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Page 1 of * 22

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

File No.* SR - 2019 - * 102
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) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

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

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

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

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

Section 3C(b)(2) * ☐

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

Description

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

The Exchange proposes to amend the fat finger check in Rule 5.34 as it applies to Stop-Limit orders.

Contact Information

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

First Name * 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.

Date 10/29/2019
By Rebecca Tenuta
(Name *)

(Title *)
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

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information * Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Item 1. Text of the Proposed Rule Change

(a) Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend the fat finger check in Rule 5.34 as it applies to Stop-Limit orders. 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 October 16, 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.

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 amend its fat finger check under Rule 5.34(c)(1) as it applies to Stop-Limit orders. Currently, Rule 5.34(c)(1) provides that if a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount above (below) the NBO (NBB), the System cancels or rejects the order (i.e. the "fat finger" check). The Exchange determines a default buffer amount; however, a User may establish a higher or lower amount than the Exchange default. This check generally applies to orders and quotes with a limit price, subject to certain exceptions set forth in current Rules

5.34(c)(1)(B) through (D). For example, current Rule 5.34(c)(1)(D) provides that the check does not apply to bulk messages.[1]

The Exchange proposes to add Stop-Limit orders to Rule 5.34(c)(1)(D) as an additional order type to which the fat finger check does not apply. 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.[2] Stop-Limit orders allow Users increased control and flexibility over their transactions and the prices at which they are willing to execute an order. The purpose of a Stop-Limit order is to not execute upon entry, and instead rest in the System until the market reaches a certain price level, at which time the order could be executed. As such, when a buy (sell) Stop-Limit order is activated, its limit price may likely be outside of the buffer amount above (below) the NBO (NBB) in anticipation of capturing rapidly increasing (decreasing) market prices.

The primary purpose of the fat finger check is to prevent limit orders from executing at potentially erroneous prices upon entry, because the limit prices are "too far away" from the then-current NBBO. As noted above, a Stop-Limit order is not intended to execute upon entry. Currently, because a Stop-Limit order does not "become" a limit order until activated, the limit order fat finger check applies to a Stop-Limit order at the time the order is activated. As noted above, at that time, the limit price may cross the NBO, and thus may be cancelled due to the fat finger check if the limit price crosses the NBO by more than the

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1 The Exchange notes that a separate provision governs a fat finger check specific to bulk messages. See Rule 5.34(a)(5).

2 See Rule 5.6(c) (definition of Stop-Limit order).

buffer. Therefore, the manner in which the fat finger check cancels/rejects a Stop-Limit order may conflict with the intended purpose of a Stop-Limit order and a User's control over the time when and the price at which it executes. For example, assume that when the NBBO is 8.00 x 8.05, a User submits a Stop-Limit order to buy at 9.25 and a stop price of 8.15 and the User has set the fat finger buffer to $1.00. Assume the NBBO then updates to 8.15 x 8.20. The updated NBB equals the stop price of the order will activate the stop price of the Stop Limit Order, converting it into a limit order to buy at 9.25, which would be more than the fat finger buffer of $1.00 above the current NBO, thus canceled/rejected by the System in accordance with the fat finger check. The Exchange also notes that the System is currently able to apply only one buffer amount (either the Exchange default amount or a User's established amount) across multiple order types. Therefore, a User would not be able to expand the buffer amount to accommodate Stop-Limit orders without potentially over-expanding the buffer amount for other limit orders that execute upon entry.

The Exchange notes that a User's Stop-Limit orders would still be subject to other price protections already in place on the Exchange. In particular, Rule 5.32(c)(2) specifically applies to Stop-Limit orders and provides that the System cancels or rejects a buy (sell) Stop-Limit order if the NBB (NBO) at the time the System receives the order is equal to or above (below) the stop price.[3] Because the purpose of a Stop-Limit order is to rest in the Book until a specified price is reached, the Exchange believes rejecting a stop or stop-limit order entered above or below, as applicable, that price may be erroneous, as entry at that

[3] However, the System accepts a buy (sell) Stop-Limit order if the consolidated last sale price at the time the System receives the order is equal to or above (below) the stop price. The Exchange notes that the System is unable to compare the stop price of a stop-limit order to the last consolidated sale price upon receipt of the order, which is why the order is accepted when the stop price is above (below) the last consolidated sale price when the System receives it.

time would be inconsistent with the purpose of the order. Additionally, drill-through protections are in place pursuant to Rule 5.34(a)(4), such that, if a buy (sell) order would execute (i.e., when the stop price for a Stop-Limit order is activated), the System executes the order up to a buffer amount (the Exchange determines the amount on a class and premium basis) above (below) the NBO (NBB) that existed at the time of order entry ("the drill-through price").

The Exchange believes that allowing a Stop-Limit order, once activated, with a limit price outside of the NBBO (notwithstanding any fat finger buffer) to execute at that limit price (up to the drill-through buffer amount) is consistent with the intended purpose of a Stop-Limit order. As stated, when a buy (sell) Stop-Limit order is activated, its limit price is intended to be at a consequential amount above (below) the NBO (NBB) in order to capture rapidly increasing (decreasing) trade prices, to which the NBBO would as rapidly track and reflect. To cancel or reject such orders based on the NBBO at the time of its activation would inhibit Stop-Limit orders from capturing favorable trade prices as a result of a rapidly shifting market.

(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

[4] 15 U.S.C. 78f(b).
[5] 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)[6] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change benefits market participants by ensuring that they are able to use Stop-Limit orders to achieve their intended purpose. As stated, Stop-Limit orders are intended to increase User price control and flexibility, particularly in the face of price swings and market volatility, by resting in the System until the market reaches a certain price level. Thus, they are not intended to execute upon entry. Conversely, the primary purpose of the fat finger check is to prevent limit orders from executing at potentially erroneous prices upon entry, because the limit prices are "too far away" from the then-current NBBO. By excluding Stop-Limit orders from the fat finger check, which would currently cancel/reject a Stop-Limit order if its buy (sell) limit price was above (below) the NBO (NBB) upon activation of its stop limit price, the proposed rule change removes impediments to and perfects the mechanism of a free and open market and national market system by allowing Users the control and flexibility to set the limit prices on Stop-Limit orders so as to capture significant market fluctuations, which, as stated, result in corresponding significant adjustments in the NBBO. Therefore, the proposed rule change is designed to protect investors by allowing their Stop-Limit orders

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6 Id.

to execute as intended without being canceled or rejected in connection with the NBBO that existed at the time of their activation, and instead to consider rapid price movements and corresponding NBBO adjustments. The Exchange notes that the proposed rule change will not affect the protection of investors or the maintenance of a fair and orderly market because other price controls would apply to Stop-Limit orders, both at the time of their submission and when their stop prices are activated and they become limit orders.

Item 4. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change will not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because all Users' Stop-Limit orders will be excluded from the fat finger check in the same manner. Also, all Users' Stop-Limit orders will continue to be subject to other specific price controls in place, both at the time of their submission and once their stop prices are activated and they become limit orders. The proposed rule change will not impose any burden on intermarket competition that that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed change is merely designed to allow Users' Stop-Limit orders to execute in a manner that achieves their intended purpose by updating a price protection mechanism already in place on the Exchange and applicable only to trading on the Exchange.

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

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

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[7] and Rule 19b-4(f)(6)[8] 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 proposed rule change will not significantly affect the protection of investors, but rather, is designed to benefit investors by allowing Users' Stop-Limit orders to function in a manner that achieves their intended purpose, which is currently conflicted by the intended purpose of the application of the fat finger check. By amending the fat finger check as it applies to Stop-Limit orders, the proposed rules change helps ensure that Users continue to have increased control and flexibility over the execution prices of their Stop-Limit orders and capture price swings in the market by allowing such orders to

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7 15 U.S.C. 78s(b)(3)(A).

8 17 CFR 240.19b-4(f)(6).

become limit orders above (below) the NBO (NBB) once their stop limit price is activated. The proposed rule change will not significantly impact the protection of investors and the public interest because the price checks currently in place, applicable both at the time of submission of a Stop-Limit order and at the time of its stop limit price activation, will continue to apply to Stop-Limit orders. Additionally, the Exchange does not believe that the proposed rule change will impose any significant burden on competition because the proposed rule change will exclude all Users' Stop-Limit orders in the same manner from the fat finger check, and is merely updates a price protection mechanism already in place on the Exchange in order to allow Stop-Limit orders to execute in line with their intended purpose.

For the foregoing reasons, this rule filing qualifies as a "non-controversial" rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved. The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. The Exchange believes waiver of the operative delay will serve in the interests of investors and the public interest because it will ensure that Users may continue to use Stop-Limit orders in a manner that achieves their intended purpose without unintended interference from the fat finger check. Specifically, the proposed rule change is consistent with the protection of investors because it will allow investors' Stop-Limit orders to continue to capture rapid price movements, to which the NBBO would as rapidly track and reflect. As such, the Exchange the believes that allowing the fat finger check to cancel or reject such orders based on the NBBO at the time of a Stop-Limit orders' activation would inhibit investors from using Stop-Limit orders to receive favorable executions as a result of a rapidly shifting market prices. The proposed rule change does not alter the other price protection mechanisms currently in place on the Exchange which will continue to apply to Users' Stop-Limit orders, thus, ensuring price checks upon Stop-Limit order submission and upon the activation of their stop limit prices. For these reasons, the Exchange respectfully requests that the Commission waive the 30-day operative delay.

(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.

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-2019-102]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend the Fat Finger Check in Rule 5.34 as it Applies to Stop-Limit Orders

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on [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 the fat finger check in Rule 5.34 as it applies to Stop-Limit orders. The text of the proposed rule change is provided in Exhibit 5.

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

2 17 CFR 240.19b-4.

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

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

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

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

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

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

1. Purpose

The Exchange proposes to amend its fat finger check under Rule 5.34(c)(1) as it applies to Stop-Limit orders. Currently, Rule 5.34(c)(1) provides that if a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount above (below) the NBO (NBB), the System cancels or rejects the order (i.e. the "fat finger" check). The Exchange determines a default buffer amount; however, a User may establish a higher or lower amount than the Exchange default. This check generally applies to orders and quotes with a limit price, subject to certain exceptions set forth in current Rules 5.34(c)(1)(B) through (D). For example, current Rule 5.34(c)(1)(D) provides that the check does not apply to bulk messages.[5]

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5 The Exchange notes that a separate provision governs a fat finger check specific to bulk messages. See Rule 5.34(a)(5).

The Exchange proposes to add Stop-Limit orders to Rule 5.34(c)(1)(D) as an additional order type to which the fat finger check does not apply. 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.[6] Stop-Limit orders allow Users increased control and flexibility over their transactions and the prices at which they are willing to execute an order. The purpose of a Stop-Limit order is to not execute upon entry, and instead rest in the System until the market reaches a certain price level, at which time the order could be executed. As such, when a buy (sell) Stop-Limit order is activated, its limit price may likely be outside of the buffer amount above (below) the NBO (NBB) in anticipation of capturing rapidly increasing (decreasing) market prices.

The primary purpose of the fat finger check is to prevent limit orders from executing at potentially erroneous prices upon entry, because the limit prices are "too far away" from the then-current NBBO. As noted above, a Stop-Limit order is not intended to execute upon entry. Currently, because a Stop-Limit order does not "become" a limit order until activated, the limit order fat finger check applies to a Stop-Limit order at the time the order is activated. As noted above, at that time, the limit price may cross the NBO, and thus may be cancelled due to the fat finger check if the limit price crosses the NBO by more than the buffer. Therefore, the manner in which the fat finger check cancels/rejects a Stop-Limit order may conflict with the intended purpose of a Stop-Limit order and a User's control over the time when and the price at which it executes. For example, assume that when the NBBO

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6 See Rule 5.6(c) (definition of Stop-Limit order).

is 8.00 x 8.05, a User submits a Stop-Limit order to buy at 9.25 and a stop price of 8.15 and the User has set the fat finger buffer to $1.00. Assume the NBBO then updates to 8.15 x 8.20. The updated NBB equals the stop price of the order will activate the stop price of the Stop Limit Order, converting it into a limit order to buy at 9.25, which would be more than the fat finger buffer of $1.00 above the current NBO, thus canceled/rejected by the System in accordance with the fat finger check. The Exchange also notes that the System is currently able to apply only one buffer amount (either the Exchange default amount or a User's established amount) across multiple order types. Therefore, a User would not be able to expand the buffer amount to accommodate Stop-Limit orders without potentially over-expanding the buffer amount for other limit orders that execute upon entry.

The Exchange notes that a User's Stop-Limit orders would still be subject to other price protections already in place on the Exchange. In particular, Rule 5.32(c)(2) specifically applies to Stop-Limit orders and provides that the System cancels or rejects a buy (sell) Stop-Limit order if the NBB (NBO) at the time the System receives the order is equal to or above (below) the stop price.[7] Because the purpose of a Stop-Limit order is to rest in the Book until a specified price is reached, the Exchange believes rejecting a stop or stop-limit order entered above or below, as applicable, that price may be erroneous, as entry at that time would be inconsistent with the purpose of the order. Additionally, drill-through protections are in place pursuant to Rule 5.34(a)(4), such that, if a buy (sell) order would execute (i.e., when the stop price for a Stop-Limit order is activated), the System executes

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[7] However, the System accepts a buy (sell) Stop-Limit order if the consolidated last sale price at the time the System receives the order is equal to or above (below) the stop price. The Exchange notes that the System is unable to compare the stop price of a stop-limit order to the last consolidated sale price upon receipt of the order, which is why the order is accepted when the stop price is above (below) the last consolidated sale price when the System receives it.

the order up to a buffer amount (the Exchange determines the amount on a class and premium basis) above (below) the NBO (NBB) that existed at the time of order entry ("the drill-through price").

The Exchange believes that allowing a Stop-Limit order, once activated, with a limit price outside of the NBBO (notwithstanding any fat finger buffer) to execute at that limit price (up to the drill-through buffer amount) is consistent with the intended purpose of a Stop-Limit order. As stated, when a buy (sell) Stop-Limit order is activated, its limit price is intended to be at a consequential amount above (below) the NBO (NBB) in order to capture rapidly increasing (decreasing) trade prices, to which the NBBO would as rapidly track and reflect. To cancel or reject such orders based on the NBBO at the time of its activation would inhibit Stop-Limit orders from capturing favorable trade prices as a result of a rapidly shifting market.

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.[8] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[9] 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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8 15 U.S.C. 78f(b).

9 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)[10] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change benefits market participants by ensuring that they are able to use Stop-Limit orders to achieve their intended purpose. As stated, Stop-Limit orders are intended to increase User price control and flexibility, particularly in the face of price swings and market volatility, by resting in the System until the market reaches a certain price level. Thus, they are not intended to execute upon entry. Conversely, the primary purpose of the fat finger check is to prevent limit orders from executing at potentially erroneous prices upon entry, because the limit prices are "too far away" from the then-current NBBO. By excluding Stop-Limit orders from the fat finger check, which would currently cancel/reject a Stop-Limit order if its buy (sell) limit price was above (below) the NBO (NBB) upon activation of its stop limit price, the proposed rule change removes impediments to and perfects the mechanism of a free and open market and national market system by allowing Users the control and flexibility to set the limit prices on Stop-Limit orders so as to capture significant market fluctuations, which, as stated, result in corresponding significant adjustments in the NBBO. Therefore, the proposed rule change is designed to protect investors by allowing their Stop-Limit orders to execute as intended without being canceled or rejected in connection with the NBBO that existed at the time of their activation, and instead to consider rapid price movements and corresponding NBBO adjustments. The Exchange notes that the proposed rule

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10 Id.

change will not affect the protection of investors or the maintenance of a fair and orderly market because other price controls would apply to Stop-Limit orders, both at the time of their submission and when their stop prices are activated and they become limit orders.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change will not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because all Users' Stop-Limit orders will be excluded from the fat finger check in the same manner. Also, all Users' Stop-Limit orders will continue to be subject to other specific price controls in place, both at the time of their submission and once their stop prices are activated and they become limit orders. The proposed rule change will not impose any burden on intermarket competition that that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed change is merely designed to allow Users' Stop-Limit orders to execute in a manner that achieves their intended purpose by updating a price protection mechanism already in place on the Exchange and applicable only to trading on the Exchange.

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 Act[11] and Rule 19b-4(f)(6)[12] 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-2019-102 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.

11 15 U.S.C. 78s(b)(3)(A).

12 17 CFR 240.19b-4(f)(6).

All submissions should refer to File Number SR-CBOE-2019-102. 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-2019-102 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.[13]

Secretary

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[13] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

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Rules of Cboe Exchange, Inc.

* * * * *

Rule 5.34. Order and Quote Price Protection Mechanisms and Risk Controls

The System's acceptance and execution of orders, quotes, and bulk messages, as applicable, pursuant to the Rules, including Rules 5.31 through 5.33, and orders routed to PAR pursuant to Rule 5.82 are subject to the following price protection mechanisms and risk controls, as applicable.

(a)-(b) No change.

(c) *All Orders*.

(1) *Limit Order Fat Finger Check*. If a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount above (below) the NBO (NBB) for simple orders or the SNBO (SNBB) for complex orders, the System cancels or rejects the order. The Exchange determines a default buffer amount; however, a User may establish a higher or lower amount than the Exchange default.

(A)-(C) No change.

(D) This check does not apply to bulk messages or <u>Stop-Limit orders</u>.

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