trading Permit Holders may use PAR to trade against Priority Customer orders and other orders resting at the best available price in the Book, which is consistent with current functionality and open outcry priority and allocation rules (current Rule 6.45(b), which the proposed Rule change moves to Rule 5.85(a), as discussed below). The proposed rule change is merely adding this detail to the Rules. Additionally, the proposed rule change adds

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[34]   Current Chapter IX (which the Exchange intends to move to Chapter 9 of the shell Rulebook) describes requirements for firms that do business with the public.

[35]   Additionally, Rule 15c3-5 under the Exchange Act requires a broker-dealer with market access, or that provides any person with access to an exchange, to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks, such as legal and operational risks, related to market access, which would include order entry.

proposed Rule 5.82(c)(4) to provide that Trading Permit Holders may route orders to another PAR workstation. This is similar to current Rule 6.12(a)(2), which provides orders may be routed back and forth between order management terminals and PAR workstations. As noted above, the Exchange will no longer offer order management terminals, and so the Exchange will provide the same service for order routing between PAR workstations (which are merely a different type of order management terminals). As discussed above, the Exchange will no longer have an order handling system, and Order Instructions will determine whether an order may route to PAR. As discussed above, only orders not eligible for electronic processing (as specified in the proposed Rules) may be routed to PAR. Proposed Rule 5.83 sets forth whether a specific order type is eligible to route to PAR, as described above. The proposed rule change deletes current Rule 6.12A(d), as the proposed rule change describes PAR functionality as of the System migration. The Exchange will continue to issue additional notices or technical specifications regarding the operation of PAR workstations.[36]

- Current Rule 6.12B regarding PAR Officials moves to proposed Rule 5.90. The Exchange notes proposed Rule 5.90(b)(1)(C) deletes references to market-if-touched, market-on-close (which includes limit-on-close pursuant to current Rule 6.53), stop, stop-limit, fill-or-kill, and immediate-or-cancel orders). Currently, those orders are excluded from a PAR Official's display obligation. However, as discussed above, these orders will no longer be eligible to route to PAR, and thus it is no longer necessary to reference them.

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[36]   *See, e.g.*, technical specifications on the Exchange's website at http://markets.cboe.com/us/options/support/technical/.

• Current Rule 6.20(a) through (d) regarding admission to and conduct on the Exchange's trading floor moves to proposed Rule 5.80. The proposed rule change deletes the last sentence of current Rule 6.20(d) regarding quote terminals on the trading floor, as quote terminals are obsolete and no longer used. Current Rule 6.20(e) regarding TPH education moves to proposed Rule 3.12, as it relates to a TPH's registration requirements rather than open outcry trading. The Exchange notes it deletes the provision from current Rule 6.20(e) (proposed Rule 3.12) that states any action taken by Floor Officials under that provision does not preclude further disciplinary action under current Chapter XVII (proposed Chapter 13) under the Rules. There is no action that Floor Officials may take with respect to TPH educational classes, and the Exchange may take action pursuant to current Chapter XVII (proposed Chapter 13), therefore this provision is unnecessary.

• Current Rule 6.23 regarding equipment and communications on the Exchange's trading floor moves to proposed Rule 5.81.

• Current Rules 6.41, Interpretation and Policy .01 and 24.8, Interpretation and Policy .01 regarding complex orders submitted with a cash price move to proposed Rule 5.85(f). The proposed rule change adds some detail regarding the submission and execution of these orders, but does not amend how these orders may be represented or execute on the Exchange's trading floor.[37] These details regarding

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[37] The proposed rule change also adds an applicable cross-reference to Rule 5.3(e) of the shell Rulebook regarding bids and offers and updates subparagraph numbering as applicable.

the representation of orders with cash prices was set forth in a previous rule filing submitted to the Commission.[38]

- Current Rule 6.45(b) regarding the priority and allocation of bids and offers in open outcry moves to proposed Rule 5.85(a) and (b). The proposed rule change also incorporates the on-floor DPM or LMM participation entitlement into the open outcry priority provisions, which is consistent with current Rules[39] – the proposed rule change merely clarifies where this priority overlay applies within the allocation and priority Rules for open outcry trades. The proposed rule change makes no change to how the on-floor participation entitlement is applied.[40] Current Rule 6.45, Interpretation and Policy .06 regarding the routing of the stock component of a stock-option order represented in open outcry moves to proposed Rule 5.85(b). The proposed rule change current Rule 6.45(b)(iii), which states the open outcry allocation and priority provisions are subject to current Rules 8.7, Interpretation and Policy .02 and Rule 8.51. Those Rules relate to Market-Maker obligations, to which Market-Makers are always subject, and thus the Exchange does not believe it is necessary to include a reference to those rules here.

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[38] *See* Securities Exchange Act Release No. 74551 (March 20, 2015), 80 FR 16046 (March 26, 2015) (SR-CBOE-2015-010).

[39] *See* current Rules 8.15(d) and 8.87. As is the case for electronic trading (*see* Rule 5.32 in the shell Rulebook), the LMM/DPM participation entitlement may only be applied after Priority Customer orders at the same price trade.

[40] LMMs and DPMs will continue to only be able to receive a participation entitlement if they have an appointment in the relevant class, and if they have a quote at the best price. Additionally, LMMs and DPMs may not be allocated a total quantity of contracts greater than the quantity that they quote at the best price.

• Current Rule 6.47 regarding split-price priority (which only applies to open outcry trading) moves to proposed Rule 5.85(c).

• Current Rule 6.56 regarding compression forums moves to proposed Rule 5.88.

• Current Rule 6.57 regarding risk-weighted asset (RWA) transactions moves to proposed Rule 5.89.

• Current Rule 6.73 regarding Floor Broker responsibilities moves to proposed Rule 5.91(a) and (b). Current Rule 6.73(c) is duplicative of language in current Rule 6.75 (which the proposed rule change moves to proposed Rule 5.91(c)), and thus the proposed rule change deletes the redundant language. The proposed rule change deletes current Rule 6.73(b), because the Exchange will no longer have market-if-touched orders following the System migration, and, as discussed above, market-on-close (which includes limit-on-close pursuant to current Rule 6.53), stop, and stop limit orders will no longer be eligible to route to PAR, and thus will not be available for Floor Broker handling.[41] The proposed rule change amends current Rule 6.73, Interpretation and Policy .01 (which moves to proposed Rule 5.91(a)(1)) to state a Floor Broker must due diligence in handling and executing an order by announcing to the trading crowd a request for quotes, rather than making all persons in the trading crowd aware of a request for quotes. While a Floor Broker must use best

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[41] Similarly, the Exchange deletes current Rules 21.17 and 23.12 (regarding the handling by Floor Brokers of contingency orders for government securities options and interest rate options (which the Exchange does not currently list for trading)), as those rules replace current Rule 6.73(b), which the proposed rule change deletes. Floor Brokers will no longer be able to handle any of these contingency orders.

efforts to make as many people in the crowd aware of a request for quotes, given the size and activity (and thus, noise volume) in certain trading crowds, a Floor Broker cannot guarantee that all persons in a trading crowd will hear and thus be aware of a request for quotes. Additionally, the proposed rule change deletes references in current Rule 6.73, Interpretations and Policies .03 and .04 to the dissemination the trading crowd market quote and a related obligation, as trading crowd quotes are no longer disseminated. Rule 8.51 regarding firm quote obligations (which the Exchange intends to move to Rule 5.52 in the shell Rulebook) applies to all orders and quotes on the Exchange.

- Current Rule 6.74 regarding crossing orders in open outcry moves to proposed Rule 5.87.

- Current Rule 6.75 regarding discretionary transactions moves to proposed Rule 5.91(c). The proposed rule change moves all rules regarding Floor Broker responsibilities into a single proposed Rule 5.91.[42]

- Current Rule 6.79 regarding Floor Broker practices moves to proposed Rule 5.91(d) through (j).[43] The proposed rule change deletes the portion of current Rule 6.79 that restates Exchange Act requirements regarding record retention requirements for Floor Brokers, as the Rule states a Floor Broker must comply with the Exchange Act and Exchange Rules regarding documentation and record-

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[42] The proposed rule change also deletes Rules 6.76 and 6.76A from the current Rulebook, as they were previously deleted.

[43] These include practices related to the liquidation or reduction of error account positions, erroneously executed orders, lost or misplaced market orders, legging multi-part orders, print-throughs, stopping orders, and documentation of errors and recordkeeping requirements.

keeping, making restatement of the Exchange Act provisions redundant and unnecessary.

- Current Rule 24.19(a) and (b) regarding the definition of a multi-class spread order moves to proposed Rule 5.6(c), so that all Order Instructions that will be available on the Exchange are included in the same place within the Rules. The proposed rule change adds to the Rules the current combinations of broad-based index options the Exchange has determined may trade as multi-class spread orders.[44] Current Rule 24.19(c) regarding how a multi-class spread order may execute moves to proposed Rule 5.85(d), so that all provisions regarding how orders may trade in open outcry are included in the same place within the Rules. The proposed rule change makes no changes regarding how multi-class spreads may execute on the Exchange.

- Current Rule 24.20(a) and Interpretation and Policy .01 regarding the definition of an SPX Combo Order move to proposed Rule 5.6(c), so that all Order Instructions that will be available on the Exchange are included in the same place within the Rules. Current Rule 24.20(b) regarding how an SPX Combo Order may execute moves to proposed Rule 5.85(e), so that all provisions regarding how orders may trade in open outcry are included in the same place within the Rules. The proposed rule change makes no changes regarding how SPX Combo Orders may execute on the Exchange. The proposed rule change deletes the requirement that TPHs apply an indicator the an SPX Combo, as the new "SPX Combo" order instruction replaces the need for a separate indictor, as it will be the only order type

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[44]   *See* Cboe Options Regulatory Circular RG16-136 (August 11, 2016).

that may execute pursuant to the procedures set forth in current Rule 24.20 (proposed Rule 5.85(e)).

- Current Rule 24.21 regarding crowd space dispute resolution procedures moves to proposed Rule 5.93. The current rule states the Exchange may apply these procedures to OEX, SPX, DJX, DIA and any index option not located at a station shared with equity options. Currently, these procedures apply only to the SPX and VIX index option crowds, so proposed Rule 5.93 explicitly states these procedures will only apply to spaces within those trading crowds.

- Current Rule 24.22 regarding the allocation of trading spaces moves to proposed Rule 5.92.

- Current Rule 24A.6 regarding a Floor Broker's discretion with respect to the number of FLEX contracts it may transact moves to proposed Rule 5.91(c)(2)(B), so that all provisions regarding Floor Broker discretion are contained within the same part of the Rules.

The proposed rule change also amends Rule 5.32 of the shell Rulebook to delete three inadvertent references to the "EDGX Options Book" and instead refers to the term "Book," which is defined in Rule 1.1 of the shell Rulebook as the electronic book of simple orders and quotes maintained by the System, which single book is used during both the RTH and GTH trading sessions. In addition, the proposed rule change corrects an error in the paragraph number in Rule 5.32(b), which currently has two subparagraphs labeled as (2). These proposed changes make no changes to any functionality – they merely correct errors in the shell Rulebook.

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.[45] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[46] 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)[47] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed elimination of the Exchange's order handling system, which the Exchange proposes to replace with Order Instructions that will dictate whether an order will route for electronic processing or manual handling, as well as specific Rules regarding eligibility of Order Instructions and Times-in-Force for electronic processing or manual handling (or both) will benefit investors by providing them with more control regarding how their orders will be processed upon submission to the Exchange. The Exchange believes the proposed rule change simplifies the process pursuant to which the

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[45]   15 U.S.C. 78f(b).

[46]   15 U.S.C. 78f(b)(5).

[47]   Id.

System handles order, and will provide Users with more certainty regarding how the Exchange will process their orders. The Exchange notes the proposed elimination of order management terminals will have minimal impact on Users on the trading floor, as all Floor Brokers use PAR workstations (which provide similar order management tools as order management terminals). The Exchange believes this will further simplify manual handling of orders on the Exchange's trading floor.

The proposed rule change also benefits investors by adding transparency regarding which orders are eligible for electronic processing, and which orders are eligible for manual handling. The Exchange currently has authority pursuant to Rules 6.12A and 6.53 in the current Rulebook to determine which orders are eligible for electronic processing and PAR routing, and the proposed rule change is consistent with that authority.

The proposed rule change regarding the definition of a complex order will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors. Market participants may determine that investment and hedging strategies within the specified ratio are appropriate for their investment purposes and refer to submit those orders for execution. The Exchange believes it will benefit market participants if they can define the investment and hedging strategies that may help them achieve their desired investment results. As discussed above, the proposed rule change has no impact on which complex orders may trade in permissible complex order increments or receive complex order priority in open outcry trading – the proposed rule change merely expands the potential strategies with ratios of greater than or equal to one-to-three and less than or equal to three-to-one that may be

executed on the Exchange (electronically or in open outcry), trade in complex order increments permissible in Rule 5.4 in the shell Rulebook (including the legs), and receive complex order priority in open outcry trading in Rule 5.85(b) in the shell Rulebook (as proposed). The proposed rule change also benefits investors by clarifying that a complex order (and its legs) with a ratio less than one-to-three or greater than three-to-one is only eligible for manual handling and open outcry trading in the standard increment for the class, and may not receive complex order priority in open outcry trading. Additionally, other options exchanges have similar definitions of complex orders.[48]

The Exchange believes the proposed reorganization of Rules to move all Rules that relate solely to open outcry trading on the Exchange's trading floor will also benefit investors and remove impediments to and perfect the mechanism of a free and open market and a national market system. The majority of the changes in the proposed rule change move rules from the current Rulebook to the shell Rulebook with no substantive changes. The proposed nonsubstantive changes to the Rules provide additional detail in the rule regarding current functionality, make the Rules more plain English, update cross-references and paragraph lettering and numbering, delete duplicative language, and simplify rule language, which all benefit investors. The Exchange believes these changes and transparency will protect investors, as they provide more clarity and reduce complexity within the Rules.

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

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[48]   *See, e.g.*, BOX Exchange LLC ("BOX") Rule 7600(a)(4); and Nasdaq Phlx, LLC ("Phlx") Rule 1098(a)(i) and (ix) and (c)(iii).

of the Act. The Exchange does not believe the proposed rule change will impose any

burden on intramarket competition, as they will apply to all Users in the same manner.

All Users may submit orders for electronic processing or manual handling (including

complex orders as proposed) as eligible pursuant to the proposed rule change, and the

System will handle orders from Users in the same manner. Submission of orders for

electronic processing or manual handling will be within Users' discretion. 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 it only impacts how the System will route orders for electronic processing or

manual trading on the Exchange, but will have no impact on how orders will be executed

on the Exchange. Regarding the expanded definition of complex orders that may be

submitted to the Exchange for electronic processing, the Exchange notes other options

exchanges have similar definitions of complex orders.[49] The proposed nonsubstantive

changes are not intended to have any impact on competition, as they do not impact

trading on Cboe Options.

      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;

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[49]   *See, e.g.*, BOX Rule 7600(a)(4); and Phlx Rule 1098(a)(i) and (ix) and (c)(iii).

B.   impose any significant burden on competition; and

C.   become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act[50] and Rule 19b-4(f)(6)[51] 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-2019-042 on the subject line.

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50   15 U.S.C. 78s(b)(3)(A).

51   17 CFR 240.19b-4(f)(6).

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-2019-042. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2019-042 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.[52]

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[52] 17 CFR 200.30-3(a)(12).

Secretary

EXHIBIT 5A

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

* * * * *

Rules of Cboe Exchange, Inc.

(currently effective)

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[Rule 6.9. Solicited Transactions

A Trading Permit Holder or TPH organization representing an order respecting an option traded on the Exchange (an "original order"), including a complex order, may solicit a Trading Permit Holder or TPH organization or a public customer or broker-dealer (the "solicited person") to transact in-person or by order (a "solicited order") with the original order. In addition, whenever a floor broker who is aware of, but does not represent, an original order solicits one or more persons or orders in response to an original order, the persons solicited and any resulting orders are solicited persons or solicited orders subject to this Rule. Original orders and solicited orders are subject to the following conditions.

(a) Disclosed original order and matching solicited order that improves the market. If the terms and conditions of the original order are disclosed to the trading crowd prior to the solicitation and the original order is continuously represented in the crowd throughout the solicitation process without any change in the terms and conditions of the order, and if the solicited person or the solicited order matches the original order's limit and improves the best bid or offer in the trading crowd, then the solicited person or the solicited order will have priority over non-solicited market makers and floor brokers representing non-solicited discretionary orders in the trading crowd and may trade with the original order at the improved bid or offered price subject to customer limit order book priorities set forth in Rule 6.45.

(b) Disclosed original order that is later modified to meet a solicited order improving the market. If the terms and conditions of the original order are disclosed to the trading crowd prior to the solicitation and the original order is continuously represented in the crowd throughout the solicitation process, and if the solicited person or the solicited order improves the best bid or offer in the crowd but does not match the original order's limit, and if thereafter the original order is modified to match the solicited order's bid or offer, then the following principles apply:

> (i) prior to executing the modified original order with the solicited person or solicited order or crossing the modified original order with the solicited order, the Trading Permit Holder initiating the original order must announce to the trading crowd all the terms and conditions of the original order as modified, and

(ii) (bids or offers thereafter made in the crowd will have priority pursuant to Cboe Options Rule 6.45 and may trade with the original order as modified, in the sequence in which they are made.

(c) Disclosed original order that is later modified to meet a solicited order not improving the market. If all the terms and conditions of the original order are disclosed to the trading crowd prior to the solicitation and the original order is continuously represented in the crowd throughout the solicitation process, and if the solicited person or the solicited order's bid or offer matches but does not improve the best bid or offer in the trading crowd and does not meet the original order's limit, and if thereafter the original order is modified to match the best bid or offer, then non-solicited market-makers and floor brokers with non- solicited discretionary orders in the trading crowd will have priority over the solicited person or the solicited order and may trade with the modified original order at the best bid or offered price subject to customer limit order book priorities set forth in Rule 6.45.

(d) Undisclosed original order. If the terms and conditions of the original order are not disclosed to the trading crowd prior to the solicitation, then, prior to crossing the original order with the solicited order or executing the original order with the solicited person or his agent, the Trading Permit Holder initiating the original order or his agent must disclose all the terms and conditions of the original order to the trading crowd. Non-solicited market-makers and floor brokers holding non-solicited discretionary orders in the trading crowd will have priority over the solicited person or the solicited order to trade with the original order at the best bid or offered price subject to customer limit order book priorities set forth in Rule 6.45.

(e) Trading based on knowledge of imminent undisclosed solicited transaction. It will be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 4.1 for any Trading Permit Holder or person associated with a Trading Permit Holder, who has knowledge of all material terms and conditions of an original order and a solicited order, including a facilitation order, that matches the original order's limit, the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an option of the same class as an option that is the subject of the original order, or an order to buy or sell the security underlying such class, or an order to buy or sell any related instrument until either (i) all the terms and conditions of the original order and any changes in the terms and conditions of the original order of which that Trading Permit Holder or associated person has knowledge are disclosed to the trading crowd or (ii) the solicited trade can no longer reasonably be considered imminent in view of the passage of time since the solicitation. For purposes of this paragraph (e), an order to buy or sell a "related instrument," means, in reference to an index option, an order to buy or sell securities comprising ten percent or more of the component securities in the index or an order to buy or sell a futures contract on any economically equivalent index. With respect to an SPX option, an OEX option is a related instrument, and vice versa.

(f) All orders initiated as a result of a solicitation must be marked in a manner and form prescribed by the Exchange and announced via Regulatory Circular.

. . . Interpretations and Policies:

.01 This Rule applies to all solicited orders, including, but not limited to, facilitation orders and orders resulting from solicitations of public customers, non-Trading Permit Holder broker- dealers, Trading Permit Holders and TPH organizations, and market-makers.

.02 A Trading Permit Holder initiating an original order is not required to announce to the trading crowd that another person has been solicited to participate in the order. The initiating Trading Permit Holder, however, must disclose to the trading crowd all the terms and conditions of the original order, and any modifications, as prescribed in this Rule.

.03 In respect of any solicited order that is a complex order, the terms "bid" and "offer" as used in subparagraphs (a)-(d) of this Rule 6.9 mean "total net debit" and "total net credit," respectively.

.04 Except as provided in Rule 6.9(a), the procedures set forth in Rule 6.74 (Crossing Orders) govern the crossing of original orders with facilitation orders or solicited orders as determined by the Exchange pursuant to Rule 6.74(d).

.05 The provisions of Rule 6.45 govern the priority of bids and offers, including the priority of a bid or an offer in relation to an original order on the same side of the market. For example, an original order to buy an option contract will take priority over other bids at the same price only as provided in Rule 6.45.

.06 Disclosing all the terms of the original order and any changes in the terms and conditions of the original order to the crowd prior to effecting a trade does not provide a safe harbor from possible violations of front-running prohibitions. Front-running is considered to be a violation of Exchange Rule 4.1, Just and Equitable Principles of Trade, as described in Exchange Regulatory Circular RG94-76.

.07 The phrase "terms and conditions," as used in this rule with respect to an order that is subject to facilitation, refers to class; series; volume; option price; any contingencies; and any components related to the order (e.g., stock, options, futures or other related instruments or interests). However, the class will be deemed to be disclosed to the trading crowd if it is apparent that the crowd is aware of which class is being traded, (e.g., if the pit in which the transaction occurs is designated for one option class only, or if the class is the only one in the trading post trading at the disclosed strike price, then it would be apparent which option class is being traded).

Rule 6.10. Reserved]

* * * * *

Rule 6.12. Cboe Options Hybrid Order Handling System

[This rule describes the process for routing orders through the Exchange's order handling system in classes designated for trading on the Cboe Options Hybrid System. The order handling system is a feature within the Hybrid System to route orders for automatic execution, book entry, open outcry, or further handling by a broker, agent, or PAR Official, in a manner consistent with Exchange Rules and the Act (e.g., resubmit the order to the

Hybrid System for automatic execution, route the order from a booth to a PAR workstation, cancel the order, contact the customer for further instructions, and/or otherwise handle the order in accordance with Exchange Rules and the order's terms).

(a) Orders may route through the order handling system for electronic processing in the Hybrid System or to a designated order management terminal or PAR Workstation in any of the circumstances described below. Routing designations may be established based on various parameters defined by the Exchange, order entry firm or Trading Permit Holder, as applicable.

(1) AutoEx and Book Kick-Outs: Under Rules 6.2, 6.13 and 6.53C, orders or the remaining balance of orders initially routed from an order entry firm for electronic processing that are not eligible for automatic execution or book entry will by default route to a PAR workstation designated by the order entry firm. If an order entry firm has not designated a PAR workstation or if a PAR workstation is unavailable, the remaining balance will route to an order management terminal designated by the order entry firm. If it is not eligible to route to a PAR workstation or order management terminal designated by the order entry firm, the remaining balance will be returned to the order entry firm.

(2) OMT/PAR Workstation Routing: Orders may be routed back and forth between an order management terminal and a PAR workstation by Trading Permit Holders. Orders may be routed from a PAR workstation to an order management terminal by a PAR Official based on instructions from the Trading Permit Holder or if the PAR Official is unable to book or execute the order from, or maintain the order on, the PAR workstation.]

(3) – (4) No change.

[(5) Reserved.

(6) Direct Routing: Orders may route directly from an order entry firm for electronic processing or to an order management terminal or a PAR workstation based on parameters prescribed by the order entry firm.

(7) System Disruptions or Malfunctions: Orders will route to an order management terminal designated by the order entry firm or Trading Permit Holder, or a terminal designated and maintained by the Exchange as a back-up to order entry firms' and Trading Permit Holders' designated order management terminals, in the event of certain system disruptions or malfunctions that affect the ability of orders to reach or be processed at their intended designation.

(b) Order management terminals are located in the booths on the Exchange floor. Each order entry firm must designate an order management terminal(s) for receiving routed orders via the order handling system. An order entry firm may elect to have its orders routed to an order management terminal(s) operated by the firm and/or an order management terminal(s) operated by another Trading Permit Holder(s).]

. . . Interpretations and Policies:

.01 No change.

[Rule 6.12A. Public Automated Routing System (PAR)

The PAR workstation (PAR) is an Exchange-provided order management tool for use on the Exchange's trading floor by Trading Permit Holders or Exchange PAR Officials (see Rule 6.12B for a description of the responsibilities of PAR Officials). The Exchange's Order Handling System allows for orders to be routed to and from PAR in accordance with TPH and Exchange order routing parameters and the Rules including, but not limited to, this Rule 6.12A and Chapters VI and VIII of the Rules and Rules 6.2, 6.12B, 6.13, 6.14B, 6.53, 6.53C, 6.74, and 8.51 thereunder.

(a) Order Routing. Eligible orders will be routed to PAR in accordance with TPH and Exchange order routing parameters and the order's terms.

(b) Order Handling. Once an order is on PAR, the order shall be processed in accordance with the manual or automatic settings established by the user and the order's terms. Subject to the forgoing, once an order is on PAR, the user may:

> (i) Submit the order into the Hybrid Trading System (including for execution against quotes and orders resting in the electronic book and exposure to appropriate electronic auctions pursuant to Rules 6.14A, 6.53C, 6.74B, and 24B.5B);
>
> (ii) Execute the order in open outcry, including against other orders on PAR and with other TPHs or PAR Officials in accordance with Rules 6.74 and 7.12;
>
> (iii) Route the order to an Order Management Terminal (OMT) designated by the TPH or otherwise return the order to the order entry firm or originating TPH;
>
> (iv) Route the order or a portion thereof to an away exchange in accordance with Rules 6.14B and 6.81;
>
> (v) Cancel the unexecuted order, including upon receipt of a cancel request from the order entry firm or originating TPH or as prescribed by Exchange or TPH order routing parameters.

(c) Orders Eligible for PAR. Unless otherwise specified in the Rules or the context indicates otherwise, all order types specified in Rule 6.53 are eligible to route to PAR, except attributable orders, ISOs, AIM sweep orders, sweep and AIM orders, reserve orders, QCC orders, and Market-Maker Trade Prevention Orders may not be routed to PAR.

(d) Preemption. To the extent that any provision(s) of this Rule 6.12A conflicts with any provision(s) of any Regulatory Circular previously issued by the Exchange regarding the operation or functionality of PAR, this Rule supersedes and supplants the limited conflicting provision(s) of any such Regulatory Circular.

Rule 6.12B. PAR Officials

(a) Designation. A PAR Official is an Exchange employee or independent contractor whom the Exchange may designate as being responsible for (i) operating a PAR workstation; and (ii) effecting proper executions of orders placed with him/her. The PAR Official may not be affiliated with any Trading Permit Holder that is approved to act as a Market-Maker.

(b) Obligations. A PAR Official is responsible for the following obligations:

(i) Display Obligation: Each PAR Official must display immediately the full price and size of any customer limit order that improves the price or increases the size of the best disseminated Cboe Options quote. For purposes of this Rule 6.12B(b), "immediately" means, under normal market conditions, as soon as practicable but no later than 30 seconds after receipt ("30-second standard") by the PAR Official. The following are exempt from the Display Obligation as set forth under this Rule:

(A) An order executed upon receipt;

(B) An order where the customer who placed it requests that it not be displayed, and upon receipt of the order, the PAR Official announces in public outcry the information concerning the order that would be displayed if the order were subject to being displayed;

(C) market-if-touched orders; market-on-close orders; stop orders; stop-limit orders; all or none orders; fill or kill orders; immediate or cancel orders; and complex orders;

(D) Orders received before or during a trading rotation (as defined in Rule 6.2), including Opening Rotation orders, are exempt from the 30-second standard, but they must be displayed promptly following conclusion of the applicable rotation; and

(E) Orders for more than 100 contracts, unless the customer placing such order requests that the order be displayed.

(ii) Execution. A PAR Official must use due diligence to execute the orders placed in the PAR Official's custody at the best prices available to him or her under the Rules.

(iii) Autobook: A PAR Official must maintain and keep active on the PAR workstation at all times the automated limit order display facility ("Autobook") provided by the Exchange. Only senior Help Desk personnel may determine the length of the Autobook timer for PAR Officials, and a PAR Official may deactivate Autobook only with the approval of senior Help Desk personnel.

(iv) Representation: A PAR Official must electronically record the time an order is initially represented in the trading crowd via Exchange-approved functionality.

(v) Duty to Report: When, in the opinion of a PAR Official, there is any unusual activity, transaction, or price change, or there are other unusual market conditions or circumstances that are detrimental to the maintenance of a fair and orderly market, the PAR Official must promptly report this unusual activity to a Floor Official. To the extent unusual activity is apparent only through the inspection of trade tickets, a PAR Official is not responsible for reporting this activity unless the trade tickets are brought to the PAR Official's attention.

(c) Compensation. A PAR Official is compensated exclusively by the Exchange, which determines the amount and form of compensation. No DPM, LMM or Market-Maker may directly or indirectly compensate or provide any other form of consideration to a PAR Official.

(d) Liability of Exchange for Actions of PAR Officials. The Exchange's liability to Trading Permit Holders or persons associated therewith for any loss, expense, damages or claims arising out of any errors or omissions of a PAR Official or any persons providing assistance to a PAR Official will be subject to the Rules, including the limitations set forth in Rules 6.7 and 6.7A.]

Rule 6.13. Hybrid Trading System Automatic Execution Feature

[(a) Applicability: This rule applies to all classes authorized for trading on the Hybrid Trading System. On the Hybrid Trading System, automatic executions may occur electronically and open outcry trades may occur on the floor of the Exchange pursuant to the priority and allocation principles contained in Rule 6.45.

(b) Automatic Execution: Orders eligible for automatic execution through the Hybrid Trading System may be automatically executed in accordance with the provisions of this Rule or Rule 6.14A, as applicable. This section governs automatic executions and split-price automatic executions. The allocation of orders or quotes that automatically execute through the Hybrid Trading System is governed by Rule 6.45.

(i) Eligibility: The Exchange shall designate the eligible order size, eligible order type, eligible order origin code (i.e., public customer orders, non- Market-Maker broker-dealer orders, and Market-Maker broker-dealer orders), and classes in which the automatic execution feature shall be activated, subject to the following:

(A) Eligible Order Size: The Exchange shall establish on a class-by- class basis the maximum size of orders entitled to receive automatic execution through the Hybrid Trading System. If the eligible order size exceeds the disseminated size, incoming eligible orders shall be entitled to receive an automatic execution up to the disseminated size.

(B) Orders Not Eligible for Automatic Execution: Orders not eligible for automatic execution will route via the order handling system pursuant to Rule 6.12.

(C) Access:

(1) Orders of public customers and broker-dealers that are not Market-Makers or specialists on an exchange who are exempt from the provisions of Regulation T of the Federal Reserve Board pursuant to Section 7(c)(2) of the Exchange Act ("non-Market-Maker or non-Specialist broker-dealers") are eligible for automatic execution. The eligible order size for these classifications must be the same.

(2)

(a) Options Exchange Market-Makers: The Exchange may also determine, on a class-by- class basis, to allow orders for the accounts of Market-Makers or specialists on an options exchange (collectively "options Market-Makers") who are exempt from the provisions of Regulation T of the Federal Reserve Board pursuant to Section 7(c)(2) of the Securities Exchange Act of 1934 to be eligible for automatic execution. The Exchange may establish the maximum order size eligibility for such options Market-Maker orders at a level lower than the maximum order size eligibility available to non-broker-dealer public customers and non-Market-Maker or non-specialist broker-dealers. Pronouncements pursuant to this provision regarding options Market-Maker access shall be made by the Exchange and announced via Regulatory Circular.

(b) Stock Exchange Specialists: The Exchange may determine, on a class-by-class basis, to allow orders for the account of a stock exchange specialist, with respect to a security in which it acts as a specialist, to be eligible for automatic execution in the overlying option class. The Exchange may establish the maximum order size eligibility for such specialist orders at a level lower than the maximum order size eligibility available to options exchange Market-Makers. Stock exchange specialists, with respect to orders in securities in which they do not act as specialist, will be treated as broker-dealers that are not Market- Makers or specialists on an options exchange and will be eligible to submit orders for automatic execution in accordance with subparagraph (1) above.

(3) 15-Second Limitation: With respect to orders eligible for submission pursuant to paragraph (b)(i)(C)(2), Trading Permit Holders shall neither enter nor permit the entry of multiple orders on the same side of the market in an option class within any 15-second period for an account or accounts of the same beneficial owner. The Exchange may shorten the duration of this 15-second period by providing notice to the Trading Permit Holders via a Regulatory Circular that is issued at least one day prior to implementation.

For purposes of this rule, orders will be presumed to be for the account(s) of the same beneficial owner if they are not independently originated by separate Market-Makers (or stock exchange specialists) and such orders

clear into the same account or accounts with common ownership. The term "independently originated" means that a Market-Maker (or stock exchange specialist) makes an individual determination to trade and directly communicates its trading determination (i.e. order) to the Exchange.

(ii) Process: For Hybrid classes, eligible orders of a size equal to or less than the size of the disseminated Cboe Options BBO shall be executed in the manner described in paragraph 6.13(b). Inbound eligible orders of a size greater than the disseminated size will automatically execute in part, as described below in paragraph 6.13(b)(iii) (Split Price Executions). Orders executed automatically shall be allocated to contra side trading interest pursuant to Rule 6.45.

(iii) Split Price Executions: For Hybrid classes, incoming eligible orders of a size greater than the disseminated size shall receive an automatic execution for a size up to the disseminated size. The remaining balance of the order if marketable, will automatically execute at the revised disseminated price provided the revised disseminated price represents the NBBO (if the revised price is inferior to NBBO the remaining balance of the order will route via the order handling system pursuant to Rule 6.12, or for processing pursuant to 6.14A). If not marketable, the remaining balance of the order will be automatically represented in the electronic book provided such order is eligible for book entry pursuant to Rule 6.11. If the order is not eligible for book entry, it will route via the order handling system pursuant to Rule 6.12. Pronouncements pursuant to this provision shall be made by the Exchange and announced via Regulatory Circular.

(iv) Executions at NBBO: Eligible orders in classes that are multiply traded will not be automatically executed on Cboe Options at prices that are inferior to the NBBO and instead shall route to HAL pursuant to Rule 6.14A or via the order handling system pursuant to Rule 6.12. Eligible orders received while the Cboe Options market is locked (e.g., $1.00 bid - $1.00 offered) shall be eligible for automatic execution at Cboe Options's disseminated quote, provided that the disseminated quote is not inferior to the NBBO. Eligible orders received while the Cboe Options market is crossed with the disseminated market of another exchange (e.g. Cboe Options $1.20 bid while another exchange is disseminating a $1.15 offer) shall be eligible for automatic execution at Cboe Options's disseminated quote, provided that the disseminated quote is not inferior to the NBBO.]

(v) – (vi) No change.

[(vii) Stop and Stop-Limit Orders. The System cancels a buy (sell) stop or stop-limit order if the Exchange best bid (offer) at the time the System receives the order is equal to or above (below) the stop price.]

[(c) Users, Order Entry Firms, and Prohibited Practices

For purposes of this rule, the term "User" means any person or firm that obtains electronic access to the automatic execution feature of the Cboe Options Hybrid System through an

Order Entry Firm. The term "Order Entry Firm" means a TPH organization that is able to route orders to the Exchange's Order Handling System.

(i) Order Entry Firms shall:

(A) Comply with all applicable Cboe Options options trading rules and procedures;

(B) Provide written notice to all Users regarding the proper use of the Cboe Options Hybrid System, including any automated execution features; and

(C) Maintain adequate procedures and controls that will permit the Order Entry Firm to effectively monitor and supervise the entry of electronic orders by all Users. Order Entry Firms must monitor and supervise the entry of orders by Users to prevent the prohibited practices set forth below.

(ii) Prohibited Practices:

Prohibited practices include but are not limited to the following:

(A) Dividing an order into multiple smaller orders for the purpose of meeting the eligible order size requirements for automatic execution ("unbundling").

(B) Effecting transactions that constitute manipulation as provided in Rule 4.7 and Exchange Act Rule 10b-5.]

* * * * *

[Rule 6.20. Admission to and Conduct on the Trading Floor; Trading Permit Holder Education

(a) Admission to Trading Floor. Unless otherwise provided in the Rules, no one but a Trading Permit Holder or PAR Official designated by the Exchange pursuant to Rule 6.12B shall make any transaction on the floor of the Exchange. Admission to the floor shall be limited to Trading Permit Holders, employees of the Exchange, clerks employed by Trading Permit Holders and registered with the Exchange, service personnel and Exchange visitors authorized admission to the floor pursuant to Exchange policy, and such other persons permitted admission to the floor by the President of the Exchange or his designee.

(b) Conduct on the Exchange. Trading Permit Holders and persons employed by or associated with any Trading Permit Holder, while on any premises of the Exchange, including the trading floor of the Exchange, shall not engage in conduct (i) inconsistent with the maintenance of a fair and orderly market; (ii) apt to impair public confidence in the operations of the Exchange; (iii) inconsistent with the ordinary and efficient conduct of business; or (iv) detrimental to the safety or welfare of any other person.

(c) Fines Imposed by Floor Officials. The Exchange shall periodically issue fine schedules setting forth which violations of the Exchange's trading conduct and decorum policies are

subject to fines pursuant to Rule 17.50 and the specific dollar amounts of such fines. Floor Officials may (i) fine Trading Permit Holders and persons employed by or associated with Trading Permit Holders pursuant to Rule 17.50 for trading conduct and decorum violations which are subject to fine under such fine schedules, (ii) direct Trading Permit Holders and persons employed by or associated with Trading Permit Holders to act or cease to act in a manner to ensure compliance with Exchange Rules and accepted and established standards of trading conduct and decorum and/or (iii) refer violations of the foregoing for disciplinary action pursuant to Chapter XVII of the Rules. In addition, two Floor Officials in consultation with a designated senior executive officer of the Exchange, may summarily exclude a Trading Permit Holder or person associated with a Trading Permit Holder from the Exchange premises for not longer than the remainder of the trading day for any violation of the Exchange's trading conduct and decorum policies that is classified as a Class A offense, except for those Class A offenses specified by Exchange Regulatory Circulars as not qualifying the offender for summary exclusion. Any action taken by Floor Officials under this paragraph (c) shall not preclude additional disciplinary action under Chapter XVII of the Rules. Any application or interpretation of Rules, and any decision to impose a fine under this paragraph (c), shall be agreed upon by at least two Floor Officials. Floor Officials shall file with the Exchange a written report of any action taken pursuant to authority specifically granted them by the Rules and of any interpretation of the Rules.

(d) Clerks of Trading Permit Holders. While on the trading floor, clerks shall display at all times the badge(s) supplied to them by the Exchange. Any Market-Maker clerk who writes up an option or stock order must give his employer a copy of that order before it is delivered; the employer must retain the copy on his person until it is executed. A clerk receiving a phone order must initial, must mark as opening or closing, and must time-stamp the order. A clerk shall remain at a booth assigned to his employer or assigned to his employer's clearing firm unless he is (i) entering or leaving the trading floor, (ii) transmitting or checking the status of an order or reporting a fill, (iii) standing in the same crowd as his employer who is a Market-Maker or Floor Broker, (iv) supervising his firm's clerks if he is a floor manager or (v) acting as a clerk for an order service firm. Only order service firm clerks and Market-Maker or Floor-Broker clerks may stand in or near a trading crowd; in the latter case, the Market-Maker or Floor Broker must be present in the same trading crowd. Quote terminals on the trading floor (except those located in booths) may not be used by a clerk unless his employer is a Market-Maker or Floor Broker who is standing near the quote terminal.

(e) Educational Classes. Trading Permit Holders and persons associated with Trading Permit Holders are required to attend such educational classes as the Exchange may require from time to time. Failure to attend Exchange mandated continuing educational classes may subject Trading Permit Holders and persons associated with Trading Permit Holders to sanctions pursuant to the Exchange's Minor Rule Violation Plan provided in Exchange Rule 17.50. Any action taken by Floor Officials hereunder shall not preclude further disciplinary action under Chapter XVII of the Rules.

. . . Interpretations and Policies:

.01 Only those Trading Permit Holders who have been approved to perform a floor function are authorized to enter into transactions on the floor. Such Trading Permit Holders include Floor Brokers who are registered pursuant to Rule 6.71 and Market-Makers registered pursuant to Rules 8.2 and 8.3. While on the floor such floor Trading Permit Holders shall at all times display a floor Trading Permit Holder's badge.

.02 Reserved

.03 Deleted

.04 Activities which may violate the provisions of Rule 6.20(b) include, but are not limited to, the following:

(i) Effecting or attempting to effect a transaction with no public outcry in violation of Rule 6.74;

(ii) Reserved

(iii) Failure of a Market-Maker to bid or offer within the ranges specified by Rule 8.7(b);

(iv) Failure of a Trading Permit Holder or an associated person of a Trading Permit Holder in a supervisory capacity to adequately supervise a person employed by or associated with such Trading Permit Holder to ensure that person's compliance with the provisions of Exchange Rules 6.20(a), (b), (c), and (d);

(v) Failure to abide by a determination of Floor Officials;

(vi) Refusal to provide information requested by a Floor Official acting in his official capacity; and

(vii) Failure to abide by the provisions of Rule 8.51.

.05 Two Floor Officials may nullify a transaction or adjust its terms if they determine the transaction to have been in violation of Rules 6.43, 6.45, 6.46, 6.47, or 8.51. Trades subject to adjustment or nullification pursuant to Rule 6.25 shall be subject to the procedures set forth in Rule 6.25.

.06 Deleted

.07 Reserved

.08 Deleted

.09 Reserved

.10 Where a Trading Permit Holder or person associated with a Trading Permit Holder is summarily excluded from the trading floor pursuant to Rule 6.20(c), that Trading Permit

Holder or associated person shall have the right to request reinstatement from Floor Officials after a sufficient "cooling-off" period has elapsed. If, in the judgment of two Floor Officials, the Trading Permit Holder or associated person no longer poses an immediate threat to the safety of persons or property, the Trading Permit Holder or associated person shall be permitted to return to the trading floor.]

* * * * *

[Rule 6.23. Equipment and Communications on the Trading Floor

(a) Subject to the requirements of this Rule Trading Permit Holders may use any communication device (e.g., any hardware or software related to a phone, system or other device, including an instant messaging system, e-mail system or similar device) on the floor of the Exchange and in any trading crowd of the Exchange. Prior to using a communications device for business purposes on the floor of the Exchange, Trading Permit Holders must register the communications device by identifying (in a form and manner prescribed by the Exchange) the hardware (i.e., headset; cellular telephone; tablet; or other similar hardware). The Exchange reserves the right to designate certain portions of this rule (except for the registration requirement of paragraph (a) or paragraphs (f) and (g)) as not applicable to certain classes on a class by class basis.

(b) The Exchange may deny, limit or revoke the use of any communication device whenever it determines that use of such communication device: (1) interferes with the normal operation of the Exchange's own systems or facilities or with the Exchange's regulatory duties, (2) is inconsistent with the public interest, the protection of investors or just and equitable principles of trade, or (3) interferes with the obligations of a Trading Permit Holder to fulfill its duties under, or is used to facilitate any violation of, the Securities Exchange Act or rules thereunder, or Exchange rules.

(c) Any communication device may be used on the floor of the Exchange and in any trading crowd of the Exchange to receive orders, provided that audit trail and record retention requirements of the Exchange are met; however, no person in a trading crowd or on the floor of the Exchange may use any communication device for the purpose of recording activities in the trading crowd or maintaining an open line of continuous communication whereby a non- associated person not located in the trading crowd may continuously monitor the activities in the trading crowd. This prohibition covers digital recorders, intercoms, walkie-talkies and any similar devices.

(d) After providing notice to an affected Trading Permit Holder and complying with applicable laws, the Exchange may provide for the recording of any telephone line on the floor of the Exchange or may require Trading Permit Holders at any time to provide for the recording of a fixed phone line on the floor of the Exchange. Trading Permit Holders, and their clerks, using the telephones consent to the Exchange recording any telephone or line.

(e) Trading Permit Holders may not use communication devices to disseminate quotes and/or last sale reports originating on the floor of the Exchange in any manner that would serve to provide a continuous or running state of the market for any particular series or class

of options over any period of time; provided, however, that an associated person of a Trading Permit Holder on the floor of the Exchange may use a communication device to communicate quotes that have been disseminated pursuant to Rule 6.43 and/or last sale reports to other associated persons of the same Trading Permit Holder business unit. An associated person of a Trading Permit Holder may also use a communications device to communicate an occasional, specific quote that has been disseminated pursuant to Rule 6.43 or last sale report to a person who is not an associated person of the same Trading Permit Holder.

(f) Use of any communications device for order routing or handling must comply with all applicable laws, rules, policies and procedures of the Securities and Exchange Commission and the Exchange including related to record retention and audit trail requirements. Orders must be systemized using Exchange systems or proprietary systems approved by the Exchange in accordance with Rule 6.24.

(g) Trading Permit Holders must maintain records of the use of communication devices, including, but not limited to, logs of calls placed; emails; and chats, for a period of not less than three years, the first two years in an easily accessible place. The Exchange reserves the right to inspect such records pursuant to Rule 17.2.

(h) The Exchange may designate, via circular, specific communication devices that will not be permitted on the floor of the Exchange or Exchange trading crowds. In addition, the Exchange may designate other operational requirements regarding the installation of any communication devices via circular.]

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Rule 6.41. Meaning of Premium Bids and Offers

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[. . . *Interpretations and Policies:*

.01 When a customer submits to a Trading Permit Holder for open outcry handling a complex order with a total cash price (the "total order price") and the total number of contracts for each leg, if pricing the legs for execution would result in a difference between the total execution price and the total order price, the Trading Permit Holder must resolve the difference in a manner that provides price improvement to the customer (i.e. the broker must determine leg prices that correspond to a total purchase (sale) price that is less (greater) than the total order price).]

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[Rule 6.45. Order and Quote Priority and Allocation]

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[(b) Open Outcry Priority and Allocation. Orders that are represented in open outcry by Floor Brokers or PAR Officials, and bids and offers made in response to specific requests from in- crowd Market-Makers, are allocated as follows:

(i) Bids and offers are prioritized according to price. If there are two or more bids (offers) at the best price:

(A) Priority customer orders in the electronic book have first priority. If there are two or more priority customer orders in the electronic book at the same price, then priority is afforded among these orders in the order in which the Hybrid System received them (i.e., according to time).

(B) Bids (offers) made by in-crowd market participants at the time the market is established have second priority. The Floor Broker, PAR Official, DPM, LMM or Market-Maker, as applicable, determines which in-crowd market participants responded at the time the market was established and the sequence in which in-crowd market participants made bids (offers).

(1) If there are two or more bids (offers) at the same price, then priority is afforded among these bids (offers) in the sequence in which they are made.

(2) If the bids (offers) were made at the same time, or if the Floor Broker, PAR Official, DPM, LMM or Market-Maker, as applicable, cannot reasonably determine the sequence in which the bids (offers) were made, then the order is allocated equally among these bids (offers).

(3) If the Floor Broker, PAR Official, DPM, LMM or Market-Maker, as applicable, cannot reasonably determine the sequence in which the bids (offers) were made beyond a certain number of in-crowd market participants, then the remaining contracts are allocated equally among the bids (offers) for which the sequence could not be determined.

(4) If an in-crowd market participant declines to accept any portion of the available contracts when the Floor Broker, PAR Official, DPM, LMM or Market-Maker, as applicable, determines the allocation of an order, those contracts are allocated equally among the other bids (offers).

(5) If any contracts remain in an order after giving effect to subparagraphs (1) through (4) above and the remainder is not cancelled, and in-crowd market participants subsequently make bids

(offers) in a reasonably prompt manner, then the remainder of the order is apportioned equally between the in-crowd market participants who bid (offered) the best price.

(C) Broker-dealer orders and quotes in the electronic book have third priority. If there are two or more broker-dealer orders or quotes in the electronic book at the same price, then priority is afforded among these orders and quotes in accordance with the applicable electronic allocation algorithm in Rule 6.45(a).

(D) Notwithstanding the priority provisions otherwise applicable under subparagraph (B) above, Trading Permit Holders relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder (the so called "G exemption rule") as an exemption must yield priority to any bid (offer) at the same price of priority customer orders and broker-dealer orders resting in the electronic book, as well as any other bids and offers that have priority over such broker-dealer orders under this Rule.

(ii) Complex Order Priority.

(A) A complex order may be executed at a net debit or credit price without giving priority to equivalent bids (offers) in the individual series legs that are represented in the trading crowd or in the electronic book provided at least one leg of the order betters the corresponding bid (offer) of a priority customer order(s) in the electronic book by at least one minimum trading increment or a $0.01 increment, which increment the Exchange determines on a class-by-class basis.

(B) Stock-option orders and security future-option orders have priority over bids (offers) of the trading crowd but not over priority customer bids (offers) in the electronic book.

(iii) The provisions of paragraph (b) are subject to Rule 8.7, Interpretation and Policy .02, and Rule 8.51.]

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[. . . *Interpretations and Policies:*]

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[.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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[Rule 6.47. Priority on Split-Price Transactions Occurring in Open Outcry

(a) Split-Price Priority. If an order or offer (bid) for any number of contracts of a series is represented to the crowd, a Trading Permit Holder that buys (sells) one or more contracts of that order or offer (bid) at one price will have priority over all other orders and quotes, except public customer orders resting in the book, to buy (sell) up to the same number of contracts of those remaining from the same order or offer (bid) at the next lower (higher) price.

(b) Split-Price Priority for Orders or Offers (Bids) of 100 or More Contracts. If an order or offer (bid) of 100 or more contracts of a series is represented to the crowd, a Trading Permit Holder that buys (sells) 50 or more of the contracts of that order or offer (bid) at one price will have priority over all other orders and quotes to buy (sell) up to the same number of contracts of those remaining from the same order or offer (bid) at the next lower (higher) price. The Exchange may increase the minimum qualifying size of 100 contracts on a class-by-class basis, which changes the Exchange will announce via Regulatory Circular.

(c) Two or More Trading Permit Holders Entitled to Priority. If the bids or offers of two or more Trading Permit Holders are both entitled to split-price priority, it will be afforded to the extent practicable on a pro-rata basis.

(d) Conditions. Split-price priority is subject to the following:

(i) The priority is available for open outcry transactions only and does not apply to complex orders.

(ii) The Trading Permit Holder must make its bid (offer) at the next lower (higher) price for the second (or later) transaction at the same time as the first bid (offer) or promptly following execution of the first (or earlier) transaction.

(iii) The second (or later) purchase (sale) must represent the opposite side of a transaction with the same order or offer (bid) as the first (or earlier) purchase (sale).

(e) Minimum Increment Width with Public Customer Orders Resting in the Book. If the width of the quote for a series is the minimum increment for that series, and both the bid and offer represent public customer orders resting in the book, split-price priority pursuant to this rule is not available to Trading Permit Holders until the public customer order(s) resting in the book on either side of the market trades.

. . . Interpretations and Policies:

.01 Floor brokers are able to achieve split-price priority in accordance with paragraphs (a) and (b) above. Provided, however, that a floor broker who bids (offers) on behalf of a non-Market- Maker Cboe Options Trading Permit Holder broker-dealer ("Cboe Options Trading Permit Holder BD") must ensure that the Cboe Options Trading Permit Holder BD qualifies for an exemption from Section 11(a)(1)of the Exchange Act or that the transaction satisfies the requirements of Exchange Act Rule 11a2-2(T), otherwise the floor broker must yield priority to orders for the accounts of non- Trading Permit Holders.

.02 Deleted]

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[Rule 6.56. Compression Forums

(a) Procedure.

(1) Prior to 4:30 p.m. Chicago time on the second to last business day of each calendar week; the second, third, and fourth to last business day of each calendar month; and the second, third, fourth, fifth, and sixth to last business day of each calendar quarter, in a manner and format determined by the Exchange, a Trading Permit Holder may provide the Exchange with a list of open SPX options positions that it would like to close through the compression forum for that calendar month ("compression-list positions"). Trading Permit Holders may also permit their Clearing Trading Permit Holders or the Clearing Corporation to submit a list of these positions to the Exchange on their behalf.

(2) Prior to the open of Regular Trading Hours on the last business day of each calendar week; each of the last three business days of each calendar month; and each of the last five business days of each calendar quarter, the Exchange will make available to all Trading Permit Holders a list including the size of the offsetting compression-list positions (including all possible combinations of offsetting multi-leg positions) in each series ¬(and multi-leg position) for which both long and short compression-list positions have been submitted to the Exchange ("compression-list positions file").

(3) In addition to making the compression-list positions file available to all Trading Permit Holders, the Exchange will electronically send the compression-list positions file to the Trading Permit Holders that submitted compression-list positions to the Exchange pursuant to paragraph (a)(1), including a list of those Trading Permit Holders that contributed to the compression-list positions file. The list will not include the name of any Trading Permit Holder that requests its name be excluded from this list. Trading Permit Holders will be identified as having contributed to the list only and will not be identified as holding any specific position.

(4) In addition to making the compression-list positions file available to all Trading Permit Holders, the Exchange will, for informational purposes, electronically distribute an individualized list of multi-leg positions ("multi-leg position file") to each Trading Permit Holder that submitted compression-list positions to the Exchange pursuant to paragraph (a)(1). The individualized multi-leg position file will include:

(A) a complete list of all possible combinations of offsetting multi-leg positions that are composed of series the individual Trading Permit Holder submitted as part of a compression-list position;

(B) a unique identification number for each multi-leg position ("PID");

(C) the series that make up the multi-leg positions; and

(D) the offsetting size of the multi-leg position against other Trading Permit Holders on an individualized and anonymous basis.

(5) A Trading Permit Holder may, for specified multi-leg positions (denoted by the unique PID), electronically grant the Exchange permission to share the Trading Permit Holder's identity with the anonymous contra-party (or contra-parties) with offsetting multi-leg position(s). If the anonymous contra-party(ies) in turn grants permission for the Exchange to share its identity with the Trading Permit Holder, the Exchange will electronically notify both the Trading Permit Holder and the anonymous contra-party(ies) of the identities that correspond to the multi-leg positions for which permission has been granted. If the anonymous contra-party(ies) grants permission, the Exchange will disclose the identities that correspond to the multi-leg positions. The Exchange will determine the deadlines by which TPHs and contra-parties must grant the Exchange permission under this paragraph in order to disclose the identities that correspond to the multi-leg positions. The deadlines will be announced via Regulatory Circular.

(6) The Exchange will make available an open outcry "compression forum" in which all Trading Permit Holders may participate on the last business day of each calendar week, each of the last three business days of every calendar month, and each of the last five business days of every calendar quarter, at a location on the trading floor determined by the Exchange. The compression forum will be held for four (4) hours during Regular Trading Hours on the last business day of each calendar week, each of the last three business days of every calendar month, and each of the last five business days of every calendar quarter, unless any of those days is an abbreviated trading day, as determined by the Exchange, in which case the compression forum will be held for three (3) hours.

(b) Trades executed through compression forums are subject to trading rules applicable to trading in SPX during Regular Trading Hours (including without limitation manner of bids and offers, allocation and priority, and solicited transaction rules), except:

(1) opening transactions in SPX options may not execute against opening transactions through a compression forum; however, closing transactions in SPX options (including compression-list positions) that are represented in the compression forum may execute against closing or opening transactions;

(2) only closing transactions may be executed in $0.01 increments, including simple and complex orders. Bids and offers for opening transactions made in response to the representation of a closing transaction must be priced in the standard increment for simple and complex orders set forth in Rule 6.42.

(c) Trading Permit Holders may solicit a Trading Permit Holder or a non-Trading Permit Holder customer or broker-dealer to transact through a compression forum in accordance with the provisions of this Rule and the solicited transaction requirements contained in Rule

6.9. Trades executed through a compression forum pursuant to this Rule and otherwise in compliance with the Rules, including, but not limited to Rule 6.9, will not be deemed prearranged trades.

The Exchange will announce to Trading Permit Holders determinations it makes pursuant to this Rule via Regulatory Circular with reasonable notice.

. . . Interpretations and Policies:

.01 For purposes of this Rule 6.56 multi-leg positions will include vertical call spreads, vertical put spreads, and box spreads.

Rule 6.57. Risk-Weighted Assets ("RWA") Transactions

(a) RWA Package. An "RWA Package" is a set of SPX options positions with at least: 50 options series; 10 contracts per options series; and 10,000 total contracts.

(b) RWA Transaction. Trading Permit Holders may execute an RWA Package (an "RWA transaction") in the SPX crowd on the trading floor in accordance with paragraph (c) if:

> (1) The RWA transaction is initiated for the account(s) of a Cboe Options Market-Maker, provided that an RWA Package consisting of SPX options from multiple Market-Maker accounts may not be in separate aggregation units or otherwise subject to information barrier or account segregation requirements;

> (2) The RWA transaction results in a change in beneficial ownership (i.e., an RWA transaction between a Cboe Options Market-Maker and an entity unaffiliated with the Cboe Options Market-Maker); and

> (3) The Cboe Options Market-Maker certifies that as of the beginning of the extended trading hours session on the trade date in which the RWA Package is received by the Exchange under paragraph (c), the Cboe Options Market-Maker held the positions identified in the RWA Package and that the RWA Package represents a net reduction of RWA attributed to the Cboe Options Market-Maker based on the positions held prior to the beginning of extended trading hours.

(c) RWA Package Trading Procedure.

> (1) Initial Submission. After the opening of regular trading hours and prior to 10:00 a.m. Chicago time, the Cboe Options Market-Maker (or broker) must submit the RWA Package to the Exchange in a form and manner prescribed by the Exchange. The submission must contain:

>> (A) a list of individual SPX options series and the size of each options series;

>> (B) the contact information for the individual that will represent the position on the trading floor; and

(C) if prior to submitting an RWA Package to the Exchange the Market-Maker (or broker) has received a bid or offer for the RWA Package, the proposed net debit or credit price for the RWA Package.

(2) Notification to Crowd. After the Exchange receives an RWA Package, the Exchange will:

(A) notify Trading Permit Holders (electronically and via trading floor loudspeaker) as soon as practicable of the identity of the individual representing the RWA Package in the SPX trading crowd, which can be either a Market-Maker or Floor Broker, provided the individuals are available to accept bids/offers for the RWA Package;

(B) post in an electronic format on a Trading Permit Holder-accessible website the list of individual components of the RWA Package, the proposed net price for the RWA Package (if available), and the contact information for the individual representing the RWA Package on the floor, which post will not include the identity of the Market-Maker for whom the RWA transaction is initiated (unless the Market-Maker is representing the RWA Package on the trading floor); and

(C) notify Trading Permit Holders that the RWA Package has been posted and the time at which the two-hour request-for-quote ("RFQ") period concludes.

(3) RFQ Period. The Exchange's notification to the SPX trading crowd under subparagraph (2)(i) commences the two-hour RFQ period. Upon the conclusion of the RFQ period, the individual representing the RWA Package in the SPX trading crowd may (but is not required to) accept a bid or offer for the RWA Package. The RFQ response that represents the best bid or offer on a net debit or credit basis for the RWA Package has priority. In the event equal bids or offers are received, the first RFQ response at the best bid or offer on a net debit or credit basis for the RWA Package has priority.

(4) Report of RWA Transaction. If at the conclusion of the two-hour RFQ period, the individual representing the RWA Package accepts a bid or offer for the RWA Package, the individual representing the RWA Package in the SPX trading crowd must, prior to the close of regular trading hours, cause a report to be submitted to the Exchange in a form and manner prescribed by the Exchange, which sets forth the time of the execution of the RWA Package; the net execution price for the RWA Package; and the execution prices for the individual options series of the RWA Package.

. . . Interpretations and Policies:

.01 To the extent applicable, all other Rules of the Exchange, including Rule 6.9(e), apply to the procedure set forth in this Rule 6.57. The following Rules are either superseded by this Rule or do not apply to the above procedures: 6.9(a) through (d) and (f), 6.41, 6.44, 6.45,

6.47, and 6.74). There may be other Rules of the Exchange that do not, by their terms, apply to the transfer procedure set forth in this Rule 6.57.

.02 Nothing in paragraph (a) of Rule 6.57 prevents a Market-Maker from executing transactions (opening or closing) during the RFQ period in the normal operation of the Market-Maker's business.

.03 Rule 6.57 will be effective for a limited term ending on October 2, 2020.]

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[Rule 6.73. Responsibilities of Floor Brokers

(a) General Responsibility. A Floor Broker handling an order is to use due diligence to execute the order at the best price or prices available to him, in accordance with the Rules.

(b) Handling of Certain Orders. A Floor Broker handling a market-if-touched order, market-on-close order, stop order, or stop-limit order that is dependent upon the price of the underlying security shall be responsible for satisfying the dependency requirement on the basis of the last reported price of the underlying security in the primary market that is generally available on the floor of the Exchange at any given time. Unless mutually agreed by the Trading Permit Holders involved, an execution or non-execution that results shall not be altered by the fact that such price is subsequently found to have been erroneous.

(c) Every Floor Broker who represents a Market-Maker with an order in any options class must, by public outcry at the post, indicate the identity of such Market-Maker at the request of any Trading Permit Holder.

. . . Interpretations and Policies:

.01 Reserved

.02 Pursuant to Rule 6.73(a), a Floor Broker's use of due diligence in executing an order shall include making all persons in the trading crowd aware of his request for a quotation.

.03 Pursuant to Rule 6.73(a), a Floor Broker's use of due diligence in handling an order is applicable to the provisions of Rule 8.51 in that it includes taking the necessary measures to ensure the proper execution of an order as it pertains to the executable quantity for a trading crowd's firm disseminated market quote. Due diligence also shall apply to the representation in the crowd of an order as described in Rule 8.51 Interpretations and Policies .02.

.04 Pursuant to Rule 6.73(a), and subject to the requirement to systematize orders prior to representation pursuant to Rule 6.24, a Floor Broker's use of due diligence in handling an order shall include the immediate and continuous representation at the trading station where the option class represented by the order is traded, any of the following types of orders: (1) market orders, (2) limit orders to sell where the specified price is at or below the current offer or, (3) limit orders to buy where the specified price is at or above the current bid.

.05 Representation. Pursuant to Rule 6.73(a), a Floor Broker's representation of an order shall require the Floor Broker to electronically record the time the order is initially represented in the trading crowd via Exchange-approved functionality.

.06 Pursuant to Rule 6.73(a), an order entrusted to a Floor Broker will be considered a Not Held Order, unless otherwise specified by a Floor Broker's client or the order was received by the Exchange electronically and subsequently routed to a Floor Broker or PAR Official pursuant to the order entry firm's routing instructions.

Rule 6.74. Crossing Orders

Generally. The rules of priority and order allocation procedures set forth in this Rule shall apply only to crossing orders in open outcry. For purposes of establishing priority for bids and offers, at the same price: (A) bids and offers of ICMPs have first priority, except as is otherwise provided in the Rule below with respect to priority customer orders resting in the electronic book; and (B) all other bids and offers (including bids and offers of broker-dealer orders in the electronic book and electronic quotes of Market-Makers) have second priority.

In addition, in order to transact proprietary orders on the floor of the Exchange pursuant to this Rule, Trading Permit Holders must ensure that they qualify for an exemption from Section 11(a) (1) of the Exchange Act. Notwithstanding the priority provisions otherwise applicable under this Rule, Trading Permit Holders relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder (the "G" exemption) as an exemption must yield priority to any bid or offer at the same price of priority customer orders and broker-dealer orders resting in the electronic book, as well as any other bids and offers that have priority over such broker-dealer orders under this Rule. In the event a Floor Broker that is asserting a crossing participation entitlement for its proprietary order pursuant to paragraph (d) below must yield priority in reliance on the "G" exemption and a DPM or LMM, as applicable, is asserting a participation entitlement, the Floor Broker's crossing percentage entitlement to the remaining balance of the original order, when combined with the DPM/LMM guaranteed participation, shall not exceed 40% of the order. However, provided the "G" exemption requirements are satisfied, nothing prohibits a Floor Broker or DPM/LMM from trading more than their applicable percentage entitlement if other ICMPs do not chose to trade the remaining portion of the order. For purposes of this Rule, the term "proprietary order" means an order for a Trading Permit Holder's own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion.

(a) A Floor Broker who holds orders to buy and sell the same option series may cross such orders, provided that he proceeds in the following manner:

> (i) In accordance with his responsibilities for due diligence, a Floor Broker shall request bids and offers for such option series and make all ICMPs aware of his request.

> (ii) After providing an opportunity for such bids and offers to be made, he must

(A) bid above the highest bid in the market and give a corresponding offer at the same price or at prices differing by the minimum increment or

(B) offer below the lowest offer in the market and give a corresponding bid at the same price or at prices differing by the minimum increment.

(iii) If such higher bid or lower offer is not taken, he may cross the orders at such higher bid or lower offer by announcing by public outcry that he is crossing and giving the quantity and price.

(b) A Floor Broker who holds an order for a public customer of a TPH organization and a facilitation order may cross such orders provided that he proceeds in the following manner:

(i) The TPH organization must disclose on its order ticket for the public customer order which is subject to facilitation, all of the terms of such order, including any contingency involving, and all related transactions in, either options or underlying or related securities.

(ii) In accordance with his responsibilities for due diligence, the Floor Broker shall disclose all securities which are components of the public customer order which is subject to facilitation and then shall request bids and offers for the execution of all components of the order.

(iii) After providing an opportunity for such bids and offers to be made, the Floor Broker must, on behalf of the public customer whose order is subject to facilitation, either bid above the highest bid in the market or offer below the lowest offer in the market, identify the order as being subject to facilitation, and disclose all terms and conditions of such order. After all other ICMPs are given an opportunity to accept the bid or offer made on behalf of the public customer whose order is subject to facilitation, the Floor Broker may cross all or any remaining part of such order and the facilitation order at such customer's bid or offer by announcing in open outcry that he is crossing and by stating the quantity and price(s). Once such bid or offer has been made, the public customer order which is subject to facilitation has precedence over any other bid or offer in the crowd to trade immediately with the facilitation order.

(c) During the opening rotation for a class of option contracts in the interests of achieving a single price opening, an exception may be made to the requirements of subparagraphs (ii) and (i) of paragraph (a) above, and the Floor Brokers may proceed as follows:

(i) A Floor Broker may match all market orders in his possession in which no Trading Permit Holder or non-Trading Permit Holder broker/dealer has an interest;

(ii) The Floor Broker shall then announce by public outcry the number of contracts that he has matched and will cross at the opening price to be established; and

(iii) The Floor Broker may then continue to bid or offer the remaining unmatched and unexecuted orders he has in his possession for execution during the opening rotation.

(d) Notwithstanding the provisions of paragraphs (a) and (b) of this Rule, when a Floor Broker holds an option order for the eligible order size or greater ("original order"), the Floor Broker is entitled to cross a certain percentage of the order with other orders that he is holding or in the case of a public customer order with a facilitation order of the originating firm (i.e., the firm from which the original customer order originated). The Exchange may determine on a class-by- class basis to include solicited orders within the provisions of paragraph (d) of this Rule. In addition, the Exchange may determine on a class-by-class basis the eligible size for an order that may be transacted pursuant to paragraph (d) of this Rule, however, the eligible order size may not be less than 50 standard option contracts or 500 mini-option contracts. In accordance with his responsibilities for due diligence, a Floor Broker representing an order of the eligible order size or greater that he wishes to cross shall request bids and offers for such option series and make all persons in the trading crowd, including the PAR Official, aware of his request.

(i) Once the trading crowd has provided a quote, it will remain in effect until: (A) a reasonable amount of time has passed, (B) there is a significant change in the price of the underlying security or index, as applicable, or (C) the market given in response to the request has been improved. (In the case of a dispute, the term "significant change" will be interpreted on a case- by-case basis by two Floor Officials based upon the extent of the recent trading in the option and in the underlying security, and any other relevant factors.)

(ii) The percentage of the order which a Floor Broker is entitled to cross, after all public customer orders that were (1) on the limit order book and then (2) represented in the trading crowd at the time the market was established have been satisfied, is either 20% or 40% (as determined by the Exchange on a class-by-class basis) of the remaining contracts in the order if the order is traded at or between the best bid or offer given by the crowd in response to the Floor Broker's initial request for a market.

(iii) In determining whether an order satisfies the eligible order size requirement, any multi-part or complex order must contain one leg alone which is for the eligible order size or greater. If the same TPH organization is the originating firm and also the DPM or LMM for the particular class of options to which the order relates, then the DPM or LMM is not entitled to any of the DPM or LMM guaranteed participation rate with respect to the particular cross transaction.

(iv) When facilitating a customer order pursuant to paragraph (d) of this Rule, a TPH organization must disclose on its order ticket for the public customer order which is subject to facilitation, all of the terms of such order, including any contingency involving, and all related transactions in, either options or underlying or related securities. The Floor Broker must disclose all securities that are components of the

public customer order which is subject to facilitation before requesting bids and offers for the execution of all components of the order.

(v) If a trade pursuant to paragraph (d) of this Rule occurs at the On-Floor DPM's or On-Floor LMM's principal bid or offer in its appointed class, then the On-Floor DPM's guaranteed participation level which is established pursuant to Exchange Rule 8.87 (or Exchange circulars issued pursuant to Exchange Rule 8.87) or On-Floor LMM's guaranteed participation level which is established pursuant to Exchange Rule 8.15 shall apply only to the number of contracts remaining after all those public customer orders which trade ahead of the cross transaction and the number of contracts crossed, each as described in paragraph (d)(ii) of this Rule, have been satisfied. The On-Floor DPM's or On-Floor LMM's guaranteed participation will be a percentage that when combined with the percentage the originating firm crossed, does not exceed 40% of the order. If the trade occurs at a price other than the On-Floor DPM's or On-Floor LMM's principal bid or offer, the On-Floor DPM or On-Floor LMM is entitled to no guaranteed participation.

(vi) The ICMPs who established the market will have priority over all other orders that were not represented in the trading crowd at the time that the market was established (but not over public customer orders on the book) and will maintain priority over such orders except orders that improve upon the market. A Floor Broker who is holding a customer order and either a facilitation or solicited order, and who makes a request for a market will be deemed to be representing both the customer order and either the facilitation order or solicited order, as applicable, so that the customer order and the other order will also have priority over all other orders that were not being represented in the trading crowd at the time the market was established. Priority to trade the remaining portion of the order shall be afforded to bids (offers) made by ICMPs in the sequence in which they are made. If bids (offers) were made at the same time, or in the event that the sequence cannot be reasonably determined, priority shall be apportioned equally among the ICMPs who established the market. In the event an ICMP declines to accept any portion of the available contracts, any remaining contracts shall be apportioned equally among the other ICMPs who established the market until all contracts have been apportioned.

(vii) Nothing in this paragraph is intended to prohibit a Floor Broker, an On-Floor DPM, or an On-Floor LMM from trading more than his percentage entitlement if the other ICMPs do not choose to trade the remaining portion of the order.

(viii) The Exchange may exempt a particular option class from the application of paragraph (d) of this Rule.

. . . Interpretations and Policies:

.01 Reserved

.02 When accepting a bid or offer made on behalf of a public customer, all contingencies of the public customer order must be satisfied.

.03 A complex order or an inter-regulatory spread on opposite sides of the market may be crossed, provided that the Floor Broker holding such orders proceeds in the manner described in paragraphs (a), (b), or (d) above as appropriate. Trading Permit Holders may not prevent such a cross from being completed by giving a competing bid or offer for one component of such order.

.04 Where a related order must be effected in another market, the Trading Permit Holder must take steps to transmit the related order(s) concurrently with the execution of the options leg(s) of the order. A trade representing the execution of the options leg of a stock-option order or a security future-option order may be cancelled at the request of any Trading Permit Holder that is a party to that trade only if market conditions in any of the non-Exchange market(s) prevent the execution of the non-option leg(s) at the price(s) agreed upon.

.05 Where a Floor Broker has been continuously representing a limit order to buy or sell equity option contracts in a trading crowd at a limit price which is equal to the highest bid or lowest offer ("resting order"), and subsequently receives a market or marketable limit order to sell or buy that same option series, the Floor Broker may cross the resting order with the subsequent market order or marketable limit order in accordance with the requirements of paragraph (a) of Rule 6.74, but without regard to the provision of subparagraph (a)(iii) that permits a cross only if such higher bid or lower offer is not taken, in order to permit both the resting order and a subsequent market or marketable limit order to compete equally with other bids and offers in the trading crowd. The Rules pertaining to solicited orders, facilitation crosses and the priority provisions of Rule 6.45 shall continue to apply.

.06 The phrase "terms and conditions," as used in this rule with respect to an order that is subject to facilitation, refers to class; series; volume; option price; any contingencies; and any components related to the order (e.g., stock, options, futures or other related instruments or interests). However, the class will be deemed to be disclosed to the trading crowd if it is apparent that the crowd is aware of which class is being traded, (e.g., if the pit in which the transaction occurs is designated for one option class only, or if the class is the only one in the trading post trading at the disclosed strike price, then it would be apparent which option class is being traded).

.07 Reserved.

.08 Paragraph (d) of this Rule supersedes the priority provision of paragraph (d) of Rule 6.9, Solicited Transactions, in those situations where the Floor Broker representing an eligible order determines to take advantage of the crossing provisions of Rule 6.74(d). Specifically, while Rule 6.9(d) provides that non-solicited Market-Makers and Floor Brokers holding non-solicited discretionary orders in the trading crowd will have priority over the solicited person or the solicited order to trade with the original order at the best bid or offered price, Rule 6.74(d) provides the solicited person or order with priority over all other parties (other than certain public customer orders) for either 20% or 40% of the contracts

remaining in the order, as determined by the Exchange, after those certain public customer orders have been satisfied.

.09 Reserved

.10 Rule 6.9(e) does not prohibit a Trading Permit Holder or TPH organization from buying or selling a stock, security futures or futures position following receipt of an option order, including a complex order, but prior to announcing such order to the trading crowd, provided that:

(a) the option order is in a class designated as eligible for "tied hedge" transactions (as described below) as determined by the Exchange and is within the designated tied hedge eligibility size parameters, which parameters shall be determined by the Exchange and may not be smaller than 500 standard option contracts or 5,000 mini-option contracts per order (there shall be no aggregation of multiple orders to satisfy the size parameter);

(b) such Trading Permit Holder or TPH organization shall create an electronic record that it is engaging in a tied hedge transaction in a form and manner prescribed by the Exchange;

(c) such hedging position is:

> (i) comprised of a position designated as eligible for a tied hedge transaction as determined by the Exchange and may include the same underlying stock applicable to the option order, a security future overlying the same stock applicable to the option order or, in reference to an index, ETF or HOLDR option, a related instrument. A "related instrument" means, in reference to an index option, securities comprising ten percent or more of the component securities in the index or a futures contract on any economically equivalent index applicable to the option order. With respect to SPX, OEX is an economically equivalent index, and vice versa. A "related instrument" means, in reference to an ETF or HOLDR option, a futures contract on any economically equivalent index applicable to the ETF or HOLDR underlying the option order;

> (ii) brought without undue delay to the trading crowd and announced concurrently with the option order;

> (iii) offered to the trading crowd in its entirety; and

> (iv) offered, at the execution price received by the Trading Permit Holder or TPH organization introducing the option, to any in-crowd market participant who has established parity or priority for the related options;

(d) the hedging position does not exceed the option order on a delta basis;

(e) all tied hedge transactions (regardless of whether the option order is a simple or complex order) are treated the same as complex orders for purposes of the Exchange's open outcry allocation and reporting procedures. Tied hedge transactions are subject to the existing NBBO trade-through requirements for options and stock, as applicable, and may qualify for various exceptions; however, when the option order is a simple order, the execution of the option leg of a tied hedge transaction does not qualify for the NBBO trade-through exception for a Complex Trade (defined in Rule 6.80(4));

(f) in-crowd market participants that participate in the option transaction must also participate in the hedging position and may not prevent the option transaction from occurring by giving a competing bid or offer for one component of such order; and

(g) prior to entering tied hedge orders on behalf of customers, the Trading Permit Holder or TPH organization must deliver to the customer a written notification informing the customer that his order may be executed using the Exchange's tied hedge procedures. The written notification must disclose the terms and conditions contained in this Interpretation and Policy and be in a form approved by the Exchange.

A combination option and hedging position offered in reliance on this Interpretation and Policy.10 shall be referred to as "tied hedge" orders.]

* * * * *

[Rule 6.75. Discretionary Transactions

No Floor Broker shall execute or cause to be executed any order or orders on this Exchange with respect to which such Floor Broker is vested with discretion as to: (1) the choice of the class of options to be bought or sold, (2) the number of contracts to be bought or sold, or (3) whether any such transaction shall be one of purchase or sale; however, the provisions of this paragraph shall not apply to any discretionary transaction executed by a Market-Maker for an account in which he has an interest. Unless an order was received by the Exchange electronically and subsequently routed to a Floor Broker or PAR Official pursuant to the order entry firm's routing instructions or it is otherwise specified by a Floor Broker's client, an order entrusted to a Floor Broker will be considered a Not Held Order.

. . . *Interpretations and Policies:*

.01 No Floor Broker shall hold a "not held" market order to buy and a "not held" market order to sell (or orders which have the effect of such "not held" market orders to buy and to sell) the same series of options for the same account or for accounts of the same beneficial owner. Holding such orders can be interpreted as allowing the Floor Broker discretion respecting whether to purchase or sell such options.

Rule 6.76. Deleted

. . . *Interpretations and Policies:*

.01 Deleted

.02 Deleted

Rule 6.76A. Deleted]

* * * * *

[Rule 6.79. Floor Broker Practices

(a) Liquidation or Reduction of Error Account Positions. For a position obtained as a result of a bona fide error, a floor broker may reduce or liquidate a position in the floor broker's error account ("error account position") in accordance with this Rule, but any profit/loss from the liquidation or reduction belongs to the floor broker ("liquidating floor broker").

A liquidating floor broker may personally represent an order that will liquidate or reduce the broker's error account position ("liquidation order"); however, a liquidating floor broker may not cross a liquidation order with a client's order also represented by the liquidating floor broker, unless the liquidating floor broker either: 1) prior to executing the orders, the liquidating floor broker informs the client of the broker's intention to execute the client's order against an order for the floor broker's error account and the client does not object; 2) the liquidating floor broker sends the liquidation order to an unassociated broker; or 3) the liquidating floor broker sends the client's order to a PAR Official. For 1 through 3 above, the client's order must either be displayed in the relevant order book or announced in open outcry in accordance with Rule 6.74. An unassociated broker for purposes of this rule is any broker who is not directly or indirectly controlling, controlled by, or under common control with the liquidating floor broker. After a floor broker executes a liquidation order, the floor brokers must notify the Exchange in a form and manner prescribed by the Exchange via Regulatory Circular.

(b) Erroneously Executed Orders. Orders erroneously executed (e.g., executing a call order as a put or a buy order as a sell) on the Exchange must clear in the error account of the floor broker that executed the erroneous order, unless the erroneously executed orders are nullified pursuant to a mutual agreement under Exchange Rules. It shall be considered conduct inconsistent with just and equitable principals of trade and a violation of Rule 4.1 for a floor broker to give a trade acquired through an error to another Trading Permit Holder or for a Trading Permit Holder to accept a transaction that another Trading Permit Holder acquired through an error. If a floor broker discovers an order was erroneously executed on the Exchange, the floor broker shall proceed as follows:

> (i) if a better price is available at the time the error was discovered, the client's order is entitled to be executed at the better price. If a better price is not available, then the floor broker is responsible at the price at which the client's order should have been executed, and the floor broker shall either: 1) execute the order at the available market and give the client a "difference check" or 2) execute the order out of the floor broker's error account and notify a Cboe Options Official, in a form and manner prescribed by the Exchange and announced via Regulatory Circular, for potential reporting of the error account transaction as late or out of sequence as necessary. If executing an order out of the floor broker's error account will reduce or

liquidate a position in the floor broker's error account, the floor broker must follow the procedures in paragraph (a).

(c) Lost or Misplaced Market Orders. If a floor broker fails to execute a market order, the client's order is entitled to an execution on up to the size of the disseminated bid or offer at the time the order was received or at a better price if it is available at the time the error is discovered. If a better price or the price the client's order is entitled to is not available at the time the error is discovered, the floor broker shall provide an execution in the manner described in (b)(i) above. If the unexecuted market order is in excess of the disseminated bid or offer at the time the order was received, the execution price on the additional contracts shall be negotiated between the floor broker and client.

(d) Legging Multi-Part Orders. A floor broker is not restricted from legging multi-part orders. For the purposes of this Rule, multi-part orders include complex orders, stock-option orders, and futures and option orders where one of the legs is executed on the Exchange. If a broker executes a leg of a complex option order, for example, the price of the remaining leg of the order must be within the current disseminated market (e.g., when a broker executes the buy side, the price of the sell side of the order must be at the disseminated offer price or lower). If a floor broker is unable to complete the execution of an order that the floor broker has legged, the floor broker must either: 1) offer the executed leg to the client; 2) liquidate the leg and then offer the trade, regardless of whether it's a profit or loss, to the client; 3) execute the remaining leg(s) of the order at the available market and give the client a "difference check"; or 4) execute the order out of the floor broker's error account and notify a Cboe Options Official, in a form and manner prescribed by the Exchange and announced via Regulatory Circular, for potential reporting of the error account transaction as late or out of sequence as necessary. The floor broker must document the time and to whom the offer noted in 1) and 2) above was made and retain this record. If executing an order out of the floor broker's error account will reduce or liquidate a position in the floor broker's error account, the floor broker must follow the procedures in paragraph (a).

(e) Print-Throughs. A print-through on a limit order occurs when a trade is effected at a better price than the order's limit during the time that the order should have been represented in the crowd. The order that is `printed-through' is entitled to the number of contracts which trade through the order's limit up to the number of contracts specified in the order. Generally, the order that is `printed-through' should be given a better price if it is available at the time the error is discovered. However, under certain circumstances, such as a systems failure, where a large number of orders were not received or receipt was delayed, it would not be improper for a floor broker to execute the client's order at the original limit price rather than the better price. A floor broker shall generally proceed as follows when a print-through has occurred:

> (i) If a floor broker discovers a print-through and a better price is available at that time, the client's order is entitled to be executed at the better price. If a better price is no longer available, then the floor broker is responsible at the original limit price and the floor broker shall either: 1) execute the order at the available market and give the client a "difference check" or 2) execute the order out of the floor broker's error account and notify a Cboe Options Official, in a form and manner prescribed by the

Exchange and announced via Regulatory Circular, for potential reporting of the error account transaction as late or out of sequence as necessary. If executing an order out of the floor broker's error account will reduce or liquidate a position in the floor broker's error account, the floor broker must follow the procedures in paragraph (a).

(ii) If a print-through occurs on the opening, the order that is `printed-through' is entitled to the number of contracts which print through at the opening price. If a better price than the opening price is available at the time the error is discovered, the client's order shall be filled at the better price; if a better price is not available, the floor broker shall either: 1) execute the order at the available market and give the client a "difference check" or 2) execute the order out of the floor broker's error account and notify a Cboe Options Official, in a form and manner prescribed by the Exchange and announced via Regulatory Circular, for potential reporting of the error account transaction as late or out of sequence as necessary. If executing an order out of the floor broker's error account will reduce or liquidate a position in the floor broker's error account, the floor broker must follow the procedures in paragraph (a).

(f) Stopping Orders. A floor broker may not "Stop" or guarantee an execution on a client's order the floor broker is holding from the floor broker's error account because doing so would be acting as a market-maker in violation of Rule 8.8.

(g) Documentation of Errors and Record Keeping Requirements. All transactions executed for a floor broker's error account must be documented. These records must be retained for a minimum of three years, the first two years in an easily accessible place.

The Exchange Act requires that a floor broker keep a copy of every order the floor broker receives, including orders received via hand signals or phone, and all cancelled orders and unexecuted orders. A floor broker may arrange to have these records kept on the floor broker's behalf; however, it is still the responsibility of the floor broker to produce such documents upon request. These records must be retained for a minimum of three years, the first two years in an easily accessible place. Failure to do so is a violation of the Exchange Act, SEC Rules 17a-3 and 17a-4, and Cboe Options Rules 4.2 ("Adherence to Law") and 15.1 ("Maintenance, Retention and Furnishing of Books, Records and Other Information")

. . . Interpretations and Policies:

.01 A liquidating floor broker executing a liquidation order in accordance with this rule in the trading crowd where the broker is active as a floor broker is not a violation of Rule 8.8. Additionally, Cboe Options Rules generally do not prohibit a floor broker from entering into transactions on other exchanges for the floor broker's personal account in financial instruments underlying or related to the classes in the trading crowd where the floor broker acts as a floor broker.

.02 Pursuant to the due diligence provisions of Rule 6.73, a floor broker's agency business has priority over the broker's liquidation orders.]

* * * * *

[Rule 21.17. Responsibilities of Floor Brokers

A Floor Broker handling a contingency order for Government securities options that is dependent upon quotations or prices other than those originating on the floor shall be responsible for satisfying the dependency requirement on the basis of the most reliable information reasonably available to him concerning such quotations and prices but, in no event, shall be held to an execution of such an order. Unless mutually agreed by the Trading Permit Holders involved, an execution or nonexecution that results shall not be altered by the fact that such information is subsequently found to have been erroneous.

Rule 21.17 replaces paragraph (b) of Rule 6.73.]

* * * * *

[Rule 23.12. Responsibilities of Floor Brokers

A Floor Broker handling a contingency order for interest rate option contracts that is dependent upon quotations or prices other than those originating on the floor, except for the level of the interest rate measures, shall be responsible for satisfying the dependency requirement on the basis of the most reliable information reasonably available to him concerning such quotations and prices but, in no event, shall be held to an execution of such an order. Unless mutually agreed by the Trading Permit Holders involved, an execution or nonexecution that results shall not be altered by the fact that such information is subsequently found to have been erroneous.

Rule 23.13. [Reserved]

[Reserved]]

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Rule 24.8. Meaning of Premium Bids and Offers

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[. . . *Interpretations and Policies:*

.01 When a customer submits to a Trading Permit Holder for open outcry handling a complex order with a total cash price (the "total order price") and the total number of contracts for each leg, if pricing the legs for execution would result in a difference between the total execution price and the total order price, the Trading Permit Holder must resolve the difference in a manner that provides price improvement to the customer (i.e. the broker must determine leg prices that correspond to a total purchase (sale) price that is less (greater) than the total order price).]

* * * * *

[Rule 24.19. Multi-Class Broad-Based Index Option Spread Orders

(a)

(1) For purposes of this Rule 24.19 only, the term "Broad-Based Index Option" shall mean (i) options on the Mini-NDX Index (MNX), Nasdaq-100 Index (NDX), S&P 100 Index (OEX and XEO), iShares S&P 100 Index Fund (OEF), Nasdaq-100 Tracking Stock (QQQ), and S&P 500 Index (SPX); and (ii) any other broad-based index option, option on a Unit (or ETF) as defined under Interpretation and Policy .06 to Rule 5.3, or option on an Index-Linked Security (or ETN) as defined under Interpretation and Policy .13 to Rule 5.3, that is derived from a broad-based index that is determined by the Exchange to create an appropriate hedge with any other Broad- Based Index Option under this Rule 24.19.

(2) The term "Multi-Class Broad-Based Index Option Spread Order (referred to herein as "Multi-Class Spread Order")" is an order or quote to buy a stated number of contracts of a Broad-Based Index Option and to sell an equal number, or an equivalent number, of contracts of a different Broad-Based Index Option. This Rule shall apply only to Multi-Class Spread Orders composed of (i) any combination of MNX, NDX, or QQQ; (ii) any combinations of OEF, OEX, or SPX; and (iii) any other combination of related Broad-Based Index Options as determined by the Exchange.

(3) The "primary trading station" is the trading station where a particular Multi-Class Spread Order is first represented.

(b) Multi-Class Spread Orders must be entered on a single order ticket at time of systemization to be eligible for the procedures and relief set out in this Rule.

(c) Notwithstanding any other rules of the Exchange, a Multi-Class Spread Order, which is identified as such, must be represented at the primary trading station, subject to the following conditions:

(i) Immediately after the order is announced at the primary trading station, or concurrent with the announcement, the Trading Permit Holder representing the order must contact the DPM or appropriate Exchange staff (collectively referred to herein as the "Recipient"), as applicable, at the other trading station in order to provide notice of such order for dissemination to the other trading crowd. Such notice shall be disseminated by the Recipient who shall announce the terms of the order to the other trading crowd. The Recipient shall also document the terms of the order.

(ii) The notice must specify the terms of the order, a contact person and a telephone number where the Trading Permit Holder representing the order may be reached at the primary trading station.

(iii) After satisfying the conditions under sub-paragraphs (i) and (ii) above, when a Trading Permit Holder holding a Multi-Class Spread Order and bidding or offering in a multiple of the minimum increment on the basis of a total credit or debit for the

order has determined that the order may not be executed by a combination of transactions with the bids and offers displayed in either of the applicable customer limit order book or by the displayed quotes of the crowd, then the order may be executed as a spread at the best net debit or credit, whether from the primary trading station or from the other trading crowd, so long as

> (A) no leg of the order would trade at a price outside the currently displayed bids or offers or bids or offers in the customer limit order books and

> (B) at least one leg of the order would trade at a price that is better than the corresponding bid or offer in one of the books.

(iv) The priority of bids or offers received from the primary trading station will be determined, with respect to each other, by the terms of Rule 6.45(b). Bids or offers received promptly from the other trading crowd may participate equally with equal bids or offers from the primary trading station that were received prior to the bids or offers from the other trading station. The meaning of promptly will be determined according to the size of the order and other relevant circumstances.

Rule 24.20. SPX Combo Orders

(a) For purposes of this rule, the following terms shall have the following meanings:

> (1) An "SPX combination" is a purchase (sale) of an SPX call and sale (purchase) of an SPX put having the same expiration date and strike price.

> (2) A "delta" is the positive (negative) number of SPX combinations that must be sold (bought) to establish a market neutral hedge with one or more SPX option series.

> (3) An "SPX Combo Order" is an order to purchase or sell one or more SPX option series and the offsetting number of SPX combinations defined by the delta.

(b) An SPX Combo Order may be transacted in the following manner:

> (1) For an order to be eligible for the trading procedures contained in this Rule, a Trading Permit Holder must apply an indicator to the SPX Combo Order upon systematization as provided in Rule 6.24.

> (2) When a Trading Permit Holder holding an SPX Combo Order with the required combo indicator and bidding or offering in a multiple of the minimum increment on the basis of a total debit or credit for the order has determined that the order may not be executed by a combination of transactions with the bids and offers displayed in the SPX limit order book or by the displayed quotes of the crowd, then the order may be executed at the best net debit or credit so long as (A) no leg of the order would trade at a price outside the currently displayed bids or offers in the trading crowd or bids or offers in the SPX limit order book and (B) at least one leg of the

order would trade at a price that is better than the corresponding bid or offer in the SPX limit order book.

(3) Notwithstanding any other rules of the Exchange, if an SPX Combo Order with the combo indicator is not executed immediately, the SPX Combo Order may be executed and printed at the prices originally quoted for each of the component option series within 2 hours after the time of the original quotes.

. . . Interpretations and Policies:

.01 An SPX Combo Order for twelve (12) legs or less 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), an SPX Combo Order for more than twelve (12) legs may be represented or executed as a single SPX Combo Order in accordance with this Rule 24.20 if it is split across multiple order tickets and the Trading Permit Holder representing the SPX Combo 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 SPX Combo Order (in a manner and form prescribed by the Exchange).

Rule 24.21. Index Crowd Space Dispute Resolution Procedures

This Rule applies only to Trading Permit Holders who trade OEX, SPX, DJX and DIA options on the floor of the Exchange, or who trade any other index option not located at a station shared with equity options as determined by the Exchange.

(a) Crowd Space Disputes Subject to Resolution. A Trading Permit Holder may request the assistance of the Exchange to resolve a dispute over the ability to use a trading space in an index option trading crowd where the space is currently being occupied by another Trading Permit Holder, or where the space has been abandoned or unoccupied, and more than one Trading Permit Holder now wish to trade there.

(b) Requesting the Assistance of the Exchange. A Trading Permit Holder shall request the assistance of the Exchange in resolving a crowd space dispute by calling the Office of the Secretary of the Exchange, which shall promptly refer the request in writing to the Exchange designee for the trading station where the dispute has arisen (hereafter "the Space Mediator"). The Space Mediator shall be an Exchange employee.

(c) Mediation by the Space Mediator. When the Space Mediator receives the request from the Office of the Secretary, the Space Mediator or an individual designated by the Space Mediator (hereafter "the Space Mediator's designee") shall attempt to mediate an amicable resolution of the dispute among the Trading Permit Holders involved. All Trading Permit Holders involved in the dispute shall cooperate with the Space Mediator or the Space Mediator's designee in his efforts to mediate.

(d) Temporary Resolution. If the Space Mediator, the Space Mediator's designee, or two Floor Officials determine that the maintenance of a fair and orderly market requires an immediate temporary resolution of a crowd space dispute, the Space Mediator, the Space Mediator's designee, or two Floor Officials in consultation with the Space Mediator or the

Space Mediator's designee may instruct the parties to the dispute on where to stand until the outcome of further proceedings under this Rule. This temporary resolution may be revised by the individual(s) issuing it, but is otherwise not subject to appeal.

(e) Hearing Requests and Hearing Fee. If the Space Mediator or the Space Mediator's designee is unable to mediate an amicable resolution of the dispute among the Trading Permit Holders involved, any of them may request a hearing in the dispute by completing and submitting a Hearing Request form to the Office of the Secretary along with the payment of a Hearing Fee. The amount of the Hearing Fee shall be a minimum of one thousand dollars ($1,000) per Trading Permit Holder, and may be greater under certain circumstances set forth in this subsection. The Exchange may increase the Minimum Hearing Fee periodically pursuant to Rule 2.1 in order to maintain the Minimum Hearing Fee at a level that the Exchange deems sufficient to encourage amicable resolution of crowd space disputes. Upon receipt of the Hearing Request form and Hearing Fee, the Office of the Secretary shall instruct the Exchange to collect the appropriate Hearing Fee from each additional party to the dispute pursuant to Exchange Rule 3.23. For any party who has previously been a party to a crowd dispute resolution hearing within the past twelve months, the Hearing Fee that party will pay for being a party to a subsequent hearing within twelve months of the last hearing will be twice the Hearing Fee that party paid for the previous hearing. After the hearing on the dispute is held and all rights of appeal are exhausted, only the prevailing party in the dispute shall obtain a refund of the Hearing Fee from the Exchange. A prevailing party who becomes a party in a subsequent hearing within twelve months of the hearing in which he prevailed shall not pay a higher Hearing Fee because of the hearing in which he prevailed.

(f) Limitations on Hearing Requests. No Trading Permit Holder may request a hearing involving the same parties that participated in a prior hearing unless the requesting Trading Permit Holder makes an adequate preliminary showing in his subsequent hearing request that new circumstances warrant another hearing involving the same parties, based upon the Crowd Dispute Resolution Guidelines contained in this Rule. The Space Mediator shall exercise sole and final judgment as to the adequacy of this preliminary showing.

(g) CSDR Panel. After the Trading Permit Holder submits his Hearing Fee to the Office of the Secretary, the Space Mediator shall select a Crowd Space Dispute Resolution Panel ("Panel") composed of five Trading Permit Holders to hear and resolve the dispute. Two of the members of the Panel shall be Trading Permit Holders who trade in the trading station where the dispute has arisen and two shall be Trading Permit Holders who do not trade in the trading station where the dispute has arisen. The fifth Panel member shall be a Trading Permit Holder Floor Official designated by the Exchange and may trade in or outside of the trading station where the dispute has arisen. The selection of all Panel members will be according to the sole discretion of the Space Mediator. The Space Mediator shall also designate the Panel member who shall serve as the Panel Chairman.

(h) Recusals and Challenges of Panel Members. The Exchange's recusal rules and policies shall apply with respect to participation by the Space Mediator, Panel members, and others in the crowd space dispute resolution process pursuant to this Rule. Parties to the dispute shall be informed of the composition of the Panel, as well as the date, time, and place of the

hearing, at least 72 hours prior to the scheduled hearing in the matter by the Space Mediator. A Party may challenge the selection of one or more Panel members no later than 48 hours prior to the scheduled hearing in the matter by providing to the Space Mediator or the Panel Chairman a brief written statement explaining why the challenged Panel member has a conflict of interest or any other reason that would make the Panel member unable to participate in a fair and impartial manner. Notice of any replacement Panel member will be provided to the parties no later than 24 hours prior to the scheduled hearing. A Party may challenge the selection of any replacement Panel member no later than 8 hours prior to the scheduled hearing. The Space Mediator shall have sole and final authority to rule on any challenge and replace any Panel member.

(i) Hearings. The hearing shall be held at such time and place as may be designated by the Panel. In hearings before the Panel, the Parties to the dispute will be allowed to present witnesses and/or documentary evidence to argue their claim, provided that they have furnished a list of all such witnesses and a copy of all such documents to the Panel Members and to all opposing parties at least 48 hours prior to the date of the hearing. The legal counsel to the Space Mediator, or another attorney designated by the legal counsel to the Space Mediator, shall act as legal counsel to the Panel. The Panel shall determine all questions concerning admissibility of evidence, and shall otherwise regulate the conduct of the hearing. Formal rules of evidence shall not apply. The Panel shall decide any issues of fact based on the evidence admitted at the hearing, and shall apply the Crowd Space Dispute Resolution Guidelines set forth below to each dispute. The party receiving at least a majority vote by the Panel will prevail.

(j) Crowd Space Dispute Resolution Guidelines. In resolving a crowd space dispute, the Panel's guiding principles shall be: (i) to determine what shall "best promote a liquid and competitive market", (ii) to give no preference to Market-Makers, floor brokers, or representatives of DPMs merely because of their status as such, and (iii) to recognize and apply the principles that no Trading Permit Holder has any ownership `rights' in any crowd space, and that no Trading Permit Holder may sell or assign any supposed `right' to use a particular space in a trading crowd. The Panel shall examine the following factors and determine, in the Panel's sole judgment, how each relates to each of the parties competing for the space (the numerical ranking of the factors does not necessarily indicate the relative importance to be given to any particular factors in any particular case):

> 1. Quality and Quantity of Business:
>
> The Panel shall review the quality and quantity of business that each party to the dispute conducts. Evidence of the quality and quantity of each party's business shall include, but is not limited to, evidence of the average daily number of contracts traded, the percentage of transactions that are traded in-person, and the typical size of markets made by each party.
>
> 2. Tenure in the trading crowd:
>
> "Tenure" refers to the length of time each party has spent in the trading crowd where the space in dispute is located.

3. Association/affiliation with a TPH organization that has occupied the space:

If a nominee or employee of a TPH organization has had to leave a space, then the Panel will consider to what extent there will be a negative impact on the trading in the crowd if another nominee of the TPH organization is or is not permitted to continue to use the space.

4. Need for accommodation:

The Panel will consider to what extent each party's existing business is already satisfied by their existing space or whether the new space is needed to facilitate either existing or anticipated new business.

5. Proximity of competing parties:

The Panel will give consideration to whether any party stood near the spot in question, or whether any party occupied the space in the past.

6. Sight lines or Access:

The Panel will consider to what extent each party needs sight lines or access to other parts of the crowd or the trading floor.

7. Technology considerations:

The Panel will consider to what extent each party's needs may be satisfied by trading technology or communication technology.

8. Equitable considerations:

In addition to the above factors, the Panel will consider any other factor it deems relevant in order to achieve a fair and equitable resolution.

(k) Panel Decision. The Panel Chairman shall communicate the Panel's decision to the Space Mediator and all parties to the dispute. The Panel decision shall take effect on the first trading day after all parties have been notified of the decision by the Panel Chairman. The Panel shall also promptly provide a written Statement of Decision explaining the reason(s) for its decision. However, the effective date of the Panel's decision shall not be postponed until the release of the Statement of Decision. If the Panel makes its decision about a party's right to use a space contingent upon that party's satisfaction of certain conditions, those conditions shall be set forth in the Statement of Decision.

(l) Appeal. Any party may appeal the decision of the Panel pursuant to Chapter XIX of the Exchange Rules by filing an Application pursuant to Cboe Options Rule 19.2(a) within thirty days after the date of release of the Panel's Statement of Decision. The Panel decision, however, shall remain in effect during any such appeal.

(m) Failure to Comply. Any Trading Permit Holder or person associated with a Trading Permit Holder who fails to comply with a decision reached through these Crowd Space Dispute Resolution Procedures, or who otherwise fails to comply with any provision of this Cboe Options Rule 24.21, may be subject to disciplinary proceedings in accordance with Chapter 17 of the Cboe Options Rules for violation of this rule and Rule 4.1 ("Just and Equitable Principles of Trade").

Rule 24.22. Allocation of Trading Spaces

(a) In connection with an expansion or other physical modification of an area of a trading crowd or creation of a new trading crowd, Cboe Options may allocate the available trading spaces using a random lottery process or an order in time process. Under either of the processes that it chooses to utilize, Cboe Options would announce a deadline by which an approved individual Cboe Options Trading Permit Holder who would like to use the trading space can submit an indication of interest for one of the available trading spaces. Only those individuals who are approved Trading Permit Holders of Cboe Options would be eligible to submit an indication of interest, and the individual who would be using the trading space must be an effective Trading Permit Holder under Cboe Options Rule 3.10 (i.e., must have a Trading Permit) at the time of the random lottery process or the order in time process. After the deadline for indications of interest has passed, the available trading spaces would be allocated through a random lottery process or an order in time process.

(b) Cboe Options may, in its discretion, determine the specific dimensions and parameters of each trading space in a trading crowd, provided that each Trading Permit Holder performing a specific trading function (i.e., DPM, LMM, Market-Maker, or Floor Broker) in a trading crowd be allocated the same amount of space as each other Trading Permit Holder performing the same respective trading function in that trading crowd. Any determinations made by the Exchange pursuant to this Rule as to the specific dimensions and parameters of the trading spaces within a particular trading crowd shall be communicated in a Regulatory Circular.]

* * * * *

[Rule 24A.6. Discretionary Transactions

Notwithstanding Rule 6.75, a Floor Broker may be given discretion with respect to the number of FLEX contracts to be purchased or sold. Such discretion must be granted by the customer in clear terms and must be reflected in a contemporaneously-prepared, time stamped document prepared by the Floor Broker, one copy of which shall be promptly sent to the customer and one copy of which shall be maintained by the Floor Broker for the full term of the FLEX contract or the time required under Rule 17a-4 under the Exchange Act, whichever is longer.

This rule supersedes Exchange Rule 6.75.]

* * * * *

EXHIBIT 5B

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

* * * * *

Rules of Cboe Exchange, Inc.

(effective as of October 7, 2019)

* * * * *

Rule 1.1<u>.</u> Definitions

When used in the[se] Rules, unless the context otherwise requires:

* * * * *

Complex Order

The term "complex order" means an order involving the concurrent execution of two or more different series in the same class (the "legs" or "components" of the complex order), for the same account, occurring at or near the same time and for the purpose of executing a particular investment strategy with no more than the applicable number of legs (which number the Exchange determines on a class-by-class basis). The Exchange determines in which classes complex orders are eligible for processing. Unless the context otherwise requires, the term complex order includes stock-option order<u>s</u> and security future-option order<u>s</u>. [For purposes of electronic trading, the term "complex order" has the meaning set forth in Rule 5.33.] For purposes of Rules [5.4,]<u> 5.33 and</u> 5.85<u>(b)(1)</u>[, 5.86, and 5.87], the term "complex order" means a [spread order, combination order, straddle order, or ratio order (each as defined in Rule 5.6)]<u>complex order with any ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00)</u>, a stock-option order, <u>or a</u> security future-option order[, or a complex order as defined in Rule 5.33].

* * * * *

Order Entry Firm and OEF

The terms "Order Entry Firm" and "OEF" mean a Trading Permit Holder [registered with the Exchange pursuant to Rule 3.51 for the purpose of]<u>that</u> represent[ing]<u>s</u> as agent customer orders on the Exchange or <u>that is </u>a non-Market-Maker [Trading Permit Holder] conducting proprietary trading.

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CHAPTER 3. <u>TPH</u> MEMBERSHIP, <u>REGISTRATION,</u> AND PARTICIPANTS

SECTION A. TPH QUALIFICATIONS

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<u>SECTION B. TPH REGISTRATION</u>

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<u>Rule 3.12. Educational Classes</u>

<u>Trading Permit Holders and persons associated with Trading Permit Holders must attend educational classes the Exchange may require from time to time. Failure to attend Exchange-mandated continuing educational classes may subject Trading Permit Holders and persons associated with Trading Permit Holders to sanctions pursuant to the Exchange's Minor Rule Violation Plan provided in Exchange Rule 13.15.</u>

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CHAPTER 5. OPTIONS TRADING

* * * * *

Rule 5.3. Bids and Offers

(a) – (d) No change.

(e) *Other Options.* Notwithstanding paragraphs (a) through (c) above:

(1) *Cash Spread Orders.* <u>Bids and offers for complex orders represented as cash spread orders may be expressed as set forth in Rule 5.85(f).</u>

([1]<u>2</u>) *Corporate Debt Security Options.* Bids and offers for Corporate Debt Security options must be expressed in points where one point equals $1,000.

([2]<u>3</u>) *Credit Options.* Bids and offers for Credit options must be expressed in terms of dollars per the contract multiplier unit. For example, a bid of "7" represents a bid of $7,000 for a Credit option with a specified contract multiplier of 1,000.

([3]<u>4</u>) *Government Security Options.* Bids and offers for Government Security options must be expressed in thirty-seconds of a point (one point being equal to one percent of the principal amount of the underlying security), unless the Exchange determines a different fraction of a point for all Government Securities options or a Government Security option of a particular series.

([4]<u>5</u>) *Interest Rate Options.* Bids and offers for Interest Rate options must be expressed in terms of dollars and decimals per unit of the measure. For example, a bid of 4.50 represents a bid of $4.50 per unit.

Rule 5.4. Minimum Increments for Bids and Offers

(a) No change.

(b) *Complex Orders.* Except as provided in Rule 5.33, the minimum increment for bids and offers on complex orders with any ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) for equity and index options is $0.01 or greater, which may be determined by the Exchange on a class-by-class basis, and the legs may be executed in $0.01 increments. The minimum increment for bids and offers on complex orders with any ratio less than one-to-three (.333) or greater than three-to-one (3.00) for equity and index options is the standard increment for the class pursuant to paragraph (a), and the legs may be executed in the minimum increment applicable to the class pursuant to paragraph (a). Notwithstanding the foregoing[sentence], the minimum increment for bids and offers on complex orders in options on the S&P 500 Index (SPX) or on the S&P 100 Index (OEX and XEO), except for box/roll spreads, is $0.05 or greater, or in any increment, which may be determined by the Exchange on a class-by-class basis. [In addition, the legs of a complex order may be executed in $0.01 increments.]

(c) No change.

[. . .]Interpretations and Policies

.01 – .02 No change.

.03 The Exchange may replace any option class participating in the Penny Pilot Program that has been delisted with the next most actively traded, multiply listed option class, based on national average daily volume in the preceding six calendar months, that is not yet included in the Pilot Program. Any replacement class would be added on the second trading day in the first month of each quarter. The Penny Pilot will expire on [June 30]December 31, 2019.

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

(a) No change.

(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 price 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 and includes:

All-or-None or AON

No change.

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. A User may not designate an All Sessions order as Direct to PAR.

Attributable

No change.

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). A User may not designate a Book Only order as Direct to PAR.

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. A User may not designate a Cancel Back order as Direct to PAR.

<u>Complex Order</u>

<u>A "complex order" is defined in Rule 1.1. A User may not designate a complex order with a ratio less than one-to-three (.333) or greater than three-to-one (3.00) as Electronic Only. See Rule 5.33 for types of complex orders.</u>

[Combination Order

A "combination order" is an order involving a number of call option contracts and the same number of put option contracts in the same underlying security. In the case of an adjusted option contract, a combination order need not consist of the same number of put and call contracts if such contracts both represent the same number of shares of the underlying.]

<u>Default</u>

<u>A "Default" order is an order a User designates for electronic processing, and which order (or unexecuted portion) routes to PAR for manual handling if not eligible for electronic processing.</u>

<u>Direct to PAR</u>

<u>A "Direct to PAR" order is an order a User designates to be routed directly to a specified PAR workstation for manual handling. A User must designate a Direct to PAR order as RTH Only.</u>

Electronic Only

An "Electronic Only" order is an order a User designates for electronic [execution (in whole or in part)]processing, [on the Exchange only, and]but does not route to PAR for [execution in open outcry]manual handling if not eligible for electronic processing. [The System cancels an Electronic Only order that would otherwise route to PAR pursuant to the Rules.]

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. <u>A User may not designate an ISO as Direct to PAR.</u>

Match Trade Prevention (MTP) Modifier

No change.

Minimum Quantity

No change.

<u>Multi-Class Spread</u>

<u>A "Multi-Class Spread Order" is an order or quote to buy a stated number of contracts of a Broad-Based Index Option and to sell an equal number, or an equivalent number, of contracts of a related Broad-Based Index Option. A Multi-Class Spread Order may only execute subject to Rule 5.85(d).</u>

<u>(1) For purposes of a Multi-Class Spread Order, the term "Broad-Based Index Option" means options on the following Broad-Based Indexes, ETFs, and ETNs, as well as any other Broad-Based Index, or any other ETF or ETN derived from a Broad-Based Index, the Exchange determines creates an appropriate hedge with any other Broad-Based Index Option:</u>

<u>Mini-NDX Index (MNX)</u>

<u>Nasdaq-100 Index (NDX)</u>

<u>S&P 100 Index (OEX and XEO)</u>

<u>S&P 500 Index (SPX (including SPXW) and XSP)</u>

<u>Cboe Volatility Index (VIX)</u>

<u>Dow Jones Industrial Average (DJX)</u>

<u>Russell 2000 Index (RUT)</u>

<u>Russell 1000 Index (RUI)</u>

<u>Russell 1000 Value Index (RLV)</u>

<u>Russell 1000 Growth Index (RLG)</u>

<u>MSCI EAFE Index (MXEA)</u>

<u>MSCI Emerging Markets Index (MXEF)</u>

<u>iShares S&P 100 Index ETF (OEF)</u>

<u>Invesco QQQ Trust (QQQ)</u>

<u>iPath S&P 500 VIX Short-Term Futures ETN (VXX)</u>

<u>iPath S&P 500 VIX MT Futures ETN (VXZ)</u>

Standard & Poor's Depositary Receipts S&P 500 ETF (SPY)

Standard & Poor's Depositary Receipts Dow Jones Industrial Average ETF (DIA)

iShares Russell 2000 ETF (IWM)

iShares Russell 1000 ETF (IWB)

iShares Russell 1000 Value ETF (IWD)

iShares Russell 1000 Growth ETF (IWF)

iShares MSCI EAFE ETF (EFA)

iShares MSCI Emerging Markets Index (MXEF)

(2) Multi-Class Spread Orders may be composed of any of the following combinations of Broad-Based Index Options, and any other combination of related Broad-Based Index Options as determined by the Exchange:

MNX, NDX, and QQQ

OEF, OEX, SPX (including SPXW), XSP, and SPY

VIX, VXX, and VXZ

DIA and DJX

IWM and RUT

IWB and RUI

IWD and RLV

IWF and RLG

EFA and MXEA

EEM and MXEF

(3) A User must enter a Multi-Class Spread Order on a single order ticket at time of systemization to be eligible for the procedures and relief set out in Rule 5.85(d).

(4) A User may not designate a Multi-Class Spread Order as Electronic Only.

Non-Attributable

No change.

Not Held

A "not held" order is an order marked "not held", "take time" or which bears any qualifying notation giving discretion as to the price or time at which such order is to be executed. An order entrusted to a Floor Broker will be considered a not held order, unless otherwise specified by a Floor Broker's client or the order was received by the Exchange electronically and subsequently routed to a Floor Broker or PAR Official pursuant to the User's instructions. [Not held orders and/or "held" orders must be marked in a manner and form prescribed by the Exchange.]A User may not designate a not held order as Electronic Only.

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). A User may not designate a Post Only order as Direct to PAR.

Price Adjust

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

Qualified Contingent Cross or QCC

A "[q]Qualified [c]Contingent [c]Cross" or "QCC" [o]Order is comprised of an [initiating]originating order to buy or [(]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 ("QCT") 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). See Rule 5.33 for a definition of a QCC with Stock Order. For purposes of this order type:

> (1) *QCT Trade.* A ["qualified contingent trade"]QCT is a transaction consisting of two or more component orders, executed as agent or principal, where:

> > (A) – (F) No change.

> (2) *Execution of QCC Orders.*

> > (A) A QCC [o]Order[s] with one option leg may execute automatically upon entry without exposure if the execution price: ([A]i) is not at the same price as a Priority Customer order resting in the Book; and ([B]ii) is at or between the NBBO. Rule 5.[8]9 (related to exposure of orders on the Exchange) does not apply to QCC orders (including Complex QCC Orders).

[(3)](B) A Complex QCC Order may execute automatically on entry without exposure if: ([A]i) each option leg executes at a price that complies with Rule 5.33(f)(2), provided that no option leg executes at the same price as a Priority Customer Order in the Simple Book; ([B]ii) each option leg executes at a price at or between the NBBO for the applicable series; and ([C]iii) 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)](C) A QCC [o]Order (including a Complex QCC Order) is cancelled if it cannot execute.

[(5)](3) *Minimum Increments.* A QCC [o]Order with one option leg may only be entered in the standard increment applicable to the option class under Rule 5.4(a). A Complex QCC [o]Order may be entered in the increments applicable to complex orders under Rule 5.4(b).

[(6)](4) A User may not designate a QCC Order (including a Complex QCC Order) as Direct to PAR. A User may not designate a bulk message as a QCC [o]Order.

[(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.]

[Ratio

A "ratio" order is a spread, straddle, or combination order in which the stated number of option contracts to buy (sell) is not equal to the stated number of option contracts to sell (buy), provided that the number of contracts differ by a permissible ratio. For purposes of the Rules, a permissible ratio is any ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00). For example, a one-to-two (.5) ratio, a two-to-three (.667) ratio, or a two-to-one (2.00) ratio is permissible, whereas a one-to-four (.25) ratio or a four-to-one (4.0) ratio is not.]

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. <u>A User may not designate a Reserve Order as Direct to PAR.</u>

(1) – (2) No change.

RTH Only

No change.

[Spread

A "spread" order is an order to buy a stated number of option contracts and to sell the same number of option contracts, or contracts representing the same number of shares of the underlying, of the same class of options.]

<u>SPX Combo Order</u>

<u>An "SPX Combo Order" is an order to purchase or sell one or more SPX option series and the offsetting number of SPX combinations defined by the delta.</u>

<u>(1) For purposes of an SPX Combo Order:</u>

<u>(A) An "SPX combination" is a purchase (sale) of an SPX call and a sale (purchase) of an SPX put with the same expiration date and strike price.</u>

<u>(B) A "delta" is the positive (negative) number of SPX combinations that must be sold (bought) to establish a market neutral hedge with one or more SPX option series.</u>

<u>(2) An SPX Combo Order may only execute pursuant to Rule 5.85(e).</u>

<u>(3) An SPX Combo Order for 12 legs or fewer must be entered on a single order ticket at time of systemization. If permitted by the Exchange, an SPX Combo Order for more than 12 legs may be represented or executed as a single SPX Combo Order in accordance with Rule 5.85(e) if it is split across multiple order tickets and the Trading Permit Holder representing the SPX Combo 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 SPX Combo Order.</u>

<u>(4) A User may not designate an SPX Combo Order as Electronic Only.</u>

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. <u>A </u>User[s] may not designate a Stop Order as All Sessions. Users

may not designate bulk messages as Stop Orders. <u>A User may not designate a Stop order as Direct to PAR.</u>

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. <u>A </u>User[s] may not designate a Stop-Limit Order as All Sessions. Users may not designate bulk messages as Stop-Limit Orders. <u>A User may not designate a Stop-Limit order as Direct to PAR.</u>

[Straddle

A "straddle" order is an order to buy a number of call option contracts and the same number of put option contracts on the same underlying security which contracts have the same exercise price and expiration date; or an order to sell a number of call option contracts and the same number of put option contracts on the same underlying security which contracts have the same exercise price and expiration date (e.g., an order to buy two XYZ July 50 calls and to buy two July 50 XYZ puts is a straddle order). In the case of adjusted option contracts, a straddle order need not consist of the same number of put and call contracts if such contracts both represent the same number of shares of the underlying.]

(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

No change.

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. <u>A User may not designate an FOK order as Direct to PAR.</u>

Good-til-Cancelled and GTC

No change.

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. A User may not designate a GTD order as Direct to PAR.

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. A User may not designate an IOC order as Direct to PAR.

Limit-on-Close and LOC

The terms "Limit-on-Close" and "LOC" mean, for an order so designated, a limit order that may not execute on the Exchange until three minutes prior to RTH market close. At that time, the System enters LOC orders into the Book in time sequence (based on the times at which the System initially received them), where they may be processed in accordance with Rule 5.32. The System cancels an LOC order (or unexecuted portion) that does not execute by the RTH market close. Users may not designate an LOC order as All Sessions. Users may not designate bulk messages as LOC. A User may not designate an LOC order as Direct to PAR.

Market-on-Close and 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. A User may not designate an MOC order as Direct to PAR.

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. A User may not designate an OPG order as Direct to PAR.

* * * * *

Rule 5.8. <u>Incoming Orders</u>

<u>Upon receipt of an incoming buy (sell) order eligible, subject to a User's instructions (as set forth in 5.6) and applicable price protections and risk controls (as set forth in Rule 5.34):</u>

<u>(a) If the order is eligible for electronic processing and marketable against the Exchange best offer (bid), which is at or better than the NBO (NBB), the System automatically executes the order against sell (buy) orders and quotes resting on the Book at the Exchange best offer (bid) pursuant to Rule 5.32.</u>

> <u>(1) If there is any remaining portion of the incoming order that is marketable against the revised Exchange best offer (bid), which is at or better than the then-existing NBO (NBB), the System executes the remaining portion against the sell (buy) orders and quotes on the Book comprising the revised Exchange best offer (bid).</u>

> <u>(2) This may occur at multiple price levels.</u>

<u>(b) If the order (or any remaining portion of the order pursuant to subparagraph (1)) is eligible for electronic processing and marketable against the Exchange best offer (bid), which at worse than the NBO (NBB), or not marketable against the Exchange best offer (bid) but marketable against the ABO (ABB), the System submits the order (or remaining portion) to a SUM auction pursuant to Rule 5.35 or cancels the order if not eligible for SUM.</u>

<u>(c) If the order (or any remaining portion of the order pursuant to subparagraph (1)) is eligible for electronic processing and not marketable against the Exchange best offer (bid) or the NBO (NBB), the System enters the order (or remaining portion) into the Book or cancels the order if not eligible to rest in the Book.</u>

<u>(d) If the order is not eligible for electronic processing, the System routes the order to PAR for manual handling.</u>

Rule 5.9. Order Exposure

(a) – (c) No change.

* * * * *

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) – (3) No change.

> (4) *Complex Orders*: complex orders (see Rule 5.33 for types of complex orders) with a ratio greater than or equal to one-to-three (.333) and less than or equal to three-to-one (3.00).

(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) – (3) No change.

> (4) *Complex Orders*: complex orders (see Rule 5.33 for types of complex orders) with a ratio greater than or equal to one-to-three (.333) and less than or equal to three-to-one (3.00).

* * * * *

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) – (2) No change.

> (3) *Additional Priority Rules.*

>> (A) – (B) No change.

>> (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) No change.

(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) No change.

(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) No change.

(2) No change.

([2]3) 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]4) The System does not display a Price Adjust limit order at any price worse than its limit price.

* * * * *

SECTION G. MANUAL ORDER HANDLING AND OPEN OUTCRY TRADING

Rule 5.80. Admission to and Conduct on the Trading Floor

(a) *Admission to Trading Floor.* Unless otherwise provided in the Rules, only a Trading Permit Holder or PAR Official may effect a transaction on the Exchange's trading floor.

Admission to the trading floor is limited to Trading Permit Holders, Exchange employees, clerks employed by Trading Permit Holders and registered with the Exchange, service personnel, Exchange visitors that receive authorized admission to the trading floor pursuant to Exchange policy, and any other persons that the President (or his or her designee) authorizes admission to the trading floor.

(b) *Conduct on the Exchange's Premises.*

(1) Trading Permit Holders and persons employed by or associated with any Trading Permit Holder, while on any premises of the Exchange, including the trading floor of the Exchange, may not engage in conduct:

(A) inconsistent with the maintenance of a fair and orderly market;

(B) apt to impair public confidence in the operations of the Exchange;

(C) inconsistent with the ordinary and efficient conduct of business; or

(D) detrimental to the safety or welfare of any other person.

(2) Activities that may violate the provisions of this paragraph (b) include, but are not limited to:

(A) effecting or attempting to effect a transaction with no public outcry in violation of Rule 5.87;

(B) failure of a Market-Maker to bid or offer within bid/ask differential requirements or the firm quote requirements in Rule 5.52;

(C) failure of a Trading Permit Holder or an associated person of a Trading Permit Holder in a supervisory capacity to adequately supervise a person employed by or associated with the Trading Permit Holder to ensure that person's compliance with the provisions of paragraphs (a) through (d) of this Rule;

(D) failure to abide by Floor Official determinations; and

(E) refusal to provide information a Floor Official requests in his or her official capacity.

(c) *Fines Imposed by Floor Officials.* The Exchange may periodically issue fine schedules setting forth which violations of the Exchange's trading conduct and decorum policies are subject to fines pursuant to Rule 13.15 and the specific dollar amounts of those fines.

(1) Floor Officials may:

(A) fine Trading Permit Holders and persons employed by or associated with Trading Permit Holders pursuant to Rule 13.15 for trading conduct and decorum violations which are subject to fine under such fine schedules;

(B) direct Trading Permit Holders and persons employed by or associated with Trading Permit Holders to act or cease to act in a manner to ensure compliance with the Rules and accepted and established standards of trading conduct and decorum; or

(C) refer violations of the foregoing for disciplinary action pursuant to Chapter 3 of the Rules.

(2) Two Floor Officials in consultation with a senior-level designee of the Exchange, may also summarily exclude a Trading Permit Holder or person associated with a Trading Permit Holder from the Exchange premises for no longer than the remainder of the trading day for any violation of the Exchange's trading conduct and decorum policies that is classified as a Class A offense, except for those Class A offenses the Exchange specifies as not qualifying the offender for summary exclusion.

(A) If Floor Officials summarily exclude a Trading Permit Holder or person associated with a Trading Permit Holder from the trading floor pursuant to this subparagraph (2), the Trading Permit Holder or associated person may request reinstatement from Floor Officials after a sufficient "cooling-off" period has elapsed.

(B) If, in the judgment of two Floor Officials, the Trading Permit Holder or associated person no longer poses an immediate threat to the safety of persons or property, the Floor Officials may permit the Trading Permit Holder or associated person to return to the trading floor.

(3) At least two Floor Officials must agree to (A) any application or interpretation of the Rules and (B) any decision to impose a fine under, this paragraph (c).

(4) Floor Officials must file with the Exchange a written report of any action taken pursuant to any authority the Rules grant to them, and any interpretation of the Rules.

(d) *Clerks of Trading Permit Holders.*

(1) While on the trading floor, clerks must display at all times the badge(s) the Exchange provides to them.

(2) Any Market-Maker clerk who writes up an option or stock order must give his or her employer a copy of that order before it is delivered, and the employer must retain the copy on his or her person until it is executed.

(3) A clerk receiving a phone order must initial, mark as opening or closing, and time-stamp the order.

(4) A clerk must remain at a booth assigned to his employer or assigned to his employer's clearing firm unless he or she is:

(1) entering or leaving the trading floor;

(2) transmitting or checking the status of an order or reporting a fill;

(3) standing in the same trading crowd as his employer (who is a Market-Maker or Floor Broker); or

(4) supervising his firm's clerks if he is a floor manager; or

(5) acting as a clerk for an order service firm.

(5) Only order service firm clerks and Market-Maker or Floor-Broker clerks may stand in or near a trading crowd (as long as the Market-Maker or Floor Broker is present in the same trading crowd).

(e) *Authority to Transact on the Trading Floor.* Only those Trading Permit Holders the Exchange has approved to perform a trading floor function (including Floor Brokers and Market-Makers) may enter into transactions on the trading floor. While on the trading floor, these Trading Permit Holders must display at all times the badge(s) the Exchange provides to them.

(f) *Trading Nullification by Floor Officials.* Two Floor Officials may nullify a transaction or adjust its terms if they determine the transaction violated Rule 5.3, 5.52, or 5.85. Trades may be adjusted or nullified pursuant to Rule 6.5.

Interpretations and Policies

.01 Any action taken by Floor Officials pursuant to this Rule 5.80, including imposition of a fine pursuant to paragraph (c), does not preclude additional disciplinary action under Chapter 13 of the Rules.

Rule 5.81. Equipment and Communications on the Trading Floor

(a) Subject to the requirements of this Rule, Trading Permit Holders may use any communication device (*e.g.*, any hardware or software related to a phone, system, or other device, including an instant messaging system, e-mail system, or similar device) on the trading floor and in any trading crowd of the Exchange. Prior to using a communications device for business purposes on the trading floor of the Exchange, Trading Permit Holders must register the communications device by identifying (in a form and manner prescribed by the Exchange) the hardware (*i.e.*, headset, cellular telephone, tablet, or other similar hardware).

(b) The Exchange may deny, limit, or revoke the use of any communication device whenever it determines that use of the communication device:

(1) interferes with the normal operation of the Exchange's own systems or facilities or with the Exchange's regulatory duties;

(2) is inconsistent with the public interest, the protection of investors, or just and equitable principles of trade; or

(3) interferes with the obligations of a Trading Permit Holder to fulfill its duties under, or is used to facilitate any violation of, the Exchange Act and the Rules.

(c) Any communication device may be used on the trading floor and in any trading crowd of the Exchange to receive orders, provided that audit trail and record retention requirements of the Exchange are met. However, no person in a trading crowd or on the trading floor of the Exchange may use any communication device for the purpose of recording activities in the trading crowd or maintaining an open line of continuous communication whereby a non-associated person not located in the trading crowd may continuously monitor the activities in the trading crowd. This prohibition covers digital recorders, intercoms, walkie-talkies, and any similar devices.

(d) After providing notice to an affected Trading Permit Holder and complying with applicable laws, the Exchange may provide for the recording of any telephone line on the trading floor of the Exchange or may require Trading Permit Holders at any time to provide for the recording of a fixed phone line on the floor of the Exchange. Trading Permit Holders and their clerks using the telephones consent to the Exchange recording any telephone or line.

(e) Trading Permit Holders may not use communication devices to disseminate quotes and/or last sale reports originating on the trading floor of the Exchange in any manner that would serve to provide a continuous or running state of the market for any particular series or class of options over any period of time, except:

(1) an associated person of a Trading Permit Holder on the trading floor of the Exchange may use a communication device to communicate quotes that have been disseminated pursuant to Rule 5.3 and/or last sale reports to other associated persons of the same Trading Permit Holder business unit; and

(2) an associated person of a Trading Permit Holder may also use a communications device to communicate an occasional, specific quote that has been disseminated pursuant to Rule 5.3 or last sale report to a person who is not an associated person of the same Trading Permit Holder.

(f) Use of any communications device for order routing or handling must comply with all applicable laws, rules, policies, and procedures of the Commission and the Exchange, including those related to record retention and audit trail requirements. Orders must be systemized using Exchange systems or proprietary systems approved by the Exchange in accordance with Rule 5.7(f).

(g) Trading Permit Holders must maintain records of the use of communication devices, including, but not limited to, (1) logs of calls placed, (2) emails, and (3) chats, for a period

of not less than three years, the first two years in an easily accessible place. The Exchange reserves the right to inspect such records pursuant to Rule 13.2.

(h) The Exchange may designate specific communication devices that are not be permitted on the trading floor or in the trading crowds of the Exchange or. In addition, the Exchange may designate other operational requirements regarding the installation of any communication devices.

Interpretations and Policies

.01 The Exchange reserves the right to designate certain portions of this Rule (except for the registration requirement in paragraph (a), paragraph (f), or paragraph (g) of this Rule) as not applicable to certain classes on a class-by-class basis.

Rule 5.82. Public Automated Routing System (PAR)

(a) *PAR Workstation.* A PAR workstation is an Exchange-provided order management tool for use on the Exchange's trading floor by Trading Permit Holders and PAR Officials to manually handle orders pursuant to the Rules and facilitate open outcry trading.

(b) *Order Routing.* An eligible order designated as Direct to PAR, or designated as Default that cannot be electronically processed pursuant to Chapter 5, Section C of the Rules, routes to PAR, subject to the User's instructions.

(c) *Manual Handling of Order.* After an order routes to PAR pursuant to Rule 5.8 or as otherwise provided in the Rules, the Trading Permit Holder or PAR Official, as applicable, processes the order in accordance with the User's instructions (including the User's established manual or automatic settings). Once on a PAR workstation, the TPH or PAR Official may:

> (1) submit the order (or a portion of the order) into the System for electronic processing if eligible for electronic processing (including for execution against orders and quotes resting in the Book and for participation in a COA pursuant to Rule 5.33(d));

> (2) execute the order (or a portion of the order) in open outcry on the Exchange's trading floor (including against Priority Customer orders and other order interest resting in the Book at the best price, against other orders on PAR, and with other TPHs or PAR Officials in accordance with Rules 5.85, 5.87, and 5.90);

> (3) route the order to an away exchange in accordance with Rules 5.36 and 5.66 (if eligible for routing);

> (4) route the order to another PAR workstation; or

> (5) cancel the order (including upon receipt of a cancel request or subject to the User's instructions).

Rule 5.83. Availability of Orders

(a) Pursuant to Rule 5.6(a), the Exchange may make order types, Order Instructions, and Times-in-Force available on a class basis for PAR routing (and open outcry trading). The Exchange may make the following order types, Order Instructions, and Times-in-Force available for PAR routing (and open outcry trading):

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

> (2) *Order Instructions*: AON, Attributable, Minimum Quantity, MTP Modifier, Multi-Class Spread, Non-Attributable, Not Held, RTH Only, and SPX Combo.

> (3) *Times-in-Force*: Day and GTC.

(b) The Exchange may make complex orders, including security future-option orders and stock-option orders available for PAR routing and manual handling. A complex order with a ratio less than one-to-three (.333) or greater than three-to-one (3.00) may only be submitted for manual handling and open outcry trading.

Rule 5.84. Opening of Open Outcry Trading

Open outcry trading on the Exchange's trading floor may begin in a series after it opens for electronic trading pursuant to Rule 5.31.

Rule 5.85. Order and Quote Allocation, Priority, and Execution

(a) *General Allocation and Priority.* If a Floor Broker or PAR Official represents an order to a trading crowd on the Exchange's trading floor, it executes against bids and offers from other ICMPs, including on-floor Market-Makers, as follows:

> (1) *Best Price.* Bids and offers with the highest bid and lowest offer have priority.

> (2) *Bids and Offers at Same Price.* If there are two or more bids (offers) at the same price:

>> (A) *Priority Customer Orders in the Book.* Priority Customer orders in the Book have first priority. If there are two or more Priority Customer orders in the Book at the same price, the System prioritizes them in the order in which the System received them (*i.e.*, in time priority).

>> (B) *Participation Entitlement.* If the Exchange applies the DPM or LMM participation entitlement to a class, the DPM or LMM appointed to the class, as applicable, has second priority. If the DPM or LMM, as applicable, has a quote at the highest bid or lowest offer, it receives the greater of (i) the number of contracts it would receive pursuant to subparagraph (C) below and (ii) 50% of the contracts if there is one other ICMP quote, 40% of the contracts if there are two ICMP quotes, or 30% of the contracts if there are three or more ICMP quotes at that price.

(i) The DPM or LMM, as applicable, may not be allocated a total quantity of contracts greater than the quantity that it quoted at the best price.

(ii) The participation entitlement is based on the number of non-Priority Customer contracts remaining after the order executes against any Priority Customer orders in the Book.

(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.

(C) *ICMP Bids and Offers.* In-crowd market participant bids and offers made at the time the market is established have third priority. The Floor Broker, PAR Official, DPM, LMM, or Market-Maker, as applicable, determines which in-crowd market participants responded at the time the market was established and the sequence in which in-crowd market participants made bids (offers).

(i) If there are two or more bids (offers) at the same price, they are prioritized in the sequence in which they are made (*i.e.*, in time priority).

(ii) If the bids (offers) were made at the same time, or if the Floor Broker, PAR Official, DPM, LMM, or Market-Maker, as applicable, cannot reasonably determine the sequence in which the bids (offers) were made, then the order is allocated equally among these bids (offers).

(iii) If the Floor Broker, PAR Official, DPM, LMM, or Market-Maker, as applicable, cannot reasonably determine the sequence in which the bids (offers) were made beyond a certain number of in-crowd market participants, then the remaining contracts are allocated equally among the bids (offers) for which the sequence could not be determined.

(iv) If an in-crowd market participant declines to accept any portion of the available contracts when the Floor Broker, PAR Official, DPM, LMM or Market-Maker, as applicable, determines the allocation of an order, those contracts are allocated equally among the other bids (offers).

(v) If any contracts remain in an order after giving effect to subparagraphs (i) through (iv) above and the remainder is not

cancelled, and in-crowd market participants subsequently make bids (offers) in a reasonably prompt manner, then the remainder of the order is apportioned equally between the in-crowd market participants who bid (offered) the best price.

(D) *Orders and Quotes in the Book.* Broker-dealer orders and quotes in the Book have fourth priority. If there are two or more broker-dealer orders or quotes in the Book at the same price, they are prioritized pursuant to the applicable electronic allocation algorithm in Rule 5.32.

(E) *G Exemption.* Notwithstanding the priority provisions otherwise applicable pursuant to this paragraph (a), Trading Permit Holders relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder (the so called "G exemption rule") as an exemption must yield priority to any bid (offer) at the same price of Priority Customer orders and broker-dealer orders resting in the Book, as well as any other bid (offer) that has priority over those broker-dealer orders under this Rule.

(b) *Complex Order Priority.*

(1) A complex order with any ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) may be executed at a net debit or credit price without giving priority to equivalent bids (offers) in the individual series legs that are represented in the trading crowd or in the Book if the price of at least one leg of the order improves the corresponding bid (offer) of a Priority Customer order(s) in the Book by at least one minimum trading increment as set forth in Rule 5.4(b).

(2) A complex order with any ratio less than one-to-three (.333) and greater than three-to-one (3.00) may be executed in open outcry on the trading floor at a net debit or credit price without giving priority to equivalent bids (offers) in the individual series legs that are represented in the trading crowd or in the Book if each leg of the order betters the corresponding bid (offer) of a Priority Customer order(s) in the Book on each leg by at least one minimum trading increment as set forth in Rule 5.4(b).

(3) Stock-option orders and security future-option orders have priority over bids (offers) of in-crowd market participants but not over Priority Customer bids (offers) in the Book. A Floor Broker or PAR Official may, subject to a User's instructions, route the stock component of a stock-option order represented in open outcry 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 in accordance with Rule 5.11.

(c) *Split-Price Priority.* If a sell (buy) order or quote offer (bid) for any number of contracts of a series is represented to the trading crowd, a Trading Permit Holder that buys (sells) one or more contracts of that order or quote at one price has priority over all other orders and quotes, except Priority Customer orders resting in the Book, to buy (sell) up to the same

number of contracts of those remaining from the same order or quote at the next lower (higher) price.

(1) *Orders or Quotes of 100 or More Contracts*. If a sell (buy) order or quote offer (bid) of 100 or more contracts of a series is represented to the trading crowd, a Trading Permit Holder that buys (sells) 50 or more of the contracts of that order or quote at one price will have priority over all other orders and quotes to buy (sell) up to the same number of contracts of those remaining from the same order or quote at the next lower (higher) price.

(2) *Two or More Trading Permit Holders Entitled to Priority.* If the bids or offers of two or more Trading Permit Holders are both entitled to split-price priority, it will be afforded to the extent practicable on a pro-rata basis.

(3) *Conditions.* Split-price priority is subject to the following:

(A) The priority does not apply to complex orders.

(B) The Trading Permit Holder must make its bid (offer) at the next lower (higher) price for the second (or later) transaction at the same time as the first bid (offer) or promptly following execution of the first (or earlier) transaction.

(C) The second (or later) purchase (sale) must represent the opposite side of a transaction with the same order or offer (bid) as the first (or earlier) purchase (sale).

(4) *Minimum Increment Width with Priority Customer Orders Resting in the Book.* If the width of the quote for a series is the minimum increment for that series, and both the bid and offer represent Priority Customer orders resting in the Book, the Priority Customer order(s) resting in the Book on either side of the market must trade before split-price priority is available to Trading Permit Holders.

(5) *Section 11(a)(1) Exempt Broker-Dealers.* If a Floor Broker represents an order of a non-Market-Maker Trading Permit Holder broker-dealer ("Trading Permit Holder BD"), the Floor Broker must ensure that the Trading Permit Holder BD qualifies for an exemption from Section 11(a)(1) of the Exchange Act or that the transaction satisfies the requirements of Exchange Act Rule 11a2-2(T). Otherwise, the Floor Broker must yield priority to orders for the accounts of non-Trading Permit Holders.

(d) *Multi-Class Spread Orders*. Notwithstanding any other Rules, a Multi-Class Spread Order may only execute if the following conditions are met:

(1) A Trading Permit Holder (the "representing TPH") must represent the Multi-Class Spread Order. The "primary trading station" is the trading station where the representing TPH first represents the Multi-Class Spread Order, which must be a trading station at which one of the applicable classes trades.

(2) Immediately after, or concurrent with, the representing TPH's representation of the order at the primary trading station, the representing TPH must contact the DPM or LMM, as applicable, or appropriate Exchange staff (collectively referred to herein as the "Recipient"), as applicable, at the trading station where the other applicable class trades (the "other trading station"), including the terms of the order and representing TPH's contact information. The Recipient announces the terms of the order at the other trading station and documents the terms of the order.

(3) After satisfying the conditions under subparagraphs (1) and (2) above, when a Trading Permit Holder holding a Multi-Class Spread Order and is bidding or offering in a multiple of the minimum increment on the basis of a total credit or debit for the order determines that the order may not be executed by a combination of transactions with the bids and offers either displayed in the Book or made in the trading crowds, then the order may be executed as a spread at the best net debit or credit, whether from the primary trading station or from the other trading station, so long as no leg of the order would trade at a price outside the currently displayed bids or offers in the Book for each class and at least one leg of the order would trade at a price that is better than the corresponding bid or offer in the Book for each class.

(4) The priority of bids or offers received from the primary trading station will be determined, with respect to each other, pursuant to paragraph (a) above. Bids or offers received promptly from the other trading station may participate equally with equal bids or offers from the primary trading station that were received prior to the bids or offers from the other trading station. The meaning of promptly is based on the size of the order and other relevant circumstances.

(e) *SPX Combo Orders.* An SPX Combo Order may execute as follows:

(1) When a Trading Permit Holder holding an SPX Combo Order and bidding or offering in a multiple of the minimum increment on the basis of a total debit or credit for the order determines that the order may not be executed by a combination of transactions with the bids and offers displayed in the Book or made in the crowd, then the order may be executed at the best net debit or credit if:

(A) no leg of the order would trade at a price outside the currently displayed bids or offers in the trading crowd or bids or offers in the Book; and

(B) at least one leg of the order would trade at a price that is better than the corresponding bid or offer in the Book.

(2) Notwithstanding any other Rules, if an SPX Combo Order is not executed immediately, the SPX Combo Order may execute and print at the prices originally quoted for each of the component option series within two hours after the time of the original quotes.

(f) *Cash Spread Orders.* Notwithstanding Rule 5.3, if a Floor Broker receives a complex order from a customer with a total cash price for the order (the "total order price") and the

total number of contracts of each leg, the Floor Broker may represent the order to the trading crowd at the total order price.

> (1) ICMPs may similarly respond with total cash price bids and offers.

> (2) Cash spread orders may execute against contra-side interest pursuant to paragraphs (a) and (b) above.

> (3) If pricing the legs for execution would result in a difference between the total execution price and the total order price, the Floor Broker must resolve the difference in a manner that provides price improvement to the customer (*i.e.*, the Floor Broker must determine leg prices that correspond to a total purchase (sale) price that is less (greater) than the total order price).

Rule 5.86. Facilitated and Solicited Transactions

A Trading Permit Holder or TPH organization representing an order respecting an option traded on the Exchange (an "original order"), including a complex order, may solicit a Trading Permit Holder or TPH organization or a public customer or broker-dealer (the "solicited person") to transact in-person or by order (a "solicited order") with the original order. In addition, whenever a Floor Broker who is aware of, but does not represent, an original order solicits one or more persons or orders in response to an original order, the persons solicited and any resulting orders are solicited persons or solicited orders subject to this Rule. Original orders and solicited orders are subject to the following conditions.

(a) *Disclosed original order and matching solicited order that improves the market.* If the terms and conditions of the original order are disclosed to the trading crowd prior to the solicitation and the original order is continuously represented in the crowd throughout the solicitation process without any change in the terms and conditions of the order, and if the solicited person or the solicited order matches the original order's limit and improves the best bid or offer in the trading crowd, then the solicited person or the solicited order will have priority over non-solicited Market-Makers and Floor Brokers representing non-solicited discretionary orders in the trading crowd and may trade with the original order at the improved bid or offered price subject to Book priorities set forth in Rule 5.85.

(b) *Disclosed original order that is later modified to meet a solicited order improving the market.* If the terms and conditions of the original order are disclosed to the trading crowd prior to the solicitation and the original order is continuously represented in the crowd throughout the solicitation process, and if the solicited person or the solicited order improves the best bid or offer in the crowd but does not match the original order's limit, and if thereafter the original order is modified to match the solicited order's bid or offer, then the following principles apply:

> (1) prior to executing the modified original order with the solicited person or solicited order or crossing the modified original order with the solicited order, the Trading Permit Holder initiating the original order must announce to the trading crowd all the terms and conditions of the original order as modified, and

(2) bids or offers thereafter made in the trading crowd will have priority pursuant to Rule 5.85 and may trade with the original order as modified, in the sequence in which they are made.

(c) *Disclosed original order that is later modified to meet a solicited order not improving the market.* If all the terms and conditions of the original order are disclosed to the trading crowd prior to the solicitation and the original order is continuously represented in the crowd throughout the solicitation process, and if the solicited person or the solicited order's bid or offer matches but does not improve the best bid or offer in the trading crowd and does not meet the original order's limit, and if thereafter the original order is modified to match the best bid or offer, then non-solicited Market-Makers and Floor Brokers with non-solicited discretionary orders in the trading crowd will have priority over the solicited person or the solicited order and may trade with the modified original order at the best bid or offered price subject to Book priorities set forth in Rule 5.85.

(d) *Undisclosed original order.* If the terms and conditions of the original order are not disclosed to the trading crowd prior to the solicitation, then, prior to crossing the original order with the solicited order or executing the original order with the solicited person or his agent, the Trading Permit Holder initiating the original order or his agent must disclose all the terms and conditions of the original order to the trading crowd. Non-solicited Market-Makers and Floor Brokers holding non-solicited discretionary orders in the trading crowd will have priority over the solicited person or the solicited order to trade with the original order at the best bid or offered price subject to Book priorities set forth in Rule 5.85.

(e) *Trading based on knowledge of imminent undisclosed solicited transaction.* It will be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 8.1 for any Trading Permit Holder or person associated with a Trading Permit Holder, who has knowledge of all material terms and conditions of an original order and a solicited order, including a facilitation order, that matches the original order's limit, the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an option of the same class as an option that is the subject of the original order, or an order to buy or sell the security underlying such class, or an order to buy or sell any related instrument until either (1) all the terms and conditions of the original order and any changes in the terms and conditions of the original order of which that Trading Permit Holder or associated person has knowledge are disclosed to the trading crowd or (2) the solicited trade can no longer reasonably be considered imminent in view of the passage of time since the solicitation. For purposes of this paragraph (e), an order to buy or sell a "related instrument," means, in reference to an index option, an order to buy or sell securities comprising ten percent or more of the component securities in the index or an order to buy or sell a futures contract on any economically equivalent index. For example, with respect to an SPX option, an OEX option is a related instrument, and vice versa.

Interpretations and Policies

.01 This Rule applies to all solicited orders, including, but not limited to, facilitation orders and orders resulting from solicitations of Public Customers, non-Trading Permit Holder broker-dealers, Trading Permit Holders and TPH organizations, and Market-Makers.

.02 A Trading Permit Holder initiating an original order is not required to announce to the trading crowd that another person has been solicited to participate in the order. The initiating Trading Permit Holder, however, must disclose to the trading crowd all the terms and conditions of the original order, and any modifications, as prescribed in this Rule 5.86.

.03 In respect of any solicited order that is a complex order, the terms "bid" and "offer" as used in paragraphs (a) through (d) of this Rule 5.86 mean "total net debit" and "total net credit," respectively.

.04 Except as provided in paragraph (a) of this Rule 5.86, the procedures set forth in Rule 5.87 govern the crossing of original orders with facilitation orders or solicited orders as determined by the Exchange pursuant to Rule 5.87(f).

.05 The provisions of Rule 5.85 govern the priority of bids and offers, including the priority of a bid or an offer in relation to an original order on the same side of the market. For example, an original order to buy an option contract will take priority over other bids at the same price only as provided in Rule 5.85.

.06 Disclosing all the terms of the original order and any changes in the terms and conditions of the original order to the crowd prior to effecting a trade does not provide a safe harbor from possible violations of front-running prohibitions. Front-running is considered to be a violation of Rule 8.1.

.07 The phrase "terms and conditions," as used in this Rule with respect to an order that is subject to facilitation, refers to class; series; volume; option price; any contingencies; and any components related to the order (*e.g.*, stock, options, futures or other related instruments or interests). However, the class will be deemed to be disclosed to the trading crowd if it is apparent that the crowd is aware of which class is being traded, (e.g., if the pit in which the transaction occurs is designated for one option class only, or if the class is the only one in the trading post trading at the disclosed strike price, then it would be apparent which option class is being traded).

Rule 5.87. Crossing Orders

(a) The rules of priority and order allocation procedures set forth in this Rule apply only to crossing orders in open outcry on the Exchange's trading floor. For purposes of establishing priority for bids and offers, at the same price: (1) bids and offers of ICMPs have first priority, except as is otherwise provided in this Rule with respect to Priority Customer orders resting in the Book; and (2) all other bids and offers (including orders and quotes resting in the Book) have second priority.

(b) In order to transact proprietary orders on the Exchange's trading floor pursuant to this Rule, Trading Permit Holders must ensure that they qualify for an exemption from Section 11(a)(1) of the Exchange Act.

> (1) Notwithstanding the priority provisions otherwise applicable under this Rule, Trading Permit Holders relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder (the "G" exemption) as an exemption must yield priority

to any bid or offer at the same price of Priority Customer orders and broker-dealer orders resting in the Book, as well as any other bids and offers that have priority over such broker-dealer orders under this Rule.

(2) In the event a Floor Broker that is asserting a crossing participation entitlement for its proprietary order pursuant to paragraph (f) below must yield priority in reliance on the "G" exemption and a DPM or LMM, as applicable, is asserting a participation entitlement, the Floor Broker's crossing percentage entitlement to the remaining balance of the original order, when combined with the DPM or LMM, as applicable, participation entitlement, may not exceed 40% of the order. However, provided the "G" exemption requirements are satisfied, nothing prohibits a Floor Broker or DPM or LMM, as applicable, from trading more than its applicable participation entitlement if other ICMPs do not chose to trade the remaining portion of the order.

(3) For purposes of this Rule, the term "proprietary order" means an order for a Trading Permit Holder's own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion.

(c) A Floor Broker who holds orders to buy and sell the same option series may cross such orders, provided that he proceeds in the following manner:

(1) In accordance with his responsibilities for due diligence, a Floor Broker must request bids and offers for such option series and make all ICMPs aware of his request.

(2) After providing an opportunity for such bids and offers to be made, he must:

(A) bid above the highest bid in the market and give a corresponding offer at the same price or at prices differing by the minimum increment; or

(B) offer below the lowest offer in the market and give a corresponding bid at the same price or at prices differing by the minimum increment.

(3) If such higher bid or lower offer is not taken, he may cross the orders at such higher bid or lower offer by announcing by public outcry that he is crossing and giving the quantity and price.

(d) A Floor Broker who holds an order for a Public Customer of a TPH organization and a facilitation order may cross such orders provided that he proceeds in the following manner:

(1) The TPH organization must disclose on its order ticket for the Public Customer order which is subject to facilitation, all of the terms of such order, including any contingency involving, and all related transactions in, either options or underlying or related securities.

(2) In accordance with his responsibilities for due diligence, the Floor Broker discloses all securities which are components of the public customer order which is subject to facilitation and then requests bids and offers for the execution of all components of the order.

(3) After providing an opportunity for such bids and offers to be made, the Floor Broker must, on behalf of the Public Customer whose order is subject to facilitation, either bid above the highest bid in the market or offer below the lowest offer in the market, identify the order as being subject to facilitation, and disclose all terms and conditions of such order. After all other ICMPs are given an opportunity to accept the bid or offer made on behalf of the Public Customer whose order is subject to facilitation, the Floor Broker may cross all or any remaining part of such order and the facilitation order at such customer's bid or offer by announcing in open outcry that he is crossing and by stating the quantity and price(s). Once such bid or offer has been made, the Public Customer order which is subject to facilitation has precedence over any other bid or offer in the crowd to trade immediately with the facilitation order.

(e) During the opening rotation for a class of option contracts in the interests of achieving a single price opening, an exception may be made to the requirements of subparagraphs (c)(1) and (2) above, and the Floor Brokers may proceed as follows:

(1) a Floor Broker may match all market orders in his possession in which no Trading Permit Holder or non-Trading Permit Holder broker/dealer has an interest;

(2) the Floor Broker shall then announce by public outcry the number of contracts that he has matched and will cross at the opening price to be established; and

(3) the Floor Broker may then continue to bid or offer the remaining unmatched and unexecuted orders he has in his possession for execution during the opening rotation.

(f) Notwithstanding the provisions of paragraphs (c) and (d) above, when a Floor Broker holds an option order for the eligible order size or greater ("original order"), the Floor Broker is entitled to cross a certain percentage of the order with other orders that he is holding or in the case of a Public Customer order with a facilitation order of the originating firm (*i.e.*, the firm from which the original customer order originated). The Exchange may determine on a class-by- class basis to include solicited orders within the provisions of this paragraph. In addition, the Exchange may determine on a class-by-class basis the eligible size for an order that may be transacted pursuant to this paragraph; however, the eligible order size may not be less than 50 standard option contracts (or 500 mini-option contracts). In accordance with his responsibilities for due diligence, a Floor Broker representing an order of the eligible order size or greater that he wishes to cross must request bids and offers for such option series and make all persons in the trading crowd, including the PAR Official, aware of his request.

(1) Once the trading crowd has provided a quote, it will remain in effect until: (A) a reasonable amount of time has passed, (B) there is a significant change in the price

of the underlying security or index, as applicable, or (C) the market given in response to the request has been improved. (In the case of a dispute, the term "significant change" will be interpreted on a case- by-case basis by two Floor Officials based upon the extent of the recent trading in the option and in the underlying security, and any other relevant factors.)

(2) The percentage of the order which a Floor Broker is entitled to cross, after all Public Customer orders that were (A) on the limit order book and then (B) represented in the trading crowd at the time the market was established have been satisfied, is either 20% or 40% (as determined by the Exchange on a class-by-class basis) of the remaining contracts in the order if the order is traded at or between the best bid or offer given by the crowd in response to the Floor Broker's initial request for a market.

(3) In determining whether an order satisfies the eligible order size requirement, any multi-part or complex order must contain one leg alone which is for the eligible order size or greater. If the same TPH organization is the originating firm and also the DPM or LMM for the particular class of options to which the order relates, then the DPM or LMM is not entitled to any of the DPM or LMM participation entitlement with respect to the particular cross transaction.

(4) When facilitating a customer order pursuant to paragraph (d) of this Rule, a TPH organization must disclose on its order ticket for the public customer order which is subject to facilitation, all of the terms of such order, including any contingency involving, and all related transactions in, either options or underlying or related securities. The Floor Broker must disclose all securities that are components of the Public Customer order which is subject to facilitation before requesting bids and offers for the execution of all components of the order.

(5) If a trade pursuant to this paragraph occurs at the On-Floor DPM's or On-Floor LMM's principal bid or offer in its appointed class, then the On-Floor DPM's or On-Floor LMM's participation entitlement (which is established pursuant to Rule 5.85) applies only to the number of contracts remaining after all those Public Customer orders that trade ahead of the cross transaction and the number of contracts crossed, each as described in subparagraph (f)(2) above, have been satisfied.

> (A) The On-Floor DPM's or On-Floor LMM's participation entitlement is a percentage that, when combined with the percentage the originating firm crossed, may not exceed 40% of the order.

> (B) If the trade occurs at a price other than the On-Floor DPM's or On-Floor LMM's principal bid or offer, the On-Floor DPM or On-Floor LMM receives no participation entitlement.

(6) The ICMPs who established the market will have priority over all other orders that were not represented in the trading crowd at the time that the market was

established (but not over Priority Customer orders on the Book) and will maintain priority over such orders except orders that improve upon the market.

> (A) A Floor Broker who is holding a customer order and either a facilitation or solicited order, and who makes a request for a market will be deemed to be representing both the customer order and either the facilitation order or solicited order, as applicable, so that the customer order and the other order will also have priority over all other orders that were not being represented in the trading crowd at the time the market was established.

> (B) Priority to trade the remaining portion of the order shall be afforded to bids (offers) made by ICMPs in the sequence in which they are made. If bids (offers) were made at the same time, or in the event that the sequence cannot be reasonably determined, priority shall be apportioned equally among the ICMPs who established the market.

> (C) In the event an ICMP declines to accept any portion of the available contracts, any remaining contracts shall be apportioned equally among the other ICMPs who established the market until all contracts have been apportioned.

(7) Nothing in this paragraph is intended to prohibit a Floor Broker, an On-Floor DPM, or an On-Floor LMM from trading more than his or her percentage entitlement if the other ICMPs do not choose to trade the remaining portion of the order.

(8) The Exchange may exempt a particular option class from the application of this paragraph.

Interpretations and Policies

.01 When accepting a bid or offer made on behalf of a Public Customer, all contingencies of the Public Customer order must be satisfied.

.02 A complex order or an inter-regulatory spread on opposite sides of the market may be crossed, provided that the Floor Broker holding such orders proceeds in the manner described in paragraphs (c), (d), or (f) of this Rule. Trading Permit Holders may not prevent such a cross from being completed by giving a competing bid or offer for one component of such order.

.03 Where a related order must be effected in another market, the Trading Permit Holder must take steps to transmit the related order(s) concurrently with the execution of the options leg(s) of the order. A trade representing the execution of the options leg of a stock-option order or a security future-option order may be cancelled at the request of any Trading Permit Holder that is a party to that trade only if market conditions in any of the non-Exchange market(s) prevent the execution of the non-option leg(s) at the price(s) agreed upon.

.04 Where a Floor Broker has been continuously representing a limit order to buy or sell equity option contracts in a trading crowd at a limit price which is equal to the highest bid or lowest offer ("resting order"), and subsequently receives a market or marketable limit order to sell or buy that same option series, the Floor Broker may cross the resting order with the subsequent market order or marketable limit order in accordance with the requirements of paragraph (c) of this Rule, but without regard to the provision of subparagraph (c)(3) that permits a cross only if such higher bid or lower offer is not taken, in order to permit both the resting order and a subsequent market or marketable limit order to compete equally with other bids and offers in the trading crowd. The Rules pertaining to solicited orders, facilitation crosses, and the priority provisions of Rule 5.85 continue to apply.

.05 The phrase "terms and conditions," as used in this Rule with respect to an order that is subject to facilitation, refers to class; series; volume; option price; any contingencies; and any components related to the order (*e.g.*, stock, options, futures or other related instruments or interests). However, the class will be deemed to be disclosed to the trading crowd if it is apparent that the crowd is aware of which class is being traded (*e.g.*, if the pit in which the transaction occurs is designated for one option class only, or if the class is the only one in the trading post trading at the disclosed strike price, then it would be apparent which option class is being traded).

.06 Paragraph (f) of this Rule supersedes the priority provision of Rule 5.86(d) in those situations where the Floor Broker representing an eligible order determines to take advantage of the crossing provisions of paragraph (f) of this Rule. Specifically, while Rule 5.86(d) provides that non-solicited Market-Makers and Floor Brokers holding non-solicited discretionary orders in the trading crowd will have priority over the solicited person or the solicited order to trade with the original order at the best bid or offered price, paragraph (f) of this Rule provides the solicited person or order with priority over all other parties (other than certain Public Customer orders) for either 20% or 40% of the contracts remaining in the order, as determined by the Exchange, after those certain Public Customer orders have been satisfied.

.07 Rule 5.86(e) does not prohibit a Trading Permit Holder or TPH organization from buying or selling a stock, security futures or futures position following receipt of an option order, including a complex order, but prior to announcing such order to the trading crowd, provided that:

(a) the option order is in a class designated as eligible for "tied hedge" transactions (as described below) as determined by the Exchange and is within the designated tied hedge eligibility size parameters, which parameters are determined by the Exchange and may not be smaller than 500 standard option contracts (or 5,000 mini-option contracts) per order (multiple orders may not be aggregated to satisfy the size parameter);

(b) such Trading Permit Holder or TPH organization shall create an electronic record that it is engaging in a tied hedge transaction in a form and manner prescribed by the Exchange;

(c) such hedging position is:

(1) comprised of a position designated as eligible for a tied hedge transaction as determined by the Exchange and may include the same underlying stock applicable to the option order, a security future overlying the same stock applicable to the option order or, in reference to an index, ETF, or HOLDR option, a related instrument. A "related instrument" means, in reference to an index option, securities comprising ten percent or more of the component securities in the index or a futures contract on any economically equivalent index applicable to the option order. For example, with respect to SPX, OEX is an economically equivalent index, and vice versa. A "related instrument" means, in reference to an ETF or HOLDR option, a futures contract on any economically equivalent index applicable to the ETF or HOLDR underlying the option order;

(2) brought without undue delay to the trading crowd and announced concurrently with the option order;

(3) offered to the trading crowd in its entirety; and

(4) offered, at the execution price received by the Trading Permit Holder or TPH organization introducing the option, to any in-crowd market participant who has established parity or priority for the related options;

(d) the hedging position does not exceed the option order on a delta basis;

(e) all tied hedge transactions (regardless of whether the option order is a simple or complex order) are treated the same as complex orders for purposes of the Exchange's open outcry allocation and reporting procedures. Tied hedge transactions are subject to the existing NBBO trade-through requirements for options and stock, as applicable, and may qualify for various exceptions; however, when the option order is a simple order, the execution of the option leg of a tied hedge transaction does not qualify for the NBBO trade-through exception for a Complex Trade (defined in Rule 5.65(4));

(f) in-crowd market participants that participate in the option transaction must also participate in the hedging position and may not prevent the option transaction from occurring by giving a competing bid or offer for one component of such order; and

(g) prior to entering tied hedge orders on behalf of customers, the Trading Permit Holder or TPH organization must deliver to the customer a written notification informing the customer that his order may be executed using the Exchange's tied hedge procedures. The written notification must disclose the terms and conditions contained in this Interpretation and Policy and be in a form approved by the Exchange.

A combination option and hedging position offered in reliance on this Interpretation and Policy .07 is referred to as a "tied hedge" order.

Rule 5.88. Compression Forums

(a) *Procedure.*

(1) Prior to 5:30 p.m. Eastern Time on the second to last business day of each calendar week; the second, third, and fourth to last business day of each calendar month; and the second, third, fourth, fifth, and sixth to last business day of each calendar quarter, in a manner and format determined by the Exchange, a Trading Permit Holder may provide the Exchange with a list of open SPX options positions that it would like to close through the compression forum for that calendar month ("compression-list positions"). Trading Permit Holders may also permit their Clearing Trading Permit Holders or the Clearing Corporation to submit a list of these positions to the Exchange on their behalf.

(2) Prior to the open of Regular Trading Hours on the last business day of each calendar week; each of the last three business days of each calendar month; and each of the last five business days of each calendar quarter, the Exchange will make available to all Trading Permit Holders a list including the size of the offsetting compression-list positions (including all possible combinations of offsetting multi-leg positions) in each series (and multi-leg position) for which both long and short compression-list positions have been submitted to the Exchange ("compression-list positions file").

(3) In addition to making the compression-list positions file available to all Trading Permit Holders, the Exchange will electronically send the compression-list positions file to the Trading Permit Holders that submitted compression-list positions to the Exchange pursuant to subparagraph (a)(1), including a list of those Trading Permit Holders that contributed to the compression-list positions file. The list will not include the name of any Trading Permit Holder that requests its name be excluded from this list. Trading Permit Holders will be identified as having contributed to the list only and will not be identified as holding any specific position.

(4) In addition to making the compression-list positions file available to all Trading Permit Holders, the Exchange will, for informational purposes, electronically distribute an individualized list of multi-leg positions ("multi-leg position file") to each Trading Permit Holder that submitted compression-list positions to the Exchange pursuant to subparagraph (a)(1). The individualized multi-leg position file will include:

(A) a complete list of all possible combinations of offsetting multi-leg positions that are composed of series the individual Trading Permit Holder submitted as part of a compression-list position;

(B) a unique identification number for each multi-leg position ("PID");

(C) the series that make up the multi-leg positions; and

(D) the offsetting size of the multi-leg position against other Trading Permit Holders on an individualized and anonymous basis.

(5) A Trading Permit Holder may, for specified multi-leg positions (denoted by the unique PID), electronically grant the Exchange permission to share the Trading Permit Holder's identity with the anonymous contra-party (or contra-parties) with offsetting multi-leg position(s). If the anonymous contra-party(ies) in turn grants permission for the Exchange to share its identity with the Trading Permit Holder, the Exchange will electronically notify both the Trading Permit Holder and the anonymous contra-party(ies) of the identities that correspond to the multi-leg positions for which permission has been granted. If the anonymous contra-party(ies) grants permission, the Exchange will disclose the identities that correspond to the multi-leg positions. The Exchange will determine the deadlines by which TPHs and contra-parties must grant the Exchange permission under this paragraph in order to disclose the identities that correspond to the multi-leg positions.

(6) The Exchange will make available an open outcry "compression forum" in which all Trading Permit Holders may participate on the last business day of each calendar week, each of the last three business days of every calendar month, and each of the last five business days of every calendar quarter, at a location on the trading floor determined by the Exchange. The compression forum will be held for four hours during Regular Trading Hours on the last business day of each calendar week, each of the last three business days of every calendar month, and each of the last five business days of every calendar quarter, unless any of those days is an abbreviated trading day, as determined by the Exchange, in which case the compression forum will be held for three hours.

(b) *Trading Rules*. Trades executed through compression forums are subject to trading rules applicable to trading in SPX during Regular Trading Hours (including without limitation manner of bids and offers, allocation and priority, and solicited transaction rules), except:

(1) opening transactions in SPX options may not execute against opening transactions through a compression forum; however, closing transactions in SPX options (including compression-list positions) that are represented in the compression forum may execute against closing or opening transactions;

(2) only closing transactions may be executed in $0.01 increments, including simple and complex orders. Bids and offers for opening transactions made in response to the representation of a closing transaction must be priced in the standard increment for simple and complex orders set forth in Rule 5.4.

(c) *Solicitation*. Trading Permit Holders may solicit a Trading Permit Holder or a non-Trading Permit Holder customer or broker-dealer to transact through a compression forum in accordance with the provisions of this Rule and the solicited transaction requirements contained in Rule 5.86. Trades executed through a compression forum pursuant to this Rule and otherwise in compliance with the Rules, including, but not limited to Rule 5.86, will not be deemed prearranged trades.

Interpretations and Policies

.01 For purposes of this Rule, multi-leg positions include vertical call spreads, vertical put spreads, and box spreads.

Rule 5.89. Risk-Weighted Assets ("RWA") Transactions

(a) *RWA Package.* An "RWA Package" is a set of SPX options positions with at least: 50 options series; 10 contracts per options series; and 10,000 total contracts.

(b) *RWA Transaction.* Trading Permit Holders may execute an RWA Package (an "RWA transaction") in the SPX crowd on the trading floor in accordance with paragraph (c) if:

> (1) The RWA transaction is initiated for the account(s) of a Market-Maker, provided that an RWA Package consisting of SPX options from multiple Market-Maker accounts may not be in separate aggregation units or otherwise subject to information barrier or account segregation requirements;

> (2) The RWA transaction results in a change in beneficial ownership (i.e., an RWA transaction between a Market-Maker and an entity unaffiliated with the Market-Maker); and

> (3) The Market-Maker certifies that as of the beginning of the extended trading hours session on the trade date in which the RWA Package is received by the Exchange under paragraph (c), the Market-Maker held the positions identified in the RWA Package and that the RWA Package represents a net reduction of RWA attributed to the Market-Maker based on the positions held prior to the beginning of extended trading hours.

(c) *RWA Package Trading Procedure.*

> (1) *Initial Submission.* After the opening of regular trading hours and prior to 11:00 a.m. Eastern Time, the Market-Maker (or broker) must submit the RWA Package to the Exchange in a form and manner prescribed by the Exchange. The submission must contain:

>> (A) a list of individual SPX options series and the size of each options series;

>> (B) the contact information for the individual that will represent the position on the trading floor; and

>> (C) if prior to submitting an RWA Package to the Exchange the Market-Maker (or broker) has received a bid or offer for the RWA Package, the proposed net debit or credit price for the RWA Package.

(2) *Notification to Crowd.* After the Exchange receives an RWA Package, the
Exchange:

> (A) notifies Trading Permit Holders (electronically and via trading floor
> loudspeaker) as soon as practicable of the identity of the individual
> representing the RWA Package in the SPX trading crowd, which can be
> either a Market-Maker or Floor Broker, provided the individuals are
> available to accept bids/offers for the RWA Package;

> (B) posts in an electronic format on a Trading Permit Holder-accessible
> website the list of individual components of the RWA Package, the proposed
> net price for the RWA Package (if available), and the contact information for
> the individual representing the RWA Package on the floor, which post will
> not include the identity of the Market-Maker for whom the RWA transaction
> is initiated (unless the Market-Maker is representing the RWA Package on
> the trading floor); and

> (C) notifies Trading Permit Holders that the RWA Package has been posted
> and the time at which the two-hour request-for-quote ("RFQ") period
> concludes.

(3) *RFQ Peri*od. The Exchange's notification to the SPX trading crowd under
subparagraph (2)(A) commences the two-hour RFQ period. Upon the conclusion of
the RFQ period, the individual representing the RWA Package in the SPX trading
crowd may (but is not required to) accept a bid or offer for the RWA Package. The
RFQ response that represents the best bid or offer on a net debit or credit basis for
the RWA Package has priority. In the event equal bids or offers are received, the
first RFQ response at the best bid or offer on a net debit or credit basis for the RWA
Package has priority.

(4) Report of RWA Transaction. If at the conclusion of the two-hour RFQ period,
the individual representing the RWA Package accepts a bid or offer for the RWA
Package, the individual representing the RWA Package in the SPX trading crowd
must, prior to the close of regular trading hours, cause a report to be submitted to the
Exchange in a form and manner prescribed by the Exchange, which sets forth the
time of the execution of the RWA Package; the net execution price for the RWA
Package; and the execution prices for the individual options series of the RWA
Package.

Interpretations and Policies

.01 To the extent applicable, all other Rules of the Exchange, including Rule 5.86(e), apply
to the procedure set forth in this Rule. The following Rules are either superseded by this
Rule or do not apply to the above procedures: 5.3, 5.85, 5.86(a) through (d) and (f), and
5.87). There may be other Rules of the Exchange that do not, by their terms, apply to the
transfer procedure set forth in this Rule.

.02 Nothing in paragraph (a) of this Rule prevents a Market-Maker from executing transactions (opening or closing) during the RFQ period in the normal operation of the Market-Maker's business.

.03 This Rule will be effective until October 2, 2020.

Rule 5.90. PAR Official Responsibilities

(a) *Designation.*

    (1) A PAR Official is an Exchange employee or independent contractor whom the Exchange may designate as being responsible for operating a PAR workstation and effecting proper executions of orders placed with him or her.

    (2) The PAR Official may not be affiliated with any Trading Permit Holder that is approved to act as a Market-Maker.

(b) *Obligations.* A PAR Official has following obligations:

    (1) *Display Obligation.* Each PAR Official must display immediately the full price and size of any customer limit order that improves the price or increases the size of the best disseminated Cboe Options quote. For purposes of this paragraph (b), "immediately" means, under normal market conditions, as soon as practicable but no later than 30 seconds after the PAR Official receives the order ("30-second standard"). The following are exempt from the display obligation described in this subparagraph (b)(1):

        (A) an order executed upon receipt;

        (B) an order where the customer who placed it requests that it not be displayed, and upon receipt of the order, the PAR Official announces in public outcry the information concerning the order that would be displayed if the order were subject to being displayed;

        (C) AON orders and complex orders;

        (D) orders received before or during the Opening Auction Process described in Rule 5.31 are exempt from the 30-second standard, but they must be displayed promptly following conclusion of the applicable rotation; and

        (E) orders for more than 100 contracts, unless the customer placing such order requests that the order be displayed.

    (2) *Execution.* A PAR Official must use due diligence to execute the orders placed in the PAR Official's custody at the best prices available to him or her under the Rules.

    (3) *Autobook.* A PAR Official must maintain and keep active on the PAR workstation at all times the automated limit order display facility ("Autobook")

provided by the Exchange. Only senior Trade Desk personnel may determine the length of the Autobook timer for PAR Officials, and a PAR Official may deactivate Autobook only with the approval of senior Help Desk personnel.

(4) *Representation.* A PAR Official must electronically record via the PAR workstation the time at which he or she initially represents an order in the trading crowd.

(5) *Duty to Report.* When, in the opinion of a PAR Official, there is any unusual activity, transaction, or price change, or there are other unusual market conditions or circumstances that are detrimental to the maintenance of a fair and orderly market, the PAR Official must promptly report this unusual activity to a Floor Official. To the extent unusual activity is apparent only through the inspection of trade tickets, a PAR Official is not responsible for reporting this activity unless the trade tickets are brought to the PAR Official's attention.

(c) *Compensation.* A PAR Official is compensated exclusively by the Exchange, which determines the amount and form of compensation. No DPM, LMM, or Market-Maker may directly or indirectly compensate or provide any other form of consideration to a PAR Official.

(d) *Liability of Exchange for Actions of PAR Officials.* The Exchange's liability to Trading Permit Holders or persons associated with Trading Permit Holders for any loss, expense, damages, or claims arising out of any errors or omissions of a PAR Official or any persons providing assistance to a PAR Official are subject to the Rules, including the limitations set forth in Rules 1.10 and 1.13.

Rule 5.91. Floor Broker Responsibilities

(a) *General Responsibility.* A Floor Broker handling an order must use due diligence to execute the order at the best price or prices available to him or, in accordance with the Rules. Use of due diligence in handling and executing an order includes:

(1) announcing to the trading crowd a request for quotes;

(2) taking the necessary measures to ensure the proper execution of an order in accordance with firm quote obligations in Rule 5.52, including the executable quantity of a quote from the trading crowd;

(3) the immediate and continuous representation at the trading station where the applicable class trades of the following types of orders:

(A) market orders;

(B) limit orders to sell where the specified price is at or below the current offer or; and

(C) limit orders to buy where the specified price is at or above the current bid;

(4) subject to the requirement to systematize orders prior to representation pursuant to Rule 5.7(f), electronically recording the time via a PAR workstation at which the Floor Broker initially represents the order to the trading crowd; and

(5) prioritizing the Floor Broker's agency business over the Floor Broker's liquidation orders (which liquidation orders are described in paragraph (d) below).

(b) *Representation of Market-Maker Order.* Every Floor Broker who represents a Market-Maker with an order in any options class must, by public outcry at the post, indicate the identity of such Market-Maker at the request of any Trading Permit Holder.

(c) *Discretionary Transactions.*

(1) An order entrusted to a Floor Broker is considered a not held order (as set forth in the definition of a "not held" order in Rule 5.6(c)).

(2) No Floor Broker may execute or cause to be executed any order or orders on the Exchange with respect to which the Floor Broker is vested with discretion as to:

(A) the choice of the class of options to be bought or sold;

(B) the number of contracts to be bought or sold (except for FLEX Orders if the customer grants the Floor Broker this discretion in clear terms, and the Floor Broker contemporaneously prepares a time-stamped document that reflects these term, promptly sending one copy to the customer and maintaining one copy for the longer of the full term of the FLEX contract or the time required under the Exchange Act); or

(C) whether any such transaction to buy or sell.

The provisions of this subparagraph (c)(1) do not apply to any discretionary transaction executed by a Market-Maker for an account in which he or she has an interest.

(3) No Floor Broker may hold a "not held" market order to buy and a "not held" market order to sell (or orders equivalent to "not held" market orders to buy and to sell) in the same series of options for the same account or for accounts of the same beneficial owner. The Exchange may interpret the holding of these orders as providing the Floor Broker with discretion to buy or sell the options.

(d) *Liquidation or Reduction of Error Account Positions.* For a position obtained as a result of a bona fide error, a Floor Broker may reduce or liquidate a position in the Floor Broker's error account ("error account position") in accordance with this paragraph (d), but any profit or loss from the liquidation or reduction belongs to the Floor Broker ("liquidating Floor Broker").

(1) A liquidating Floor Broker may personally represent an order that will liquidate or reduce the Floor Broker's error account position ("liquidation order"). However, a liquidating Floor Broker may not cross a liquidation order with a client's order also represented by the liquidating Floor Broker, unless the client's order is displayed in the Book or announced to the trading crowd in accordance with Rule 5.87 and the liquidating Floor Broker:

(A) prior to executing the orders, informs the client of the liquidating Floor Broker's intention to execute the client's order against an order for the liquidating Floor Broker's error account and the client does not object;

(B) sends the liquidation order to an unaffiliated Floor Broker;

(C) sends the client's order to a PAR Official; and

(D) notifies the Exchange (in a form and manner determined by the Exchange) of the execution of the liquidation order.

(2) A liquidating Floor Broker executing a liquidation order in accordance with this paragraph (d) in the trading crowd where the broker acts a Floor Broker is not a violation of Rule 8.26. Additionally, the Rules generally do not prohibit a Floor Broker from entering into transactions on other exchanges for the Floor Broker's personal account in financial instruments underlying or related to the classes in the trading crowd where the broker acts as a Floor Broker.

(e) *Erroneously Executed Orders.* Orders erroneously executed (*e.g.*, executing a call order as a put or a buy order as a sell) on the Exchange must clear in the error account of the Floor Broker that executed the erroneous order, unless the erroneously executed orders are nullified pursuant to a mutual agreement under the Rules.

(1) If a Floor Broker discovers an order was erroneously executed on the Exchange:

(A) if a better price is available at the time the Floor Broker discovered the error, the Floor Broker must execute the client's order at the better price; or

(B) if a better price is not available at the time the Floor Broker discovered the error, then the Floor Broker is responsible at the price at which the client's order should have been executed, and the Floor Broker must:

(i) execute the order at the available market and give the client a "difference check"; or

(ii) execute the order out of the Floor Broker's error account and notify an Exchange Official (in a form and manner determined by the Exchange) for potential reporting of the error account transaction as late or out of sequence as necessary. If executing an order out of the Floor Broker's error account reduces or liquidates a position in the

account, the Floor Broker must follow the procedures in paragraph (d) above.

(2) It is considered conduct inconsistent with just and equitable principals of trade and a violation of Rule 8.1 for a Floor Broker to give a trade acquired through an error to another Trading Permit Holder or for a Trading Permit Holder to accept a transaction that another Trading Permit Holder acquired through an error.

(f) *Lost or Misplaced Market Orders.* If a Floor Broker fails to execute a market order, the client's order is entitled to an execution on up to the size of the disseminated bid or offer at the time the order was received or at a better price if it is available at the time the error is discovered.

(1) If a better price or the price the client's order is entitled to is not available at the time the error is discovered, the Floor Broker must provide an execution in the manner described in subparagraph (e)(1) above.

(2) If the unexecuted market order is in excess of the disseminated bid or offer at the time the order was received, the Floor Broker and the client must negotiate the execution price on the additional contracts.

(g) *Legging Multi-Part Orders.* A Floor Broker may leg multi-part orders. For the purposes of this paragraph (g), multi-part orders include complex orders, stock-option orders, and futures and option orders where one of the legs is executed on the Exchange.

(1) If a Floor Broker executes a leg of a complex option order, for example, the price of the remaining leg of the order must be within the current disseminated market (*e.g.*, when a Floor Broker executes the buy side, the price of the sell side of the order must be at the disseminated offer price or lower).

(2) If a Floor Broker is unable to complete the execution of an order that the Floor Broker has legged, the Floor Broker must:

(A) offer the executed leg to the client;

(B) liquidate the leg and then offer the trade, regardless of whether it is a profit or loss, to the client;

(C) execute the remaining leg(s) of the order at the available market and give the client a "difference check"; or

(D) execute the order out of the Floor Broker's error account and notify an Exchange Official (in a form and manner determined by the Exchange) for potential reporting of the error account transaction as late or out of sequence as necessary. The Floor Broker must document the time and to whom the offer was made pursuant to subparagraph (A) or (B) above and retain this record. If executing an order out of the Floor Broker's error account reduces

or liquidates a position in the Floor Broker's error account, the Floor Broker
must follow the procedures in paragraph (d).

(h) *Print-Throughs*. A print-through on a limit order occurs when a trade is effected at a
better price than the order's limit during the time that the order should have been represented
in the trading crowd.

> (1) The order that is "printed-through" is entitled to the number of contracts that
> trade through the order's limit up to the number of contracts specified in the order. If
> a print-through occurs at the opening of trading, the order is entitled to the number
> of contracts that print through the opening trade price.

> (2) If a Floor Broker discovers an order is printed-through:

>> (A) if a better price is available at the time the Floor Broker discovered the
>> print-through, the Floor Broker must execute the client's order be executed
>> at the better price;

>> (B) if a better price is not available at the time the Floor Broker discovered
>> the print-through, then the Floor Broker is responsible at the price at which
>> the client's order should have been executed, and the Floor Broker must:

>>> (i) execute the order at the available market and give the client a
>>> "difference check"; or

>>> (ii) execute the order out of the Floor Broker's error account and
>>> notify an Exchange Official (in a form and manner determined by the
>>> Exchange) for potential reporting of the error account transaction as
>>> late or out of sequence as necessary. If executing an order out of the
>>> Floor Broker's error account reduces or liquidates a position in the
>>> account, the Floor Broker must follow the procedures in paragraph
>>> (d) above.

> (3) Generally, the order that is "printed-through" should be given a better price if it
> is available at the time the Floor Broker discovers the print-through. However, under
> certain circumstances, such as a systems failure, where a large number of orders
> were not received or receipt was delayed, a Floor Broker may execute the client's
> order at the original limit price rather than the better price.

(i) *Stopping Orders.* A Floor Broker may not "stop" or guarantee an execution on a client's
order the Floor Broker is holding from the Floor Broker's error account because doing so
would be acting as a market-maker in violation of Rule 8.26.

(j) *Documentation of Errors and Recordkeeping Requirements.* A Floor Broker must
document all transactions it executes for its error account, and retain this documentation in
accordance with the Exchange Act and Rules 7.1 and 8.2.

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Rule 5.92. Trading Space Allocations

(a) *Allocation Process.* In connection with an expansion or other physical modification of an area of a trading crowd or creation of a new trading crowd, the Exchange may allocate the available trading spaces using a random lottery process or an order in time process. Under either of the processes that it chooses to utilize, the Exchanges announces a deadline by which an individual Trading Permit Holder who would like to use the trading space can submit an indication of interest for one of the available trading spaces. Only individual Trading Permit Holders are eligible to submit an indication of interest, and the individual who would be using the trading space must be an effective Trading Permit Holder under Rule 3.11 (*i.e.*, must have a Trading Permit) at the time of the random lottery process or the order in time process. After the deadline for indications of interest has passed, the available trading spaces would be allocated through a random lottery process or an order in time process.

(b) *Space Dimensions and Parameters.* The Exchange may, in its discretion, determine the specific dimensions and parameters of each trading space in a trading crowd, provided that each Trading Permit Holder performing a specific trading function (*i.e.*, DPM, LMM, Market-Maker, or Floor Broker) in a trading crowd be allocated the same amount of space as each other Trading Permit Holder performing the same respective trading function in that trading crowd.

Rule 5.93. SPX and VIX Trading Crowd Space Disputes

This Rule applies only to Trading Permit Holders who trade SPX and VIX options on the Exchange's trading floor, or who trade any other index option not located at a station shared with equity options as determined by the Exchange.

(a) *Crowd Space Disputes Subject to Resolution.* A Trading Permit Holder may request the assistance of the Exchange to resolve a dispute over the ability to use a trading space in an index option trading crowd where the space is currently being occupied by another Trading Permit Holder, or where the space has been abandoned or unoccupied, and more than one Trading Permit Holder now wish to trade there.

(b) *Requesting the Assistance of the Exchange.* A Trading Permit Holder requests the assistance of the Exchange in resolving a crowd space dispute by calling the Office of the Secretary of the Exchange, which promptly refers the request in writing to the Exchange designee for the trading station where the dispute has arisen (hereafter "the Space Mediator"). The Space Mediator must be an Exchange employee.

(c) *Mediation by the Space Mediator.* When the Space Mediator receives the request from the Office of the Secretary, the Space Mediator or an individual designated by the Space Mediator (hereafter "the Space Mediator's designee") attempts to mediate an amicable resolution of the dispute among the Trading Permit Holders involved. All Trading Permit Holders involved in the dispute must cooperate with the Space Mediator or the Space Mediator's designee in his or her efforts to mediate.

(d) *Temporary Resolution.* If the Space Mediator, the Space Mediator's designee, or two Floor Officials determine that the maintenance of a fair and orderly market requires an immediate temporary resolution of a crowd space dispute, the Space Mediator, the Space Mediator's designee, or two Floor Officials in consultation with the Space Mediator or the Space Mediator's designee may instruct the parties to the dispute on where to stand until the outcome of further proceedings under this Rule. This temporary resolution may be revised by the individual(s) issuing it, but is otherwise not subject to appeal.

(e) *Hearing Requests and Hearing Fee.* If the Space Mediator or the Space Mediator's designee is unable to mediate an amicable resolution of the dispute among the Trading Permit Holders involved, any of them may request a hearing in the dispute by completing and submitting a Hearing Request form to the Office of the Secretary along with the payment of a Hearing Fee. The amount of the Hearing Fee is a minimum of $1,000 per Trading Permit Holder, and may be greater under certain circumstances set forth in this subsection. The Exchange may increase the Minimum Hearing Fee periodically pursuant to Rule 2.1 in order to maintain the Minimum Hearing Fee at a level that the Exchange deems sufficient to encourage amicable resolution of crowd space disputes. Upon receipt of the Hearing Request form and Hearing Fee, the Office of the Secretary instructs the Exchange to collect the appropriate Hearing Fee from each additional party to the dispute pursuant to Rule 2.3. For any party who has previously been a party to a crowd dispute resolution hearing within the past 12 months, the Hearing Fee that party will pay for being a party to a subsequent hearing within 12 months of the last hearing will be twice the Hearing Fee that party paid for the previous hearing. After the hearing on the dispute is held and all rights of appeal are exhausted, only the prevailing party in the dispute may obtain a refund of the Hearing Fee from the Exchange. A prevailing party who becomes a party in a subsequent hearing within 12 months of the hearing in which he prevailed shall not pay a higher Hearing Fee because of the hearing in which he prevailed.

(f) *Limitations on Hearing Requests.* No Trading Permit Holder may request a hearing involving the same parties that participated in a prior hearing unless the requesting Trading Permit Holder makes an adequate preliminary showing in his subsequent hearing request that new circumstances warrant another hearing involving the same parties, based upon the Crowd Dispute Resolution Guidelines contained in this Rule. The Space Mediator exercises sole and final judgment as to the adequacy of this preliminary showing.

(g) *CSDR Panel.* After the Trading Permit Holder submits his Hearing Fee to the Office of the Secretary, the Space Mediator selects a Crowd Space Dispute Resolution Panel ("Panel") composed of five Trading Permit Holders to hear and resolve the dispute. Two of the members of the Panel must be Trading Permit Holders who trade in the trading station where the dispute has arisen and two must be Trading Permit Holders who do not trade in the trading station where the dispute has arisen. The fifth Panel member must be a TPH Floor Official designated by the Exchange and may trade in or outside of the trading station where the dispute has arisen. The selection of all Panel members is in the sole discretion of the Space Mediator. The Space Mediator also designates a Panel member to serve as the Panel Chairman.

(h) *Recusals and Challenges of Panel Members.* The Exchange's recusal rules and policies apply with respect to participation by the Space Mediator, Panel members, and others in the crowd space dispute resolution process pursuant to this Rule. The Space Mediator informs the parties to the dispute of the composition of the Panel, as well as the date, time, and place of the hearing, at least 72 hours prior to the scheduled hearing in the matter. A Party may challenge the selection of one or more Panel members no later than 48 hours prior to the scheduled hearing in the matter by providing to the Space Mediator or the Panel Chairman a brief written statement explaining why the challenged Panel member has a conflict of interest or any other reason that would make the Panel member unable to participate in a fair and impartial manner. Notice of any replacement Panel member will be provided to the parties no later than 24 hours prior to the scheduled hearing. A Party may challenge the selection of any replacement Panel member no later than 8 hours prior to the scheduled hearing. The Space Mediator has sole and final authority to rule on any challenge and replace any Panel member.

(i) *Hearings.* The hearing is held at the time and place designated by the Panel. In hearings before the Panel, the Parties to the dispute will be allowed to present witnesses and/or documentary evidence to argue their claim, provided that they have furnished a list of all such witnesses and a copy of all such documents to the Panel Members and to all opposing parties at least 48 hours prior to the date of the hearing. The legal counsel to the Space Mediator, or another attorney designated by the legal counsel to the Space Mediator, acts as legal counsel to the Panel. The Panel determines all questions concerning admissibility of evidence, and otherwise regulates the conduct of the hearing. Formal rules of evidence do not apply. The Panel decides any issues of fact based on the evidence admitted at the hearing, and applies the Crowd Space Dispute Resolution Guidelines set forth below to each dispute. The party receiving at least a majority vote by the Panel will prevail.

(j) *Crowd Space Dispute Resolution Guidelines.* In resolving a crowd space dispute, the Panel's guiding principles are: (1) to determine what will "best promote a liquid and competitive market"; (2) to give no preference to Market-Makers, Floor Brokers, DPMs, or LMMs merely because of their status as such; and (3) to recognize and apply the principles that no Trading Permit Holder has any ownership "rights" in any crowd space, and that no Trading Permit Holder may sell or assign any supposed "rights" to use a particular space in a trading crowd. The Panel must examine the following factors and determine, in the Panel's sole judgment, how each relates to each of the parties competing for the space (the numerical ranking of the factors does not necessarily indicate the relative importance to be given to any particular factors in any particular case):

> (1) *Quality and Quantity of Business.* The Panel must review the quality and quantity of business that each party to the dispute conducts. Evidence of the quality and quantity of each party's business includes, but is not limited to, evidence of the average daily number of contracts traded, the percentage of transactions that are traded in-person, and the typical size of markets made by each party.

> (2) *Trading Crowd Tenure.* "Tenure" refers to the length of time each party has spent in the trading crowd where the space in dispute is located.

(3) *Association/Affiliation with a TPH Organization that Occupied the Space.* If a nominee or employee of a TPH organization has had to leave a space, then the Panel must consider to what extent there will be a negative impact on the trading in the crowd if another nominee of the TPH organization is or is not permitted to continue to use the space.

(4) *Need for Accommodation.* The Panel must consider to what extent each party's existing business is already satisfied by their existing space or whether the new space is needed to facilitate either existing or anticipated new business.

(5) *Proximity of Competing Parties.* The Panel must give consideration to whether any party stood near the spot in question, or whether any party occupied the space in the past.

(6) *Sight Lines or Access.* The Panel must consider to what extent each party needs sight lines or access to other parts of the crowd or the trading floor.

(7) *Technology Considerations.* The Panel must consider to what extent each party's needs may be satisfied by trading technology or communication technology.

(8) *Equitable Considerations.* In addition to the above factors, the Panel must consider any other factor it deems relevant in order to achieve a fair and equitable resolution.

(k) *Panel Decision.* The Panel Chairman communicates the Panel's decision to the Space Mediator and all parties to the dispute, which decision will take effect on the first trading day after all parties have been notified of the decision by the Panel Chairman. The Panel must also promptly provide a written Statement of Decision explaining the reason(s) for its decision. However, the effective date of the Panel's decision may not be postponed until the release of the Statement of Decision. If the Panel makes its decision about a party's right to use a space contingent upon that party's satisfaction of certain conditions, those conditions must be set forth in the Statement of Decision.

(l) *Appeal.* Any party may appeal the decision of the Panel pursuant to Chapter 15 of the Rules by filing an Application pursuant to Rule 15.2(a) within 30 days after the date of release of the Panel's Statement of Decision. The Panel decision, however, remains in effect during any such appeal.

(m) *Failure to Comply.* Any Trading Permit Holder or person associated with a Trading Permit Holder who fails to comply with a decision reached through these Crowd Space Dispute Resolution Procedures, or who otherwise fails to comply with any provision of this Rule, may be subject to disciplinary proceedings in accordance with Chapter 13 of the Rules for violation of this Rule and Rule 8.1.

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