

## OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 37	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2019 - * 118 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 <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)
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="checkbox"/> Date Expires *		
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/> Section 806(e)(2) * <input type="checkbox"/>		Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>
Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>	
<b>Description</b> Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div style="border: 1px solid black; padding: 5px; margin-top: 10px;">           The Exchange proposes to correct certain erroneous cross-references, add inadvertently omitted rule text, and conforms the use of certain defined terms.         </div>		
<b>Contact Information</b> 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. <div style="margin-top: 10px;">           First Name * Rebecca Last Name * Tenuta            Title * Counsel            E-mail * rtenuta@cboe.com            Telephone * (312) 786-7068 Fax          </div>		
<b>Signature</b> 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. <div style="text-align: right; margin-right: 100px;">(Title *)</div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div>           Date 12/19/2019            By Rebecca Tenuta            (Name *)         </div> <div style="border: 1px solid black; padding: 5px; width: 300px;">           Counsel         </div> </div> <div style="margin-top: 10px;">           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.           <div style="text-align: right; margin-top: 5px;">             rtenuta@cboe.com           </div> </div>		

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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

**Exhibit 1 - Notice of Proposed Rule Change \***

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

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

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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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**

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

**Partial Amendment**

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

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

(a) Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to correct certain erroneous cross-references, add inadvertently omitted rule text, and conforms the use of certain defined terms. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

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

(a) The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on November 11, 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

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”). On October 7, 2019, Cboe Options migrated its trading platform to the same system used by the Cboe Affiliated

Exchanges. In connection with this technology migration, Cboe Options updated and reorganized its entire Rulebook (the “post-migration Rulebook”), which became effective upon the technology migration.

First, the proposed rule change corrects cross-reference errors in Rules 5.1, 5.4, 5.6, 5.33, 5.36, 5.37, 5.38, 5.50, 5.52, 5.54, 5.55, and 5.56 that inadvertently occurred as a result of the total restructuring of its Rulebook.

Second, the proposed rule change adds rule text that was unintentionally omitted from the post-migration Rulebook. The proposed rule change amends Rule 5.83(a)(2) to add Penny Cabinet and Sub-Penny Cabinet orders to the list of types of order instructions available for PAR routing for manual handling and open outcry trading on the Exchange. Currently, Rule 5.85(h) governs cabinet trading on the Exchange and states that cabinet orders (i.e. penny cabinet and sub-penny cabinet orders) may only execute on the Exchange’s trading floor in open outcry. Therefore, penny cabinet and sub-penny cabinet orders are types of order instructions that are available for open outcry trading. However, when the Exchange proposed Rule 5.83(h) and incorporated it into the post-migration Rulebook,<sup>1</sup> it inadvertently did not include these cabinet order instructions in Rule 5.83(a)(2), which the Exchange now proposes to include.

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<sup>1</sup> See Securities and Exchange Act Release No. 86994 (September 17, 2019), 84 FR 49774 (September 23, 2019) (Proposed Rule Change To Amend the Exchange's Rules Regarding Cabinet Trading Upon the Migration of the Exchange's Trading Platform to the Same System Used by the Cboe Affiliated Exchanges) (SR-CBOE-2019-058); see also Securities and Exchange Act Release No. 87224 (October 4, 2019), 84 FR 54652 (October 10, 2019) (SR-CBOE-2019-081), which relocated the cabinet trading rule in the post-migration Rulebook from Rule 5.12 to Rule 5.85(h) where it is currently located.

The proposed rule change also reinstates a provision from former Rule 8.14.01(c)<sup>2</sup> that was inadvertently not included in the post-migration Rulebook.<sup>3</sup> Specifically, the Exchange relocated the provision under former Rule 8.14 that allows the Exchange to determine to list SPX or VIX on a group basis to post-migration Rule 4.13(f), as well as removed other provisions under the former rule that had been previously moved to other rules as part of the migration.<sup>4</sup> As a result of the restructuring, the Exchange inadvertently did not include former Rule 8.14.01(c) in the post-migration Rulebook, which required the Exchange to determine System trading parameters on a group basis to the extent the Rules otherwise provide for such parameters to be established on a class basis. The Exchange continues to establish such parameters on a group basis, and reinstating this provision in Rule 1.5(c) ensures that the post-migration Rulebook accurately reflects the manner in which the Exchange applies System parameters to classes the Exchange lists on a group basis. The Exchange notes that groups of SPX and VIX series exhibit different trading characteristics from series listed by class, and the Exchange generally establishes market models for options classes and groups of SPX and VIX series based on the characteristics that most fit the product which benefits investors. As such, the proposed rule change is designed to make it explicit in the Rules that the Exchange will continue to establish System parameters on a group basis in

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<sup>2</sup> Former Rule 8.14.01(c) provided that System trading parameters will be established by the Exchange on a group basis to the extent the Rules otherwise provide for such parameters to be established on a class basis.

<sup>3</sup> See Securities Exchange Act Release No. 87024 (September 19, 2019), 84 FR 50545 (September 25, 2019) (Proposed Rule Change To Amend Certain Rules Relating To Market-Makers Upon Migration to the Trading System Used by Cboe Affiliated Exchanges) (SR-CBOE-2019-059), which removed Rule 8.14.01, but did not relocate it to the post-migration Rulebook.

<sup>4</sup> See Securities Exchange Act Release No. 87337 (October 17, 2019), 84 FR 56879 (October 23, 2019) (SR-CBOE-2019-092).

order to tailor such parameters to fit the group product characteristics. Likewise, as a result of the restructuring, the Exchange also inadvertently did not include the former provision(s) that allowed the Exchange to make determinations on a group basis that differed between Global Trading Hours (“GTH”) and Regular Trading Hours (“RTH”).<sup>5</sup> The proposed rule change thus incorporates Exchange determinations on a group basis among the list of other bases in Rule 1.5(b), which allows the Exchange to make determinations on different bases that differ between GTH and RTH, as SPX and VIX are available for trading during both sessions. The Exchange also notes that because trading characteristics during RTH may be different than those during GTH (such as lower trading levels, reduced liquidity, and fewer participants), the Exchange believes it is appropriate to continue this flexibility for determinations on a group basis.

In addition, the Exchange also notes that it inadvertently did not include the provision in former Rule 6.12(a)(3)<sup>6</sup>, which allowed it to determine the fat finger buffer amount on a class-by-class basis. The proposed rule change to Rule 5.34(c)(1), which governs the limit

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<sup>5</sup> Former Rule 6.1A(i) allowed the Exchange to make a determination, to the extent the Rules allowed, that differed between GTH and RTH, including on a class-by-class or series-by-series basis. Former Rule 8.14.01(c) allowed the Exchange to determine System trading parameters on a group basis to the extent the Rules otherwise provide for such parameters to be established on a class basis. Likewise, other former rules provided it could also make determinations on a group basis where it was permitted to make determinations on a class basis (e.g., former Rule 6.2.05 (for Exchange determinations related to the opening auction process), and former Rule 6.45 (for Exchange determinations related to order and quote priority and allocation). Therefore, as a whole, these provisions allowed the Exchange to make determinations on a group basis that differed between trading sessions.

<sup>6</sup> Former Rule 6.12(a)(3) provided, in part, that an acceptable tick distance would be determined by the Exchange on a class-by-class basis (or a premium basis, which was intentionally removed from the rule to coincide with planned migration functionality). The Exchange notes that the fat finger buffer amount was referred to as the “acceptable tick distance” in this former provision.

order fat finger check, reinstates the provision that allows the Exchange to continue to determine a default buffer amount for the fat finger check on a class-by-class basis. The Exchange notes that the fat finger check is designed to prevent limit orders from executing at potentially erroneous prices, and that the Exchange currently maintains the same class basis flexibility pursuant to certain other price protection and risk control rules. This flexibility allows the Exchange to apply different settings and parameters to address the specific characteristics of that class and its market. For example, Rule 5.34(a)(2) (market order NBBO width protection), (a)(4)(B) (drill-through protection for order that execute or post to the Book), and (c)(11) (buy-write/married put check) each allow the Exchange to determine the respective price check buffer amounts on a class basis. As such, the proposed rule change to reinstate the flexibility to determine of the fat finger default buffer on a class basis makes it explicit that the Exchange may continue to set the default buffer with the same flexibility in order to appropriately address different trading characteristics, market models, and investor base of each class. Because the different characteristics among classes may cause what would be considered a potentially erroneous price to differ among classes, the Exchange believes it is appropriate to continue to this class-based flexibility in determining the buffer amount for the fat finger check, as well as allow Users to establish class based buffer amounts that differ from the Exchange's class based default amounts. The Exchange notes that in prior Rule 6.12(a)(3), though it allowed the Exchange to determine a fat finger buffer amount on a class-by-class basis, it had been silent as to User-established buffer amounts. The Exchange adopted language, that a User may establish a higher or lower amount than the Exchange default, for the migration in order to make the Exchange's fat finger rule consistent with the

corresponding fat finger rules of the Affiliated Exchanges.<sup>7</sup> Therefore, the Exchange believes that the proposed rule change to mirror Users' ability to establish buffer amounts that differ from the Exchange's default buffer on a class basis would provide consistency in manner in which a User may establish buffer amounts around the Exchange-established default buffer amounts.

Finally, the proposed rule change conforms the use of certain defined terms in the post-migration Rulebook. The proposed rule change removes the term "Hybrid System" from Rule 8.20, and replaces it with the term "System," which is the correct defined term in the post-migration Rulebook for the Exchange's trading System.<sup>8</sup> The proposed rule change also capitalizes the terms "Penny Cabinet" orders, "Sub-Penny Cabinet" orders, and "Reporting Authority" throughout the post-migration Rulebook. The proposed change makes these terms uniformly formatted in the post-migration Rulebook, as they are currently defined terms in the Rules and are capitalized in some Rules but not in others.<sup>9</sup>

(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.<sup>10</sup> Specifically,

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<sup>7</sup> See Securities Exchange Act Release No. 86923 (September 10, 2019), 84 FR 48664 (September 16, 2019) (SR-CBOE-2019-057); see also C2 Rule 6.14(c)(1); and EDGX Options Rule 21.17(b)(7).

<sup>8</sup> See Rule 1.1. The Exchange also notes that the term "Hybrid class" is no longer a relevant distinction because, as of 2018, all classes listed for trading on the Exchange now trade on the same platform (prior to that, certain classes traded on the Exchange's Hybrid 3.0 platform, while most classes traded on the Exchange's Hybrid platform).

<sup>9</sup> See Rule 1.1.

<sup>10</sup> 15 U.S.C. 78f(b).



the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>11</sup> 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)<sup>12</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed rule change is generally intended to correct inaccuracies that resulted from the recent restructuring of the Exchange's Rulebook. The proposed corrections to correct inaccurate cross-references within various Rules, reinstating rule text that was inadvertently omitted from the post-migration Rulebook (majority of which will allow the Exchange to continue to tailor certain settings to address different product characteristics and market conditions, thereby protecting investors), updating a Rule to provide consistency in connection with functionality available pre-migration (and being reinstated in the Rules) that is directly associated with functionality now available as of post-migration, and updating or uniformly formatting certain defined terms are designed to protect investors by ensuring that these Rules accurately reference and reflect the current, post-migration Rules in place, thereby mitigating any potential investor confusion. The

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<sup>11</sup> 15 U.S.C. 78f(b)(5).

<sup>12</sup> Id.

proposed rule change will have no impact on trading on the Exchange, as almost all of the proposed rule changes are non-substantive in nature (as stated above, one proposed change merely updates a Rule to provide consistency in connection functionality now correlated with it as of post-migration).

**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 proposed rule change is not intended as a competitive filing, as it merely updates the Rules to accurately reference the current, post-migration Rules. The proposed rule change is corrective in nature. The proposed rule change generally makes no substantive changes to the rules (one change merely updates a Rule to provide consistency between inadvertently omitted functionality now being reinstated and correlated functionality which had been adopted post-migration), and thus will have no impact on trading on the Exchange.

**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<sup>13</sup> and Rule 19b-4(f)(6)<sup>14</sup> thereunder.

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

The Exchange believes the proposed rule change will not significantly affect the protection of investors and the public interest because it is generally intended to correct inaccuracies and add inadvertently omitted rule text that resulted from the migration of the Exchange's Rulebook, as well as update a rule to provide consistency between proposed reinstated functionality and post-migration functionality that is directly associated with it. This, in turn, will ensure the post-migration Rulebook accurately reflects Rules that are in place, and thus mitigate any potential investor confusion. In addition, the Exchange believes the proposed rule change will not impose any significant burden on competition

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(6).

because it is not intended as a competitive filing, but rather is corrective in nature. Therefore, the proposed rule change will have no impact on trading on the Exchange.

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. As described above, the proposed rule change merely corrects inaccuracies that resulted from the recent restructuring of the Exchange’s Rulebook, reinstates rule text that was inadvertently omitted from the post-migration Rulebook, and updates or uniformly formats certain defined terms. The proposed rule change will have no impact on trading on the Exchange, as it does not make any substantive changes to the Rules. Rather, the proposed changes are designed to protect investors by ensuring that the Exchange rules accurately reference and reflect the current, post-migration Rules in place, and explicitly provide for rule text that was inadvertently not included in the post-migration Rules, thereby mitigating any potential investor confusion. Therefore, the Exchange respectfully requests that the Commission waive the 30-day operative delay so that the proposed rule

change promptly becomes effective and avoids any potential confusion by providing investors with a complete and accurate post-migration Exchange Rulebook.

(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 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-2019-118]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Correct Certain Erroneous Cross-References, Add Inadvertently Omitted Rule Text, and Conforms the Use of Certain Defined Terms

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> 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<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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 correct certain erroneous cross-references, add inadvertently omitted rule text, and conforms the use of certain defined terms. The text of the proposed rule change is provided in Exhibit 5.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 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**

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"). On October 7, 2019, Cboe Options migrated its trading platform to the same system used by the Cboe Affiliated Exchanges. In connection with this technology migration, Cboe Options updated and reorganized its entire Rulebook (the "post-migration Rulebook"), which became effective upon the technology migration.

First, the proposed rule change corrects cross-reference errors in Rules 5.1, 5.4, 5.6, 5.33, 5.36, 5.37, 5.38, 5.50, 5.52, 5.54, 5.55, and 5.56 that inadvertently occurred as a result of the total restructuring of its Rulebook.

Second, the proposed rule change adds rule text that was unintentionally omitted from the post-migration Rulebook. The proposed rule change amends Rule 5.83(a)(2) to add Penny Cabinet and Sub-Penny Cabinet orders to the list of types of order instructions available for PAR routing for manual handling and open outcry trading on the Exchange. Currently, Rule 5.85(h) governs cabinet trading on the Exchange and states that cabinet orders (i.e. penny cabinet and sub-penny cabinet orders) may only execute on the Exchange's trading floor in open outcry. Therefore, penny cabinet and sub-penny cabinet orders are types of order instructions that are available for open outcry trading. However, when the Exchange proposed Rule 5.83(h) and incorporated it into the post-migration Rulebook,<sup>5</sup> it inadvertently did not include these cabinet order instructions in Rule 5.83(a)(2), which the Exchange now proposes to include.

The proposed rule change also reinstates a provision from former Rule 8.14.01(c)<sup>6</sup> that was inadvertently not included in the post-migration Rulebook.<sup>7</sup> Specifically, the

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<sup>5</sup> See Securities and Exchange Act Release No. 86994 (September 17, 2019), 84 FR 49774 (September 23, 2019) (Proposed Rule Change To Amend the Exchange's Rules Regarding Cabinet Trading Upon the Migration of the Exchange's Trading Platform to the Same System Used by the Cboe Affiliated Exchanges) (SR-CBOE-2019-058); see also Securities and Exchange Act Release No. 87224 (October 4, 2019), 84 FR 54652 (October 10, 2019) (SR-CBOE-2019-081), which relocated the cabinet trading rule in the post-migration Rulebook from Rule 5.12 to Rule 5.85(h) where it is currently located.

<sup>6</sup> Former Rule 8.14.01(c) provided that System trading parameters will be established by the Exchange on a group basis to the extent the Rules otherwise provide for such parameters to be established on a class basis.

<sup>7</sup> See Securities Exchange Act Release No. 87024 (September 19, 2019), 84 FR 50545 (September 25, 2019) (Proposed Rule Change To Amend Certain Rules



Exchange relocated the provision under former Rule 8.14 that allows the Exchange to determine to list SPX or VIX on a group basis to post-migration Rule 4.13(f), as well as removed other provisions under the former rule that had been previously moved to other rules as part of the migration.<sup>8</sup> As a result of the restructuring, the Exchange inadvertently did not include former Rule 8.14.01(c) in the post-migration Rulebook, which required the Exchange to determine System trading parameters on a group basis to the extent the Rules otherwise provide for such parameters to be established on a class basis. The Exchange continues to establish such parameters on a group basis, and reinstating this provision in Rule 1.5(c) ensures that the post-migration Rulebook accurately reflects the manner in which the Exchange applies System parameters to classes the Exchange lists on a group basis. The Exchange notes that groups of SPX and VIX series exhibit different trading characteristics from series listed by class, and the Exchange generally establishes market models for options classes and groups of SPX and VIX series based on the characteristics that most fit the product which benefits investors. As such, the proposed rule change is designed to make it explicit in the Rules that the Exchange will continue to establish System parameters on a group basis in order to tailor such parameters to fit the group product characteristics. Likewise, as a result of the restructuring, the Exchange also inadvertently did not include the former provision(s) that allowed the Exchange to make determinations on a group basis that differed between Global Trading Hours (“GTH”) and Regular Trading

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Relating To Market-Makers Upon Migration to the Trading System Used by Cboe Affiliated Exchanges) (SR-CBOE-2019-059), which removed Rule 8.14.01, but did not relocate it to the post-migration Rulebook.

<sup>8</sup> See Securities Exchange Act Release No. 87337 (October 17, 2019), 84 FR 56879 (October 23, 2019) (SR-CBOE-2019-092).

Hours (“RTH”).<sup>9</sup> The proposed rule change thus incorporates Exchange determinations on a group basis among the list of other bases in Rule 1.5(b), which allows the Exchange to make determinations on different bases that differ between GTH and RTH, as SPX and VIX are available for trading during both sessions. The Exchange also notes that because trading characteristics during RTH may be different than those during GTH (such as lower trading levels, reduced liquidity, and fewer participants), the Exchange believes it is appropriate to continue this flexibility for determinations on a group basis.

In addition, the Exchange also notes that it inadvertently did not include the provision in former Rule 6.12(a)(3)<sup>10</sup>, which allowed it to determine the fat finger buffer amount on a class-by-class basis. The proposed rule change to Rule 5.34(c)(1), which governs the limit order fat finger check, reinstates the provision that allows the Exchange to continue to determine a default buffer amount for the fat finger check on a class-by-class basis. The Exchange notes that the fat finger check is designed to prevent limit orders from executing at potentially erroneous prices, and that the Exchange currently maintains the

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<sup>9</sup> Former Rule 6.1A(i) allowed the Exchange to make a determination, to the extent the Rules allowed, that differed between GTH and RTH, including on a class-by-class or series-by-series basis. Former Rule 8.14.01(c) allowed the Exchange to determine System trading parameters on a group basis to the extent the Rules otherwise provide for such parameters to be established on a class basis. Likewise, other former rules provided it could also make determinations on a group basis where it was permitted to make determinations on a class basis (e.g., former Rule 6.2.05 (for Exchange determinations related to the opening auction process), and former Rule 6.45 (for Exchange determinations related to order and quote priority and allocation). Therefore, as a whole, these provisions allowed the Exchange to make determinations on a group basis that differed between trading sessions.

<sup>10</sup> Former Rule 6.12(a)(3) provided, in part, that an acceptable tick distance would be determined by the Exchange on a class-by-class basis (or a premium basis, which was intentionally removed from the rule to coincide with planned migration functionality). The Exchange notes that the fat finger buffer amount was referred to as the “acceptable tick distance” in this former provision.

same class basis flexibility pursuant to certain other price protection and risk control rules. This flexibility allows the Exchange to apply different settings and parameters to address the specific characteristics of that class and its market. For example, Rule 5.34(a)(2) (market order NBBO width protection), (a)(4)(B) (drill-through protection for order that execute or post to the Book), and (c)(11) (buy-write/married put check) each allow the Exchange to determine the respective price check buffer amounts on a class basis. As such, the proposed rule change to reinstate the flexibility to determine of the fat finger default buffer on a class basis makes it explicit that the Exchange may continue to set the default buffer with the same flexibility in order to appropriately address different trading characteristics, market models, and investor base of each class. Because the different characteristics among classes may cause what would be considered a potentially erroneous price to differ among classes, the Exchange believes it is appropriate to continue to this class-based flexibility in determining the buffer amount for the fat finger check, as well as allow Users to establish class based buffer amounts that differ from the Exchange's class based default amounts. The Exchange notes that in prior Rule 6.12(a)(3), though it allowed the Exchange to determine a fat finger buffer amount on a class-by-class basis, it had been silent as to User-established buffer amounts. The Exchange adopted language, that a User may establish a higher or lower amount than the Exchange default, for the migration in order to make the Exchange's fat finger rule consistent with the corresponding fat finger rules of the Affiliated Exchanges.<sup>11</sup> Therefore, the Exchange believes that the proposed rule change to mirror Users' ability to establish buffer amounts that differ from the Exchange's default buffer on a

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<sup>11</sup> See Securities Exchange Act Release No. 86923 (September 10, 2019), 84 FR 48664 (September 16, 2019) (SR-CBOE-2019-057); see also C2 Rule 6.14(c)(1); and EDGX Options Rule 21.17(b)(7).

class basis would provide consistency in manner in which a User may establish buffer amounts around the Exchange-established default buffer amounts.

Finally, the proposed rule change conforms the use of certain defined terms in the post-migration Rulebook. The proposed rule change removes the term “Hybrid System” from Rule 8.20, and replaces it with the term “System,” which is the correct defined term in the post-migration Rulebook for the Exchange’s trading System.<sup>12</sup> The proposed rule change also capitalizes the terms “Penny Cabinet” orders, “Sub-Penny Cabinet” orders, and “Reporting Authority” throughout the post-migration Rulebook. The proposed change makes these terms uniformly formatted in the post-migration Rulebook, as they are currently defined terms in the Rules and are capitalized in some Rules but not in others.<sup>13</sup>

## 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.<sup>14</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>15</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles

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<sup>12</sup> See Rule 1.1. The Exchange also notes that the term “Hybrid class” is no longer a relevant distinction because, as of 2018, all classes listed for trading on the Exchange now trade on the same platform (prior to that, certain classes traded on the Exchange’s Hybrid 3.0 platform, while most classes traded on the Exchange’s Hybrid platform).

<sup>13</sup> See Rule 1.1.

<sup>14</sup> 15 U.S.C. 78f(b).

<sup>15</sup> 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)<sup>16</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed rule change is generally intended to correct inaccuracies that resulted from the recent restructuring of the Exchange's Rulebook. The proposed corrections to correct inaccurate cross-references within various Rules, reinstating rule text that was inadvertently omitted from the post-migration Rulebook (majority of which will allow the Exchange to continue to tailor certain settings to address different product characteristics and market conditions, thereby protecting investors), updating a Rule to provide consistency in connection with functionality available pre-migration (and being reinstated in the Rules) that is directly associated with functionality now available as of post-migration, and updating or uniformly formatting certain defined terms are designed to protect investors by ensuring that these Rules accurately reference and reflect the current, post-migration Rules in place, thereby mitigating any potential investor confusion. The proposed rule change will have no impact on trading on the Exchange, as almost all of the proposed rule changes are non-substantive in nature (as stated above, one proposed change merely updates a Rule to provide consistency in connection functionality now correlated with it as of post-migration).

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<sup>16</sup> Id.

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 is not intended as a competitive filing, as it merely updates the Rules to accurately reference the current, post-migration Rules. The proposed rule change is corrective in nature. The proposed rule change generally makes no substantive changes to the rules (one change merely updates a Rule to provide consistency between inadvertently omitted functionality now being reinstated and correlated functionality which had been adopted post-migration), and thus will have no impact on 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<sup>17</sup> and Rule 19b-4(f)(6)<sup>18</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may

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<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f)(6).

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](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2019-118 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-2019-118. 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-2019-118 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.<sup>19</sup>

Secretary

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<sup>19</sup> 17 CFR 200.30-3(a)(12).



## EXHIBIT 5

(additions are underlined; deletions are [bracketed])

\* \* \* \* \*

### **Rules of Cboe Exchange, Inc.**

\* \* \* \* \*

#### **Rule 1.1. Definitions**

\* \* \* \* \*

#### **Reporting Authority**

The term “[r]Reporting [a]Authority” with respect to a particular index means the institution or reporting service (including any affiliates of that institution or reporting service) the Exchange designates as the official source for calculating the level of the index from the reported prices of the underlying securities that are the basis of the index and reporting such level.

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#### **Rule 1.5. Exchange Determinations**

\* \* \* \* \*

(b) To the extent the Rules allow the Exchange to make a determination, including on a class-by-class, [or] series-by-series basis[,], or a group basis, if the Exchange determines to list SPX or VIX on a group basis pursuant to Rule 4.13, the Exchange may make a determination for GTH that differs from the determination it makes for RTH.

(c) To the extent the Rules allow System trading parameters to be established on a class-by-class basis, the Exchange will establish such parameters on a group basis if the Exchange determines to list SPX or VIX on a group basis pursuant to Rule 4.13.

\* \* \* \* \*

#### **Rule 1.10. Exchange Liability Disclaimers and Limitations**

(a) Neither the Exchange nor any of its directors, officers, committee members, other officials, employees, contractors, or agents, nor any subsidiaries or affiliates of the Exchange or any of their directors, officers, committee members, other officials, employees, contractors, or agents (“Covered Persons”) shall be liable to the Trading Permit Holders or to persons associated therewith for any loss, expense, damages or claims that arise out of the use or enjoyment of the facilities afforded by the Exchange, any interruption in or failure or unavailability of any such facilities, or any action taken or

omitted to be taken in respect to the business of the Exchange except to the extent such loss, expense, damages or claims are attributable to the willful misconduct, gross negligence, bad faith or fraudulent or criminal acts of the Exchange or its officers, employees or agents acting within the scope of their authority. Without limiting the generality of the foregoing, and subject to the same exception, no Covered Person shall have any liability to any person or entity for any loss, expense, damages or claims that result from any error, omission or delay in calculating or disseminating any current or closing index value, any current or closing value of interest rate options, or any reports of transactions in or quotations for options or other securities, including underlying securities. The Exchange makes no warranty, express or implied, as to results to be obtained by any person or entity from the use or enjoyment of the facilities afforded by the Exchange, including without limitation, of any data transmitted or disseminated by or on behalf of the Exchange or any [r]Reporting [a]Authority designated by the Exchange, including but not limited to any data described in the preceding sentence, and the Exchange makes no express or implied warranties of merchantability or fitness for a particular purpose or use with respect to any such data. The foregoing limitations of liability and disclaimers shall be in addition to, and not in limitation of, the provisions of Article Eighth of the Exchange's Certificate of Incorporation or any limitations otherwise available under law.

\* \* \* \* \*

**Rule 1.13. Limitation of Liability of Reporting Authority for Interest Rate Options**

(a) No [r]Reporting [a]Authority in respect of an interest rate measure shall have any liability for damages, claims, losses or expenses caused by any errors, omissions or delays in collecting or disseminating the current or closing value of interest rate option contracts resulting from an act, condition or cause beyond their reasonable control, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; communications or power failure; equipment or software malfunction; any error; omission or delay in the reports of transactions in one or more underlying securities; or any error, omission or delay in the reports of the current value.

(b) No [r]Reporting [a]Authority makes any warranty, express or implied, as to results to be obtained by any person or any entity from the use of the interest rate measures or any data included therein in connection with trading or any other use; the [r]Reporting [a]Authority makes no express or implied warranties of merchantability or fitness for a particular purpose for use with respect to the interest rate measures or any data included therein.

**Rule 1.14. Limitation of Liability of Reporting Authority for Credit Options**

The term "[r]Reporting [a]Authority" as used in this rule refers to the Exchange or any other entity identified by the Exchange as the "reporting authority" in respect of a class of Credit Options for purposes of the By-Laws and Rules of the Clearing Corporation and any affiliate of the Exchange or any such other entity. No [r]Reporting [a]Authority

makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of any Credit Option. Any [r]Reporting [a]Authority hereby disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any Credit Option. Any [r]Reporting [a]Authority shall have no liability for any damages, claims, losses (including any indirect or consequential losses), expenses or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person relating to any Credit Option, including without limitation as a result of any error, omission or delay in confirming, or disseminating notice of, any Credit Event, any determination to adjust or not to adjust the terms of outstanding Credit Options, or any other determination with respect to Credit Options for which it has responsibility under the By-Laws and Rules of the Clearing Corporation.

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#### **Rule 4.11. Index Option Definitions**

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#### **Current and Closing Index Value**

The term “current index value” in respect of a particular index option contract means the level of the underlying index reported by the [r]Reporting [a]Authority for the index, or any multiple or fraction of such reported level specified by the Exchange. The current index value in respect of a reduced-val[v]ue LEAP is 1/10th of the current index value of the related index option. The “closing index value” shall be the last index value reported on a business day.

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#### **Rule 4.13. Series of Index Options**

\* \* \* \* \*

#### ***Interpretations and Policies***

.01 No change.

.02 The reported level of the underlying index that is calculated by the [r]Reporting [a]Authority on the last day of trading in the underlying securities prior to expiration for purposes of determining the current index value at the expiration of an A.M.-settled index option may differ from the level of the index that is separately calculated and reported by the reporting authority and which reflects trading activity subsequent to the opening of trading in any of the underlying securities.

.03-.05 No change.

.06 The current index value of reduced-value options on the S&P 500 Stock Index (“Mini-SPX options”) shall be one-tenth (1/10th) the value of the underlying index reported by the [r]Reporting [a]Authority.

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#### **Rule 4.16. Binary Options**

\* \* \* \* \*

(b) *Definitions.*

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#### **Settlement Value**

The term “settlement value” is the value of the underlying broad-based index that is used to determine whether a binary option is in, at or out of the money. For binary options on a broad-based index on which traditional options on the same broad-based index are A.M.-settled, the “settlement value” is the reported opening level of such index as derived from the prices of the underlying securities on such day and as reported by the [r]Reporting [a]Authority for the index. For binary options on a broad-based index on which traditional options on the same broad-based index are P.M.-settled, the “settlement value” is the reported closing level of such index as derived from the prices of the underlying securities on such day and as reported by the [r]Reporting [a]Authority for the index.

\* \* \* \* \*

#### **Rule 4.60. Definitions**

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#### **Current and Closing Value**

The term “current value” in respect of a particular interest rate measure means the level of the interest rate measure, derived from the prices of the underlying security or securities that are the basis for the measure as reported by the [r]Reporting [a]Authority for the measure. The “closing value” shall be the last value reported on a business day.

\* \* \* \* \*

#### **Reporting Authority**

The term “[r]Reporting [a]Authority” in respect of a particular interest rate measure means the institution or reporting service designated by the Exchange as the official source for securing and disseminating the value underlying an interest rate measure.

\* \* \* \* \*

#### **Yield to Maturity**

The term “yield to maturity” when used with reference to a yield-based option on a specific underlying Treasury Note or Treasury Bond means the spot yield for the given security as reported by the designated [r]Reporting [a]Authority.

### ***Interpretations and Policies***

.01 The Exchange shall designate a [r]Reporting [a]Authority in respect of each interest rate option listed on the Exchange are for the purposes of determining the current value and the closing exercise settlement value.

.02 In the event that the [r]Reporting [a]Authority does not generate a closing value for the last business day of trading prior to expiration of any interest rate option, the closing value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

\* \* \* \* \*

### **Rule 5.1. Trading Days and Hours**

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(c) *Global Trading Hours.* Except under unusual conditions as may be determined by the Exchange, Global Trading Hours are from 3:00 a.m. to 9:15 a.m. on Monday through Friday.

(1) No change.

(2) *Series.* The Exchange may list for trading during Global Trading Hours any series in eligible classes that it may list pursuant to Rule 4.1[4]3. Any series in eligible classes that are expected to be open for trading during Regular Trading Hours will be open for trading during Global Trading Hours on that same trading day (subject to Rule 5.31).

\* \* \* \* \*

### **Rule 5.4. Minimum Increments for Bids and Offers**

(a) *Simple Orders for Equity and Index Options.* The minimum increments for bids and offers on simple orders for equity and index options are as follows:

Class	Increment	Series Trading Price
Class Not Participating in Penny Pilot Program (including all series of VIX options if the Exchange does not list VIX on a group basis pursuant to Rule 4.1[4]3) and series of VIX Options not listed under	\$0.05	Lower than \$3.00
	\$0.10	\$3.00 and higher

the Nonstandard Expirations Pilot Program  
(if the Exchange lists VIX on a group basis  
pursuant to Rule 4.1[4]3)

Class Participating in Penny Pilot Program	\$0.01	Lower than \$3.00
	\$0.05	\$3.00 and higher
QQQs, IWM, and SPY, and Mini-SPX Index Options (XSP) (as long as SPDR options (SPY) participate in the Penny Pilot Program)	\$0.01	All prices
Series of VIX Options listed under the Nonstandard Expirations Pilot Program (if the Exchange lists VIX on a group basis pursuant to Rule 4.1[4]3)	\$0.01	All prices
Options on the Dow Jones Industrial Average (DJX), as long as Diamonds options (DIA) participate in the Penny Pilot Program	\$0.01 \$0.05	Lower than \$3.00 \$3.00 and higher
Mini-Options	Same as permitted for standard options on the same security	

\* \* \* \* \*

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

\* \* \* \* \*

(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:

\* \* \* \* \*

### **Penny Cabinet**

A “[p]enny [c]abinet” order is defined in Rule 5.[12]85(h).

\* \* \* \* \*

**Sub-Penny Cabinet**

A “[s]ub-[p]enny [c]abinet” order is defined in Rule 5.[12]85(h).

\* \* \* \* \*

**Rule 5.33. Complex Orders**

Trading of complex orders (as defined in Rule 1.1) is subject to all other Rules applicable to the trading of orders, unless otherwise provided in this Rule 5.33.

(a)-(f) No change.

(g) *Legging Restrictions.* A complex order may execute against orders and quotes in the Simple Book pursuant to subparagraphs (d)(5)(A) and (e) if it can execute in full or in a permissible ratio and if it has no more than a maximum number of legs (which the Exchange determines on a class-by-class basis and may be two, three, or four) (“Legging”), subject to the following restrictions:

(1)-(5) No change.

(6) If the Exchange determines to list SPX or VIX on a group basis pursuant to Rule 4.1[4]3, a complex order consisting of legs in different groups of series in the class may not Leg into the Simple Book. A complex order consisting of legs in the same group of series may Leg, subject to the other restrictions in this paragraph (g).

\* \* \* \* \*

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

\* \* \* \* \*

(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 on a class-by-class basis; however, a User may establish a higher or lower amount than the Exchange default for a class.

\* \* \* \* \*

**Rule 5.36. Order Routing**

\* \* \* \* \*

(d) *Cboe Trading as Outbound Router*. The Exchange routes orders via Cboe Trading, which serves as the Outbound Router of the Exchange, pursuant to Rule 3.[12]63. The Outbound Router routes orders in options listed and open for trading on the Exchange to other options exchanges pursuant to the Rules solely on behalf of the Exchange. The Outbound Router is subject to regulation as a facility of the Exchange, including the requirement to file proposed rule changes under Section 19 of the Exchange Act. Use of Cboe Trading or Routing Services described in paragraph (e) below to route orders to other market centers is optional. Parties that do not desire to use Cboe Trading for routing or other Routing Services provided by the Exchange must designate orders as not available for routing.

\* \* \* \* \*

**Rule 5.37. Automated Improvement Mechanism (“AIM” or “AIM Auction”)**

\* \* \* \* \*

***Interpretations and Policies***

.01 No change.

.02 A pattern or practice of submitting orders or quotes for the purpose of disrupting or manipulating AIM Auctions, including to cause an Auction to conclude before the end of the Auction period, will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule [10]8.1. It will also be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule [10]8.1 to engage in a pattern of conduct where the Initiating TPH breaks up an Agency Order into separate orders for the purpose of gaining a higher allocation percentage than the Initiating TPH would have otherwise received in accordance with the allocation procedures contained in paragraph (e) above.

.03 Rule 5.[12]9 prevents a TPH from executing agency orders to increase its economic gain from trading against the order without first giving other trading interests on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the TPH was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for a TPH to establish a relationship with a Priority Customer or other person to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It would be a violation of Rule 5.[12]9 for a TPH to circumvent that rule by providing an opportunity for (a) a Priority Customer affiliated with the TPH, or (b) a Priority Customer with whom the TPH has an arrangement that allows the TPH to realize similar economic benefits from the transaction as the TPH would achieve by executing agency orders as principal, to regularly execute against agency orders handled by the firm immediately upon their entry as Customer-to-Customer AIM Immediate Crosses pursuant to paragraph (f) of this Rule.



**Rule 5.38. Complex Automated Improvement Mechanism (“C-AIM” or “C-AIM Auction”)**

\* \* \* \* \*

***Interpretation and Policies***

.01 No change.

.02 A pattern or practice of submitting orders or quotes for the purpose of disrupting or manipulating C-AIM Auctions, including to cause a C-AIM Auction to conclude before the end of the C-AIM Auction period, will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule [3]8.1. It will also be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule [3]8.1 to engage in a pattern of conduct where the Initiating TPH breaks up an Agency Order into separate orders for the purpose of gaining a higher allocation percentage than the Initiating TPH would have otherwise received in accordance with the allocation procedures contained in paragraph (e) above.

.03 Rule [22.12]5.9 prevents a TPH from executing agency orders to increase its economic gain from trading against the order without first giving other trading interests on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when a TPH was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for a TPH to establish a relationship with a Priority Customer or other person to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It would be a violation of Rule [22.12]5.9 for a TPH to circumvent such rule by providing an opportunity for (a) a Priority Customer affiliated with the TPH, or (b) a Priority Customer with whom the TPH has an arrangement that allows the TPH to realize similar economic benefits from the transaction as the TPH would achieve by executing agency orders as principal, to regularly execute against agency orders handled by the firm immediately upon their entry as Customer-to-Customer C-AIM Immediate Crosses pursuant to paragraph (f) of this Rule.

\* \* \* \* \*

**Rule 5.50. Market-Maker Appointments**

\* \* \* \* \*

(1) *DPM and LMM Appointments.* The Exchange may designate a class for trading without a DPM or LMM. If the Exchange determines to list SPX or VIX on a group basis pursuant to Rule 4.1[4]3. In addition:

\* \* \* \* \*

**Rule 5.52 Market-Maker Quotes**

\* \* \* \* \*

(d) *Continuous Electronic Quotes*. A Market-Maker must enter continuous electronic bids and offers (in accordance with the requirements in Rules 5.51 and 5.52).

(1) No change.

(2) If a Market-Maker trades more than 20% of the Market-Maker's contract volume electronically in an appointed class during any calendar quarter, commencing the next calendar quarter, a Market-Maker must provide continuous electronic quotes by submitting continuous bids and offers (in accordance with the requirements in Rules 5.51 and 5.52) for 90% of the time the Market-Maker is required to provide electronic quotes in an appointed option class on a given trading day. A Market-Maker must provide continuous quotes in 60% of the series of the Market-Maker's appointed classes, excluding any adjusted series, any intra-day add-on series on the day during which such series are added for trading, any Quarterly Option series, and any series with an expiration of greater than 270 days.

(A)-(E) No change.

(F) If the Exchange lists SPX or VIX on a group basis pursuant to Rule 4.1[4]3 obligations of an SPX or VIX Market-Maker apply on a class basis, except if the Exchange determines to apply obligations on a group basis.

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#### **Rule 5.54. DPMs**

(a) *RTH Obligations*. Each DPM must fulfill all of the obligations of a Market-Maker under the Rules, and must satisfy each of the following requirements in the classes appointed to the DPM. To the extent that there is any inconsistency between the specific obligations of a DPM set forth in this paragraph (a) and the general obligations of a Market-Maker under the Rules, this paragraph (a) governs. Each DPM must comply with the following:

(1) during Regular Trading Hours, provide continuous electronic quotes by submitting continuous bids and offers (in accordance with the requirements in Rules 5.51 and 5.52) in at least the lesser of 99% of the non-adjusted option series or 100% of the non-adjusted option series minus one call-put pair, with the term "call-put pair" referring to one call and one put that cover the same underlying instrument and have the same expiration date and exercise price, in a DPM's appointed classes. A DPM must assure that its disseminated market quotations are accurate.

(A)-(D) No change.

(E) If the Exchange determines to list SPX or VIX on a group basis pursuant to Rule 4.1[4]3, obligations of a DPM with an SPX or VIX appointment, as applicable, 297 apply on a class basis, except if the Exchange determines to apply obligations on a group basis.

(2)-(5) No change.

(6) enter opening quotes for the Regular Trading session within one minute of the initiation of an opening rotation in any series that is not open due to the lack of a quote pursuant to Rule 5.31. In option classes in which both an On-Floor LMM and an Off-Floor DPM or Off-Floor LMM have been appointed, the obligation set forth in this paragraph (a)([7]6) will be that of the Off-Floor DPM or Off-Floor LMM and not on the On-Floor LMM.

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#### **Rule 5.55. LMMs**

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(d) *Group Listing*. If the Exchange determines to list SPX or VIX on a group basis pursuant to Rule 4.1[4]3, obligations of an SPX or VIX Market-Maker designated as a LMM, as set forth in Rule 3.55, apply on a class basis, unless the Exchange determines to apply obligations on a group basis.

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#### **Rule 5.56. PMMs**

\* \* \* \* \*

(c) *Group Listing*. If the Exchange determines to list SPX or VIX on a group basis pursuant to Rule 4.1[4]3, obligations of an SPX or VIX Market-Maker designated as a PMM, as set forth in Rule 3.56, apply on a class basis, unless the Exchange determines to apply obligations on a group basis.

\* \* \* \* \*

#### **Rule 5.83. Availability of Orders**

(a) *Simple Orders*. 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 for manual handling (and open outcry trading). The Exchange may make the following order types, Order Instructions, and Times-in-Force available for PAR routing for manual handling (and open outcry trading):

(1) No change.

(2) *Order Instructions*: AON, Attributable, Minimum Quantity, MTP Modifier, Non-Attributable, Not Held, Penny Cabinet, [and] RTH Only, and Sub-Penny Cabinet.

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

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(h) Cabinet Orders. Cabinet trading is available in each series of option contracts open for trading on the Exchange, except for FLEX Option series and as provided in subparagraph (h)(1) below. Users may only execute cabinet orders on the Exchange's trading floor in open outcry pursuant to Rule 5.85(a). Cabinet orders may only execute after yielding priority to all closing cabinet orders represented by the trading crowd. Cabinet orders include:

(1) Penny Cabinet Order. A “[p]Penny [c]Cabinet” order is a limit order with a price of \$0.01. Penny [c]Cabinet orders are not available in classes with a minimum increment of \$0.01.

(2) Sub-Penny Cabinet Order. A “[s]Sub-[p]Penny [c]Cabinet” order is a limit order with a price less than \$0.01 per contract. Bids and offers for opening transactions are only permitted to accommodate closing transactions. In the case of interest rate options, [s]Sub-[p]Penny [c]Cabinet orders will refer to orders at a price of \$1 per single call or put.

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## **Rule 6.1. Report Transactions to the Exchange**

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(c) *Transaction Record Procedure*. The Exchange has established the following procedure for reporting transactions pursuant to Rule 6.1(a) and (b). For each transaction on the Exchange both the buyer and seller shall immediately record on a card or ticket, or enter in an electronic data storage medium acceptable to the Exchange, (1) the assigned broker initial code and clearing firm (if a Market-Maker); (2) the symbol of the underlying security or index; (3) the type, expiration month, and exercise price of the option contract; (4) the transaction price; (5) the number of contract units comprising the transaction; (6) the time of the transaction obtained from a source designated by the Exchange; (7) the name of the contra Clearing Trading Permit Holder; and (8) the assigned broker initial code of the contra Trading Permit Holder. Such a record shall constitute the “transaction record.” The transaction record for any agency order shall also include the account Capacity, as set forth in paragraph (f) below.

(1) The seller in each transaction, or the buyer if designated by the Exchange, shall also within 90 seconds of the execution submit the transaction report through

an electronic data transmission link approved by the Exchange or, in certain circumstances, by providing a paper form copy to the price [r]Reporting [a]Authority on the Exchange floor.

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**Rule 8.20. Prohibition Against Customers Functioning as Market-Makers**

(a) TPH organizations may neither enter nor permit the entry of priority customer orders into the [Hybrid] System if (1) the orders are limit orders for the account or accounts of the same beneficial owner(s) and (2) the limit orders are entered in such a manner that the beneficial owner(s) effectively is operating as a Market-Maker by holding itself out as willing to buy and sell such securities on a regular or continuous basis.

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