

OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

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

File No.* SR - 2019 - * 055

Amendment No. (req. for Amendments *)

Filing by Cboe Exchange, Inc.

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

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

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

Section 806(e)(1) *

☐

Section 806(e)(2) *

☐

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

Section 3C(b)(2) *

☐

Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document



Description

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

The Exchange proposes to amend Rule 4.10(b) regarding the notice requirement in connection with TPHs that clear Market-Maker trades.

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 * Rebecca Last Name * Tenuta
 Title * Counsel
 E-mail * rtenuta@cboe.com
 Telephone * (312) 786-7068 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 09/05/2019

By Rebecca Tenuta

(Name *)

Counsel

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

rtenuta@cboe.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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

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

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

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

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Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

Add Remove View

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

Partial Amendment

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

Item 1. Text of the Proposed Rule Change

(a) Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to amend Rule 4.10(b) regarding the notice requirement in connection with Trading Permit Holders (“TPHs”) that clear Market-Maker trades. 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 26, 2019. The proposed rule change would become operative on the date on which Cboe Options completes the migration of its trading platform to the same system used by the Cboe Affiliated Exchanges¹, 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 Rebecca Tenuta, (312) 786-7068, Cboe Exchange, Inc., 400 South LaSalle, Chicago, Illinois 60605.

¹ 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”). 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.

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

(a) Purpose

The Exchange proposes to remove the Rule 4.10(b)(2) requirement that the Exchange issue monthly notices regarding a Trading Permit Holder’s (“TPH’s”) proportion of market making clearing business to TPHs that clear Market-Maker trades.

Current Rule 4.10 generally provides for restrictions that the Exchange may place on “TPHs” that have failed to perform their contracts, are insolvent or in such financial or operational condition or otherwise conducting business in such a manner that they cannot be permitted to continue in business with safety to their customers or creditors or the Exchange. Current Rule 4.10(b) applies specifically to TPHs that clear Market-Maker trades. Rule 4.10(b)(2) provides that proposed Significant Business Transactions (“SBTs”)² of such TPHs are subject to prior approval of the Chief Executive Officer (“CEO”) or President of the Exchange, when the TPHs’ Market-Maker clearance activities exceed, or would exceed, as a result of the proposed SBT: 15% of cleared Exchange Market-Maker contract volume for the most recent three months; an average of 15% of the number of Exchange registered Market-Makers as of each month and for the most recent three months; or 25% of Market-Maker gross deductions (haircuts) defined by SEC Rule 15c3-1 (a)(6) or (c)(2)(x) carried by the Clearing Trading Permit Holder(s) in relation to the aggregate of such haircuts carried by all other Market-Maker clearing organizations for any month end within the most recent three months. Current Rule 4.10(b)(2) also provides that the Exchange must notify in writing each TPH that clears Market-Maker trades within 10 business days from the close of

² See Rule 4.10(b)(1)(i)-(vii).

each month of that TPH's proportion of the market making clearing business, whether or not such business exceeds the parameters listed above. The Exchange now proposes to remove this Exchange notification requirement from Rule 4.10(b)(2).

In particular, the Exchange has determined that its administrative burden to proactively produce monthly notices, whether or not a Market-Maker clearing TPH's business exceeds the paragraph (b)(2) parameters, greatly exceeds the benefit in administering monthly notices due to the limited number of SBTs actually filed with the Exchange per year. The Exchange also notes that because proposed SBTs are infrequent, the receipt of monthly notices is not an integral part of a TPH's financial and operational maintenance on a month-to-month basis. If a Market-Maker clearing TPH anticipates an SBT that may require prior Exchange approval, then the TPH may contact the Exchange to determine whether the TPH exceeds the parameters. The proposed rule change makes this explicit in the rule. As a result, the Exchange believes that removing the current notice requirement from Rule 4.10(b)(2) will remove burdensome Exchange procedures without impacting the ability of a Market-Maker clearing TPH to assess its clearance activities in light of an SBT or to continue to conduct business on the Exchange.

The restrictions that Rule 4.10 imposes on TPHs will continue to apply. The Exchange notes that removing this administrative burden will also enable the Exchange to better allocate its regulatory resources, focusing on the overall monitoring of TPH business and satisfaction of these restrictions to ensure adequate financial and operational capabilities to continue to perform contracts and otherwise conduct business safely for customers, creditors, and the Exchange. Additionally, the Exchange notes that the corresponding rules of other options exchanges currently do not contain a provision that requires such exchanges

to send monthly notice to clearing members or otherwise indicate to their clearing members that they exceed, or may exceed, substantially similar criteria on the respective exchanges as a result of an SBT.³ Such corresponding rules of other options exchanges have previously been filed with the Commission.

(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.⁴ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁵ 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)⁶ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that the proposed change will remove impediments to and perfect the mechanism of a free and open market and national market

³ See NASDAQ Options Rules Chapter 3, Sec. 15; NASDAQ BX Options Rules Chapter 3, Sec. 15; MIAX Options Rule 306.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

⁶ Id.

system, and generally protect investors. Specifically, the Exchange believes that by removing an administrative burden in producing monthly notices for all Market-Maker clearing TPHs that greatly outweighs the benefit of such notices, due to the infrequent number of SBTs per year, the Exchange will be able to reallocate regulatory resources to focus on the overall monitoring of TPH business and satisfaction of the Rule 4.10 restrictions that continue to apply to ensure adequate financial and operational capabilities to continue to perform contracts and otherwise conduct business safely for market participants, thereby protecting market participants. The Exchange also believes that the proposed rule change does not impact a Market-Maker clearing TPH's regular financial or operational maintenance or ability to assess and conduct a SBT because SBTs occur infrequently. The proposed rule change makes it clear that if a Market-Maker clearing TPH anticipates an SBT that may require prior Exchange approval, then the TPH may contact the Exchange to determine whether the TPH exceeds the parameters under Rule 4.10(b)(2). In addition to this, the Exchange believes that the proposed rule change will not present any new or unique issues for clearing TPHs because the rules of other options exchanges, which have substantially similar SBT parameters and have previously been filed with the Commission, do not require the exchanges to provide monthly notices to their members regarding their proportion of market making clearing business or otherwise indicate to their members that they exceed, or may exceed, SBT parameters.⁷

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

⁷ See supra note 3.

of the Act. In particular, the proposed rule change is not intended to address competitive issues but rather is concerned with facilitating less burdensome and more efficient regulatory administration. The Exchange does not believe that the proposed rule change will impose any intramarket competition, because all Market-Maker clearing TPHs are free to contact the Exchange to determine its standing in regard to the SBT parameters. The proposed rule change does not change the restrictions imposed on these TPHs, which will continue to apply to Market-Maker Clearing TPHs in the same manner. Further, the Exchange does not believe the proposed rule change will impose any burden on intermarket competition because the rules of other options exchanges, which have been previously filed with the Commission, provide for substantially similar parameters in connection with the impact of a clearing member's SBTs but do not contain a provision that requires such exchanges to send monthly notice to clearing members or otherwise indicate to their clearing members that they exceed such criteria.⁸

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.

⁸

Id.

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 Act⁹ and Rule 19b-4(f)(6)¹⁰ thereunder.

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

The Exchange does not believe that the proposed rule change will significantly impact investors or the public interest because the removal of the monthly notice requirement will not impact a Market-Maker clearing TPH's regular financial or operational maintenance or ability to assess and conduct a SBT because SBTs occur infrequently. The proposed change makes it explicit that if a Market-Maker clearing TPH anticipates an SBT that may require prior Exchange approval, then the TPH is free to contact the Exchange to determine whether the TPH exceeds the parameters under Rule 4.10(b)(2). The Exchange believes that by removing an administrative burden in producing monthly notices for all Market-Maker clearing TPHs that greatly outweighs

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6).

the benefit of such notices, due to the infrequent number of SBTs per year, the proposed rule change will protect investors and the public interest because the Exchange will be able to reallocate regulatory resources to focusing on the overall monitoring of TPH business and satisfaction of the Rule 4.10 restrictions that continue to apply to ensure adequate financial and operational capabilities to continue to perform contracts and otherwise conduct business safely for investors. The Exchange does not believe that the proposed rule change will significantly affect investors or the public interest because the proposed rule change will not present any new or unique issues for clearing TPHs because the rules of other options exchanges, which have substantially similar SBT parameters and have been previously filed with the Commission, do not require the exchanges' to provide monthly notices to their members regarding their proportion of market making clearing business or otherwise indicate to their members that they exceed, or may exceed, SBT parameters.

The Exchange does not believe that the proposed rule change will impose any significant burden on competition because the proposed rule change is not intended to address competitive issues but rather is concerned with facilitating less burdensome and more efficient regulatory administration. The Exchange does not believe that the proposed rule change will impose any significant burden on competition because all Market-Maker clearing TPHs are free to contact the Exchange to determine its standing in regard to the SBT parameters. The proposed rule change does not change the restrictions imposed on these TPHs, which will continue to apply to Market-Maker Clearing TPHs in the same manner. Additionally, the proposed rule change will not impose any significant burden on competition because the rules of other options

exchanges, which have been previously filed with the Commission, provide for substantially similar parameters in connection with the impact of a clearing member's SBTs but do not contain a provision that requires such exchanges to send monthly notice to clearing members or otherwise indicate to their clearing members that they exceed such criteria.

For the foregoing reasons, this rule filing qualifies as a "non-controversial" rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

(c) Not applicable.

(d) Not applicable.

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

The proposed rule change is consistent with NASDAQ Options Rules Chapter 3, Sec. 15, NASDAQ BX Options Rules Chapter 3, Sec. 15, and MIAX Options Rule 306, which all provide for substantially similar parameters in connection with the impact of a clearing members' SBTs but do not contain a provision that requires such exchanges to send monthly notice to clearing members or otherwise indicate to their clearing members that they exceed such criteria.

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

Not applicable.

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

Not applicable.

Item 11. Exhibits

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

Exhibit 5. Proposed rule text.

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CBOE-2019-055]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend Rule 4.10(b) Regarding the Notice Requirement in Connection with Trading Permit Holders (“TPHs”) that Clear Market-Maker Trades

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on [insert date], Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to amend Rule 4.10(b) regarding the notice requirement in connection with Trading Permit Holders (“TPHs”) that clear Market-Maker trades. The text of the proposed rule change is provided in Exhibit 5.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

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

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

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

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

1. Purpose

The Exchange proposes to remove the Rule 4.10(b)(2) requirement that the Exchange issue monthly notices regarding a Trading Permit Holder's ("TPH's") proportion of market making clearing business to TPHs that clear Market-Maker trades.

Current Rule 4.10 generally provides for restrictions that the Exchange may place on "TPHs" that have failed to perform their contracts, are insolvent or in such financial or operational condition or otherwise conducting business in such a manner that they cannot be permitted to continue in business with safety to their customers or creditors or the Exchange. Current Rule 4.10(b) applies specifically to TPHs that clear Market-Maker trades. Rule 4.10(b)(2) provides that proposed Significant Business Transactions ("SBTs")⁵ of such TPHs are subject to prior approval of the Chief Executive Officer ("CEO") or President of

⁵ See Rule 4.10(b)(1)(i)-(vii).

the Exchange, when the TPHs' Market-Maker clearance activities exceed, or would exceed, as a result of the proposed SBT: 15% of cleared Exchange Market-Maker contract volume for the most recent three months; an average of 15% of the number of Exchange registered Market-Makers as of each month and for the most recent three months; or 25% of Market-Maker gross deductions (haircuts) defined by SEC Rule 15c3-1 (a)(6) or (c)(2)(x) carried by the Clearing Trading Permit Holder(s) in relation to the aggregate of such haircuts carried by all other Market-Maker clearing organizations for any month end within the most recent three months. Current Rule 4.10(b)(2) also provides that the Exchange must notify in writing each TPH that clears Market-Maker trades within 10 business days from the close of each month of that TPH's proportion of the market making clearing business, whether or not such business exceeds the parameters listed above. The Exchange now proposes to remove this Exchange notification requirement from Rule 4.10(b)(2).

In particular, the Exchange has determined that its administrative burden to proactively produce monthly notices, whether or not a Market-Maker clearing TPH's business exceeds the paragraph (b)(2) parameters, greatly exceeds the benefit in administering monthly notices due to the limited number of SBTs actually filed with the Exchange per year. The Exchange also notes that because proposed SBTs are infrequent, the receipt of monthly notices is not an integral part of a TPH's financial and operational maintenance on a month-to-month basis. If a Market-Maker clearing TPH anticipates an SBT that may require prior Exchange approval, then the TPH may contact the Exchange to determine whether the TPH exceeds the parameters. The proposed rule change makes this explicit in the rule. As a result, the Exchange believes that removing the current notice requirement from Rule 4.10(b)(2) will remove burdensome Exchange procedures without

impacting the ability of a Market-Maker clearing TPH to assess its clearance activities in light of an SBT or to continue to conduct business on the Exchange.

The restrictions that Rule 4.10 imposes on TPHs will continue to apply. The Exchange notes that removing this administrative burden will also enable the Exchange to better allocate its regulatory resources, focusing on the overall monitoring of TPH business and satisfaction of these restrictions to ensure adequate financial and operational capabilities to continue to perform contracts and otherwise conduct business safely for customers, creditors, and the Exchange. Additionally, the Exchange notes that the corresponding rules of other options exchanges currently do not contain a provision that requires such exchanges to send monthly notice to clearing members or otherwise indicate to their clearing members that they exceed, or may exceed, substantially similar criteria on the respective exchanges as a result of an SBT.⁶ Such corresponding rules of other options exchanges have previously been filed with the Commission.

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.⁷ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁸ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles

⁶ See NASDAQ Options Rules Chapter 3, Sec. 15; NASDAQ BX Options Rules Chapter 3, Sec. 15; MIAX Options Rule 306.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that the proposed change will remove impediments to and perfect the mechanism of a free and open market and national market system, and generally protect investors. Specifically, the Exchange believes that by removing an administrative burden in producing monthly notices for all Market-Maker clearing TPHs that greatly outweighs the benefit of such notices, due to the infrequent number of SBTs per year, the Exchange will be able to reallocate regulatory resources to focus on the overall monitoring of TPH business and satisfaction of the Rule 4.10 restrictions that continue to apply to ensure adequate financial and operational capabilities to continue to perform contracts and otherwise conduct business safely for market participants, thereby protecting market participants. The Exchange also believes that the proposed rule change does not impact a Market-Maker clearing TPH's regular financial or operational maintenance or ability to assess and conduct a SBT because SBTs occur infrequently. The proposed rule change makes it clear that if a Market-Maker clearing TPH anticipates an SBT that may require prior Exchange approval, then the TPH may contact the Exchange to determine whether the TPH exceeds the parameters under

⁹ Id.

Rule 4.10(b)(2). In addition to this, the Exchange believes that the proposed rule change will not present any new or unique issues for clearing TPHs because the rules of other options exchanges, which have substantially similar SBT parameters and have previously been filed with the Commission, do not require the exchanges to provide monthly notices to their members regarding their proportion of market making clearing business or otherwise indicate to their members that they exceed, or may exceed, SBT parameters.¹⁰

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. In particular, the proposed rule change is not intended to address competitive issues but rather is concerned with facilitating less burdensome and more efficient regulatory administration. The Exchange does not believe that the proposed rule change will impose any intramarket competition, because all Market-Maker clearing TPHs are free to contact the Exchange to determine its standing in regard to the SBT parameters. The proposed rule change does not change the restrictions imposed on these TPHs, which will continue to apply to Market-Maker Clearing TPHs in the same manner. Further, the Exchange does not believe the proposed rule change will impose any burden on intermarket competition because the rules of other options exchanges, which have been previously filed with the Commission, provide for substantially similar parameters in connection with the impact of a clearing member's SBTs but do not contain a provision

¹⁰ See supra note 6.

that requires such exchanges to send monthly notice to clearing members or otherwise indicate to their clearing members that they exceed such criteria.¹¹

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

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

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

Because the foregoing proposed rule change does not:

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

shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹² and Rule 19b-4(f)(6)¹³ 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

¹¹ Id.

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6).

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-2019-055 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CBOE-2019-055. 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-2019-055 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.¹⁴

Secretary

¹⁴ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

Rules of Cboe Exchange, Inc.

(currently effective)

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Rule 4.10. Other Restrictions on Trading Permit Holders

- (a) No change.
- (b) Firms Clearing Market-Maker Trades.

- (1) No change.

- (2) A proposed SBT of a Trading Permit Holder as enumerated in subsection (b)(1)(i) through (iii) is subject to the prior approval of the Chief Executive Officer or President, when the Trading Permit Holder's Market-Maker clearance activities exceed, or would exceed as a result of the proposed SBT, any of the following parameters:

- (i) 15% of cleared Exchange Market-Maker contract volume for the most recent three (3) months;

- (ii) an average of 15% of the number of Exchange registered Market-Makers as of each month and for the most recent three (3) months, or

- (iii) 25% of Market-Maker gross deductions (haircuts) defined by SEC Rule 15c3-1 (a)(6) or (c)(2)(x) carried by the Clearing Trading Permit Holder(s) in relation to the aggregate of such haircuts carried by all other Market-Maker clearing organizations for any month end within the most recent three (3) months. [The Exchange shall notify in writing each Trading Permit Holder that clears Market-Maker trades within ten (10) business days from the close of each month of that Trading Permit Holder's proportion of the market making clearing business, whether or not such business exceeds the parameters described in (i), (ii), and (iii) of this subsection (b)(2).]

A Trading Permit Holder may contact the Exchange to determine whether it exceeds the parameters described in subsection (b)(2). Trading Permit Holders subject to this subsection (b)(2) must provide thirty (30) calendar days notice of the proposed SBT, as enumerated in subsection (b)(1)(i) through (iii), to the President or his designee. The Chief Executive Officer or President may

disapprove a Trading Permit Holder's proposed SBT, or approve such SBT subject to certain conditions, within the thirty (30) day period. The Chief Executive Officer or President may disapprove or condition a Trading Permit Holder's SBT within the thirty (30) day period if the Chief Executive Officer or President determines that such SBT has the potential to threaten the financial or operational integrity of Exchange Market-Maker transactions.

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